



# Colorado Bridge Enterprise

Annual Financial Statements • Fiscal Years 2012 and 2013



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*Kerri Hunter*  
Deputy State Auditor

*Cindi Radke*  
Legislative Audit Manager

*BKD, LLP*  
Contract Auditors

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December 9, 2013

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the year ended June 30, 2013. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Enterprise as of and for the year ended June 30, 2012 as those financial statements were audited by other auditors.

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

*BKD, LLP*

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**Colorado Bridge Enterprise**  
**June 30, 2013 and 2012**

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# Colorado Bridge Enterprise

## Report Summary

### Year Ended June 30, 2013

#### 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, 2013. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The audit of the Colorado Bridge Enterprise (the Enterprise or the CBE) was performed under authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies. The purpose of the audit was to express an opinion on the financial statements of the Enterprise for the year ended June 30, 2013.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the year ended June 30, 2013, 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*.
- To review the CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2013.
- 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, 2013.

#### 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, 2013.

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, 2013.

#### 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, 2013**

**Significant Audit Adjustments**

There were no proposed audit adjustments identified during the audit.

**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 49.

# **Colorado Bridge Enterprise**

## **Background**

**Year Ended June 30, 2013**

On March 2, 2009, 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. The surcharge is dedicated for Colorado's most deficient bridges based on Federal bridge standards. Revenues from the newly established bridge safety surcharge were phased in over three years, 50 percent of the total surcharge in FY 2009-10, 75 percent in FY 2010-11, and 100 percent in FY 2011-12, and thereafter. The business purpose of the CBE is to finance, repair, and replace any designated bridge in the state.

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

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

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## Independent Auditors' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of and for the year ended June 30, 2013, and statements of revenues, expenses and changes in net position and of cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Members of the Legislative Audit Committee:

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBE as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors***

The financial statements of CBE as of and for the year ended June 30, 2012 were audited by other auditors whose report dated December 14, 2012 expressed unmodified opinions on those statements.

***Emphasis of Matter***

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of CBE are intended to present the net position and changes in financial position and, where applicable, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of CBE. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2013 and 2012 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 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.

Members of the Legislative Audit Committee:

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of CBE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CBE's internal control over financial reporting and compliance.

*BKD, LLP*

Denver, Colorado  
December 9, 2013

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**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

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, 2013 and 2012. The MD&A also informs the reader of the financial issues and activities related to the CBE. It should be read in conjunction with CBE's financial statements.

**Program Overview**

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

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

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

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

**Designated Bridges**

The CBE Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges" within the eligibility criteria established under FASTER. Subsequently, the Board added other bridges bringing the total number eligible to receive FASTER funding to 176 as of June 30, 2013.



**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

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

**Bridge Maintenance Program**

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

**Bridge Completion Status**

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

Nonetheless, CBE made significant progress in FY 2012-13. Approximately 58 percent of the current FASTER eligible bridges are now either in the construction phase or completed. The current status of these 176 FASTER eligible bridges within the program as of June 2013 is shown below:

<u>Project Phase</u>	<u>Number of Bridges</u>
Future projects	22
In design phase	38
In construction phase	20
Projects complete	82
Evaluated, no action at this time	<u>14</u>
Total	176

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

Below is the status, as of June 2013, of the 30 bridges originally identified as most deficient by the Board:

Status	Worst 30
Completed	3
In construction	10
Designed	1
In design	11
Remaining	<u>5</u>
Total	30

The CBE expects to complete the design and reconstruction of the initially designated 30 bridges by the end of calendar year 2015 except for the I-70 viaduct.

**Financing Bridge Projects**

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

**Working Capital Loan**

In May of 2010, the Board via resolution authorized the CBE to secure a short-term loan for purposes of advancing the design, repair, reconstruction and replacement of designated bridges. The CBE executed a \$40 million short-term low interest loan agreement with Bank of America on June 25, 2010. The CBE subsequently retired the debt associated with the \$40 million loan on November 30, 2010 with FASTER revenues collected to date.

**Debt Issuance**

In December 2010, the CBE issued \$300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing project costs. The Board has determined to use the bond proceeds for the construction of 91 of the bridges. These 91 bridges are tracked separately from the total population of designated bridges. The proceeds are expected to fully fund 57 of the projects with 34 projects partially funded with available sources and requiring either a future bond issue or other funding to complete.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2013 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, Wells Fargo Bank, and invested by the State Treasury per written agreements. The CBE has agreed to place with the Trustee, on December 1<sup>st</sup> of each year, an amount equal to the following year's entire debt service 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 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.

On March 1, 2013, an executive order was signed by the President which reduced the federal direct payment by 5.1 percent. The executive order does not affect payments for future years; although there could be additional sequester orders for future payments.

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

**Federal Funds**

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

In FY 2012-13 the Transportation Commission allocated to the CBE \$15 million in federal funds. In FY 2011-12 federal funds allocated totaled \$15 million.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**Highlights of FY 2012-13**

**Prioritization Plan**

The CBE has developed a scoring system whereas both quantitative and qualitative criteria are taken into consideration to determine which FASTER eligible bridge(s) represent the best use of available FASTER funding. Transportation stakeholders (technical, management and policy decision makers) were provided with a survey to identify criteria and weighting system used to develop a scoring worksheet. The scoring worksheet assigns each FASTER eligible bridge with a numerical value that can be compared to other bridges to ensure funding is being directed to the most deserving structure.

**Pilot Preservation Program**

CBE staff in concert with CDOT Staff Bridge developed a "Pilot" Preservation Program. The purpose of the program is to test and document the effectiveness of preservation measures such as deck-washing and waterproofing of exposed concrete surfaces as it relates to extending the useful life of bridges. The plan was subsequently adopted by the CBE Board of Directors including a CDOT/CBE Agreement outlining roles and responsibilities and a \$100,000 budget supplement to fund the program for the first year.

**Accelerated Bridge Construction Techniques**

CBE successfully deployed various Accelerated Bridge Construction (or ABC) techniques on the replacement of five FASTER eligible bridges. These techniques included lateral jacking (slide-in) technology, bridge roll-in using hydraulic screw jacks, lateral bridge slide-in with hydraulic push jacks, and a geosynthetic reinforced soil support system. Additional ABC techniques were used to construct a bridge offsite and tracked the replacement structure into place using self-propelled modular transporters (or SPMTs) to replace the Pecos over I-70 bridge. This was first application of subject innovative ABC techniques by CBE.

**10-Year Bridge Program Plan**

CBE has developed a 10-Year Bridge Program Plan. The 10-Year Bridge Program Plan examines the long-term financial capability of the program as it relates to remaining bond capacity, and projects yearly revenues contrasted with forecasted yearly expenditures. The 10-Year Bridge Program Plan is based upon a cash flow model that recognizes incoming revenues as compared to outgoing expenditures.

**IRS Audit of Bank of America Loan**

The U.S. IRS randomly selected the \$40 million Bank of America loan to be examined to determine compliance with federal tax requirements. In late August 2012, the IRS notified CBE that their examination resulted in a "Notification of No Change Determination" (or no audit findings) and the matter was officially closed.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**CBE Website Improvements**

The CBE website at <http://www.coloradodot.info/programs/BridgeEnterprise> has been updated to include 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 includes the assets, liabilities, and net position, provide information about the CBE assets and liabilities and reflects the financial position of the CBE as of June 30, 2013 and 2012. 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, 2013 and 2012. 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, 2013 and 2012.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**Net Position Analysis**

**Condensed Statements of Net Position**  
**(In Thousands)**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Assets</b>			
Current Assets	\$ 170,818.2	\$ 106,085.4	\$ 47,060.4
Noncurrent Assets	170,515.2	285,236.8	343,016.8
Capital Assets	<u>304,999.4</u>	<u>142,452.8</u>	<u>39,146.9</u>
<b>Total Assets</b>	<b>646,332.8</b>	<b>533,775.0</b>	<b>429,224.1</b>
<b>Liabilities</b>			
Current Liabilities	12,325.7	8,837.8	7,126.3
Long-term Liabilities	<u>300,012.0</u>	<u>300,000.0</u>	<u>300,000.0</u>
<b>Total Liabilities</b>	<b>312,337.7</b>	<b>308,837.8</b>	<b>307,126.3</b>
<b>Net Position</b>			
Net Investment in Capital Assets	124,659.1	79,072.7	33,679.6
Restricted for Debt Service	12,148.2	12,435.6	12,138.5
Unrestricted	<u>197,187.8</u>	<u>133,428.9</u>	<u>76,276.7</u>
<b>Total Net Position</b>	<b><u>\$ 333,995.1</u></b>	<b><u>\$ 224,937.2</u></b>	<b><u>\$ 122,094.8</u></b>

**FY 2012-13 Analysis**

**Assets**

Total assets increased in FY 2012-13 by \$112.6 million.

**Current Assets**

Current assets increased by \$64.7 million in FY 2012-13. The increase was due to increased FASTER and federal revenues, transfer of debt proceeds to be used for construction projects and interest receivable on debt proceeds.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by \$114.7 million primarily due to a decrease in long-term investments of \$114.6 million to partially fund assets under construction which increased by \$92.8 million.

Capital Assets

Completed bridge projects increased by \$162.5 million. 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 as mentioned above.

**Liabilities**

Total liabilities increased by \$3.5 million in FY 2012-13.

Current Liabilities

The entire \$3.5 million was attributable to an increase of current accounts payable. Amounts were accrued for bridge project costs and retainage on project contracts as well as debt interest payable at year-end.

Noncurrent Liabilities

Noncurrent liabilities increased by \$12,000 in FY 2012-13. The increase in noncurrent liabilities is due to assignment of employees to provide assistance to CBE.

**Net Position**

Total net position increased by \$109 million in FY 2012-13. Of this amount, the CBE has restricted \$12.1 million for payment of debt service in the following year. Also \$124.7 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

**FY 2011-12 Analysis**

**Assets**

Total assets increased in FY 2011-12 by \$104.6 million.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

Current Assets

Current assets increased by \$59.0 million in FY 2011-12. The increase was due to increased FASTER and federal revenues, transfer of debt proceeds to be used for construction projects and interest receivable on debt proceeds.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by \$57.8 million primarily due to a decrease in long-term investments of \$57.7 million to partially fund assets under construction which increased by \$73.4 million.

Capital Assets

Completed bridge projects increased by \$28 million. 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 the \$73.4 million mentioned above.

**Liabilities**

Total liabilities increased by \$1.7 million in FY 2011-12.

Current Liabilities

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

**Net Position**

Total net position increased by \$102.8 million in FY 2011-12. Of this amount, the CBE has restricted \$12.4 million for payment of debt service in the following year. Also \$79.1 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction-in-progress. The remainder of the net position is unrestricted.

**FY 2010-11 Analysis**

**Assets**

Total assets increased in FY 2010-11 by \$342.0 million.



**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

Current Assets

Current assets decreased by \$38.1 million in FY 2010-11. The decrease was primarily due to investing in short-term loan proceeds with Colorado State Treasury to participate in the State Investment Pool. These investments are predominately long-term in nature but immediate liquidity is ensured.

Noncurrent Assets

Noncurrent assets, excluding capital assets, increased by \$341.1 million primarily due to invested bond and loan proceeds. The \$340.0 million received was placed with Wells Fargo Bank as trustee. The trustee entered into an investment agreement with the Colorado State Treasury to participate in the State Investment Pool. These investments are predominately long-term in nature but immediate liquidity is ensured. A portion of debt issuance costs in the amount of \$1.8 million was also deferred and recorded as a noncurrent asset.

Capital Assets

Capital assets also increased with construction in progress, net of bond proceeds used to date of \$34 million. The total 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.

Transferred bridges, as well as one completed bridge, were capitalized in FY 2010-11. The amount recorded, net of depreciation, was \$4.1 million. Also recorded was highway right of way land valued at \$1 million.

**Liabilities**

Total liabilities increased by \$266.9 million in FY 2010-11.

Current Liabilities

Current liabilities decreased by \$33.1 million primarily because of the repayment of the short-term \$40 million loan with FASTER revenues collected. This decrease was offset by an accounts payable increase of \$6.9 million. Of this amount, \$5.2 million was accrued for bridge project costs and retainage on project contracts. The remainder of the increase includes \$1.5 million accrued for June debt interest and small amounts due for program management.

Noncurrent Liabilities

Noncurrent liabilities increased by \$300 million which was the amount of debt issuance in FY 2010-11.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**Net Position**

Total net position for the Colorado Bridge Enterprise is \$122.1 million including the unrestricted net position from the previous year of \$47.0 million.

Net position increased by \$75.1 million in FY 2010-11. Of this amount, the CBE has restricted \$12.1 million for payment of debt service in the following year. Also \$33.7 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

**Revenue and Expense Analysis**

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Operating Revenues</b>			
FASTER Revenues	\$ 92,839.5	\$ 90,394.8	\$ 66,964.8
Federal Revenues	15,421.4	15,829.7	11,447.2
Other Revenues	598.3	276.0	113.3
<b>Total Operating Revenues</b>	<b>108,859.2</b>	<b>106,500.5</b>	<b>78,525.3</b>
<b>Operating Expenses</b>			
Salaries and Benefits	180.0	-	-
Program Management	1,454.0	1,447.8	1,442.7
Bridge Operations and Maintenance	193.1	244.5	171.6
Depreciation Expense	830.1	288.1	48.5
<b>Total Operating Expenses</b>	<b>2,657.2</b>	<b>1,980.4</b>	<b>1,662.8</b>
<b>Operating Income</b>	<b>106,202.0</b>	<b>104,520.1</b>	<b>76,862.5</b>
Net Nonoperating Revenues (Expenses)	2,855.9	(1,680.7)	(1,721.8)
<b>Change in Net Position</b>	<b>109,057.9</b>	<b>102,839.4</b>	<b>75,140.7</b>
Net Position, July 1	224,937.2	122,097.8	46,957.1
<b>Net Position, June 30</b>	<b>\$ 333,995.1</b>	<b>\$ 224,937.2</b>	<b>\$ 122,097.8</b>

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**FY 2012-13 Analysis**

**Revenues**

Total operating revenues increased by \$2.36 million in FY 2012-13.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from \$13 to \$32 depending on the type and weight of the vehicle. As the program was established, the surcharge was to be phased in over three years. As FY 2012-13 represents the fourth full year of collection, 100 percent of the total fee is applied and FASTER revenues increased by \$2.4 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects also increased by nearly \$300 million.

The CBE received federal funds from federal highway revenues directed to the CBE. The decrease in federal highway revenues was \$408,321 over the previous year. This decrease was due to the federal sequester which reduced the Build America Bonds (BABs) subsidy for the 2010A bonds.

**Expenses**

Total operating expenses increased by \$676,808. The majority of the increase was \$541,998 in depreciation expense as additional bridges were capitalized and depreciated. In FY 2012-2013 two employees were assigned to CBE and the expenses associated with the assigned employees were separated from bridge operations and maintenance and classified as salary and benefits. The assignment of the two employees resulted in a decrease of \$54,403 in FY 2012-13 for bridge operations and maintenance from FY 2011-12 and this amount moved to a separate salary and benefits line.

**Nonoperating Revenues (Expenses)**

Net nonoperating expenses increased by \$4.5 million.

The BABs subsidy was decreased by \$277,613 which was offset by FASTER revenues. Interest expense decreased by \$8.0 million during FY 2012-13 while net investment income also decreased by \$3.1 million.

**Change in Net Position**

The effect of these changes was an increase in net position in the amount of \$109.1 million.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**FY 2011-12 Analysis**

**Revenues**

Total operating revenues increased by \$28.0 million in FY 2011-12.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. As the program was established, the surcharge was to be phased in over three years. As FY 2011-12 represents the third full year of collection, 100 percent of the total fee is applied. Primarily because of this phase-in process, FASTER revenues increased by \$23.4 million. Other operating revenues received from local governments as matching funds for construction projects also increased by \$200,000.

The CBE received federal funds from federal highway revenues directed to the CBE. The increased amount was \$4.4 million over the previous year.

**Expense**

Total operating expenses increased by \$317,667. The majority of the increase was \$239,627 in depreciation expense as additional bridges were capitalized and depreciated.

Of the total operating expenses, \$244,468 represented costs paid to CDOT for operations and maintenance on completed bridges owned by the CBE. These costs are expected to grow as the CBE continues to meet its obligation to repair and reconstruct designated bridges.

**Nonoperating Revenues (Expenses)**

Net nonoperating expenses decreased by \$41,018.

This change was due to debt service expense of \$4.4 million offset by a BABs subsidy of \$3.4 million. CBE also received increased interest income on debt proceeds and invested cash of \$2.4 million over the previous year. No new capital contributions were made to the CBE in FY 2011-12.

**Change in Net Position**

The net outcome of these transactions was an increase in net position in the amount of \$102.8 million.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**FY 2010-11 Analysis**

**Revenues**

Total operating revenues increased by \$33.4 million in FY 2010-11.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. As the program was established, the surcharge was to be phased in over three years. In FY 2010-11, 75 percent of the total fee is applied. Primarily because of this phase-in process, FASTER revenues increased by \$23.2 million.

The CBE received federal funds both from the BABs subsidy and from Federal Highway revenues directed to CBE. The increased amount was \$10.1 million over the previous year. Other revenues come from local governments for individual bridge construction projects beginning in FY 2010-11.

**Expense**

Total operating expenses increase by \$1.3 million from FY 2010-11 to FY 2011-12.

Program management costs increased by \$1.2 million as the expenses for bridge construction and design were allocated to projects and as the Colorado Bridge Enterprise consultant was hired. Depreciation expense for bridges added as capital assets occurred for the first time.

**Nonoperating Revenues (Expenses)**

The change in net nonoperating revenues (expenses) was negative by \$2.1 million.

This change was due to debt service expense of \$9.5 million offset by a Build America Bonds subsidy of \$2.9 million. CBE also received increased interest income on debt proceeds of \$3.1 million over the previous year. Finally, the depreciated value of bridges transferred to the program in the amount of \$1.4 million was recorded.

**Interagency Transfers**

An interfund transfer of \$1.1 million from the Department of Transportation to the Colorado Bridge Enterprise occurred in 2010 to cover short term cash flow needs until sufficient surcharge revenues were received. No additional amount was needed in FY 2010-11.

**Change in Net Position**

The net outcome of these transactions was a change in net position in the amount of \$75.4 million.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**Capital Assets and Debt Administration**  
**(In Thousands)**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
Bridges	\$ 92,996.1	\$ 32,194.8	\$ 4,113.3
Capital Assets Not Being Depreciated	<u>212,003.3</u>	<u>110,258.0</u>	<u>35,033.6</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b><u>\$ 304,999.4</u></b>	<b><u>\$ 142,452.8</u></b>	<b><u>\$ 39,146.9</u></b>

In FY 2012-13, assets under construction increased by \$101.7 million due to the large number of construction projects initiated during the fiscal year. Capital assets increased by \$60.8 million due to the completion of Bridge projects, thus the total increase in assets are \$162.5 million. Capital additions were offset by current year depreciation of \$.8 million.

**Debt Outstanding**

The long-term portion of the Bond debt remained \$300 million in FY 2012-13. Principal payments do not begin until December 2025.

**Contingencies**

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

The FASTER lawsuit hearing occurred on May 13<sup>th</sup> and 14<sup>th</sup>, 2013 in Denver District Court. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE on July 19, 2013. The State Attorney General's office expects the TABOR Foundation to appeal this decision.

**Colorado Bridge Enterprise**  
**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2013 and 2012**

**Subsequent Event**

The north-central/northeast corner of Colorado experienced severe flooding in early September 2013. CBE and CDOT are currently assessing damages to on-system (State owned) bridges that may now be eligible to receive FASTER funding. The exact number of bridges damaged and the appropriate corrective action (repair vs. replace) is yet to be fully quantified, and therefore the financial impact cannot be accurately estimated as of the date of the auditor's report. The CBE's financial liability is projected to be minimal as the federal government is expected to cover 75 to 100 percent of subject repair/replacement costs in addition to funds supplemented by CDOT.

**Financial Contact**

If you have questions about this report please contact:

Colorado Bridge Enterprise  
4201 East Arkansas Avenue  
Denver, Colorado 80222

Attn: Kay Hruska

**Colorado Bridge Enterprise**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Assets</b>		
Current assets:		
Cash and pooled cash investments	\$ 162,399,741	\$ 97,050,892
Receivables, net of allowance	8,158,638	8,070,547
Intergovernmental receivables	256,791	962,420
Prepaid items	<u>3,083</u>	<u>1,542</u>
Total current assets	170,818,253	106,085,401
Noncurrent assets:		
Long-term investments	168,841,640	283,478,367
Deferred debt issuance costs, net	1,673,496	1,758,427
Capital assets not being depreciated	212,003,296	110,258,067
Bridges, net of accumulated depreciation	<u>92,996,134</u>	<u>32,194,777</u>
Total noncurrent assets	<u>475,514,566</u>	<u>427,689,638</u>
<b>Total assets</b>	<b><u>646,332,819</u></b>	<b><u>533,775,039</u></b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<u>12,325,650</u>	<u>8,837,789</u>
Total current liabilities	12,325,650	8,837,789
Noncurrent Liabilities:		
Long term debt	300,000,000	300,000,000
Compensated absences	<u>12,087</u>	<u>-</u>
Total noncurrent liabilities	<u>300,012,087</u>	<u>300,000,000</u>
<b>Total liabilities</b>	<b><u>312,337,737</u></b>	<b><u>308,837,789</u></b>
<b>Net Position</b>		
Net investment in capital assets	124,659,094	79,072,728
Restricted for debt service	12,148,189	12,435,623
Unrestricted	<u>197,187,799</u>	<u>133,428,899</u>
<b>Total net position</b>	<b><u>\$ 333,995,082</u></b>	<b><u>\$ 224,937,250</u></b>



**Colorado Bridge Enterprise**  
**Statements of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Years Ended June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Operating Revenues</b>		
FASTER revenues	\$ 92,839,475	\$ 90,394,790
Federal revenues	15,421,421	15,829,742
Other operating revenues	<u>598,310</u>	<u>276,043</u>
<b>Total operating revenues</b>	<b>108,859,206</b>	<b>106,500,575</b>
<b>Operating Expenses</b>		
Salaries and benefits	180,045	-
Program management	1,454,047	1,447,879
Bridge operations and maintenance expense	193,065	244,468
Depreciation expense	<u>830,109</u>	<u>288,111</u>
<b>Total operating expenses</b>	<b>2,657,266</b>	<b>1,980,458</b>
<b>Operating income</b>	<b><u>106,201,940</u></b>	<b><u>104,520,117</u></b>
<b>Nonoperating Revenues (Expenses)</b>		
Build American Bonds subsidy	6,104,287	6,381,900
Other nonoperating expenses	(84,930)	(61,880)
Investment income, net	2,784,639	5,912,517
Interest expense	<u>(5,948,104)</u>	<u>(13,913,279)</u>
<b>Net nonoperating revenues (expenses)</b>	<b>2,855,892</b>	<b>(1,680,742)</b>
<b>Change in Net Position</b>	<b>109,057,832</b>	<b>102,839,375</b>
Net Position, Beginning of the Year	<u>224,937,250</u>	<u>122,097,875</u>
<b>Net Position, End of the Year</b>	<b><u>\$ 333,995,082</u></b>	<b><u>\$ 224,937,250</u></b>

**Colorado Bridge Enterprise**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from users and grants	\$ 109,349,920	\$ 105,990,917
Cash payment for salaries and benefits	(142,454)	-
Cash payments to contractors and suppliers of goods and services	(1,648,654)	(1,472,604)
	<b>107,558,812</b>	<b>104,518,313</b>
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Capital Financing Activities</b>		
Interest subsidy received	6,104,287	6,381,900
Acquisition and construction of capital assets	(147,628,442)	(97,849,125)
Interest paid on capital debt	(18,234,000)	(18,167,996)
	<b>(159,758,155)</b>	<b>(109,635,221)</b>
<b>Net cash used by noncapital financing activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of investments and related fees	(24,132,914)	(23,830,522)
Proceeds from sales and maturities of investments	138,769,644	81,548,678
Investment income	2,911,462	6,083,162
	<b>117,548,192</b>	<b>63,801,318</b>
<b>Net cash provided by investing activities</b>		
Net increase in cash and cash equivalents	65,348,849	58,684,410
Cash and cash equivalents, beginning of period	97,050,892	38,366,482
	<b>\$ 162,399,741</b>	<b>\$ 97,050,892</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Operating Income</b>	<b>\$ 106,201,940</b>	<b>\$ 104,520,117</b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	830,109	288,111
Changes in assets and liabilities:		
Receivables, net	(214,914)	(1,486,196)
Intergovernmental receivables	705,628	976,538
Prepaid expense	(1,542)	(1,542)
Accounts payable and accrued liabilities	37,591	221,285
	<b>\$ 107,558,812</b>	<b>\$ 104,518,313</b>
<b>Net cash provided by operating activities</b>		
<b>Noncash Investing, Capital and Financing Activities</b>		
Contributed capital	\$ -	\$ -
Amortization of deferred debt issuance costs	\$ 84,930	\$ -
Acquisition of capital assets, on account	\$ 10,425,765	\$ -

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# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

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

##### **Nature of Operations**

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

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

##### **Basis of Accounting and Presentation**

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

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

The basic financial statements of the CBE present the financial position, results of operations, and cash flows for only the Enterprise. They do not purport to, and do not present, the financial position of CDOT as of June 30, 2013 and 2012 or the results of operations, or cash flows where applicable, for the year then ended.

##### **Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

#### **Cash and Pooled Cash Investments**

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

#### **Receivables**

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

#### **Capital Assets**

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

#### **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, 2013 and 2012 was \$18,234,000 and \$18,167,995, respectively. Interest expense capitalized during the years ended June 30, 2013 and 2012 were \$12,285,896 and \$4,254,716, respectively.

#### **Other Long-term Assets**

Deferred debt issuance costs are recorded as other long-term assets and amortized over the life of the debt issuance using the straight-line method.

#### **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 5.

# Colorado Bridge Enterprise

## Notes to Financial Statements

### June 30, 2013 and 2012

#### **Compensated Absences**

Employees of the 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 are 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.

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Application of Restricted and Unrestricted Resources**

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

**NOTE 2 – CASH ON DEPOSIT WITH THE STATE TREASURER**

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

For financial reporting purposes all of the Treasurer’s investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the CBE’s participation in the State Treasurer’s Pool (Pool), the CBE reports 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 the Treasurer’s pool may be obtained in the State of Colorado’s Comprehensive Annual Financial Report.

As of June 30 the cash balances were as follows:

	<b>2013</b>	<b>2012</b>
Cash on deposit with State Treasurer	\$ 162,130,244	\$ 95,706,680
State Treasurer pooled cash investments - unrealized gain	269,497	1,344,212
<b>Total</b>	<b>\$ 162,399,741</b>	<b>\$ 97,050,892</b>

On June 30, 2013, the total of \$162.4 million is approximately 2.2 percent of the total \$7.3 billion fair value of deposits in the Pool. On June 30, 2012 the total of \$97.0 million was approximately 1.5 percent of the total \$6.5 billion fair value of deposits in the Pool.

# Colorado Bridge Enterprise

## Notes to Financial Statements

### June 30, 2013 and 2012

#### NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2013 and 2012 in the amount of \$168,841,640 and \$283,478,367, respectively. These amounts represent debt proceeds held by CBE's trustee, Wells Fargo Bank. The Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2013 and 2012, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2013 and 2012, approximately 88.5 percent and 89.0 percent, respectively, of investments of the Treasurer's Pool are subject to credit quality risk reporting. In 2013, except for \$41,074,270 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0 percent of the Pool), 1.32 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool). As of June 30, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), .0803 years for U.S. Government Securities (75.2 percent of the Pool), 2.379 years for Asset-Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).



**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

The Treasurer’s Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2012-13 and 2011-12.

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, 2013.

**NOTE 4 – ACCOUNTS RECEIVABLE**

The 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. As of June 30, 2013 and 2012, CBE had a \$569 allowance of uncollectable accounts.

The 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 Wells Fargo Bank acting as trustee and invested for the trustee by the Colorado State Treasury per an investment agreement. Interest due on the balance at June 30, 2013 is recorded by CBE.

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

	<b>2013</b>	<b>2012</b>
FASTER revenues receivable	\$ 8,010,299	\$ 7,801,374
Trustee interest receivable	142,350	269,173
Other receivable	5,989	-
<b>Total accounts receivable (net)</b>	<b>\$ 8,158,638</b>	<b>\$ 8,070,547</b>

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

	<b>2013</b>	<b>2012</b>
Federal government receivable	\$ 248,291	\$ 573,420
Local government receivable	8,500	388,950
<b>Total intergovernment receivable</b>	<b>\$ 256,791</b>	<b>\$ 962,370</b>

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>2013</b>	<b>2012</b>
Accrued interest expense on debt issuance	\$ 1,519,500	\$ 1,519,500
Retainage payable	1,744,487	1,305,913
Accrued compensation payable	380,157	354,881
Accrued project costs payable	8,678,611	5,657,495
Other payables	2,895	-
<b>Total accrued liabilities</b>	<b>\$ 12,325,650</b>	<b>\$ 8,837,789</b>

**NOTE 6 – CAPITAL ASSETS**

By the end of FY 2012-13, as a result of construction projects, a total of 24 bridges have been capitalized. They are depreciated using straight-line methodology over a useful life of 75 years. Costs capitalized include all expenses directly associated with the construction of the asset.

A summary of changes in capital assets is as follows for the years ended June 30, 2013 and June 30, 2012:

	<b>Balance at June 30, 2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance at June 30, 2013</b>
Capital assets, not being depreciated					
Land	\$ 2,897,091	\$ 33,330	\$ -	\$ 5,990,455	\$ 8,920,876
Assets under construction	107,360,976	163,343,364	-	(67,621,920)	203,082,420
Total capital assets, not being depreciated	110,258,067	163,376,694	-	(61,631,465)	212,003,296
Capital assets, being depreciated					
Bridges	32,531,372	-	-	61,631,465	94,162,837
Accumulated depreciation	(336,595)	(830,108)	-	-	(1,166,703)
Total capital assets, being depreciated, net	32,194,777	(830,108)	-	61,631,465	92,996,134
Capital assets, net	\$142,452,844	\$162,546,586	\$ -	\$ -	\$304,999,430

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

	<b>Balance at June 30, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Balance at June 30, 2012</b>
Capital assets, not being depreciated					
Land	\$ 1,048,072	\$ -	\$ -	\$ 1,849,019	\$ 2,897,091
Assets under construction	33,985,560	103,594,063	-	(30,218,647)	107,360,976
Total capital assets, not being depreciated	<u>35,033,632</u>	<u>103,594,063</u>	<u>-</u>	<u>(28,369,628)</u>	<u>110,258,067</u>
Capital assets, being depreciated					
Bridges	4,161,744	-	-	28,369,628	32,531,372
Accumulated depreciation	(48,484)	(288,111)	-	-	(336,595)
Total capital assets, being depreciated, net	<u>4,113,260</u>	<u>(288,111)</u>	<u>-</u>	<u>28,369,628</u>	<u>32,194,777</u>
Capital assets, net	<u>\$ 39,146,892</u>	<u>\$103,305,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$142,452,844</u>

**NOTE 7 – COMMITMENTS**

The CBE had outstanding commitments for construction at the end of FY 2012-13 in the amount of \$87,424,247.

**NOTE 8 – LONG TERM LIABILITIES**

The CBE has recorded debt for the years ended June 30, 2013 and June 30, 2012 as follows:

	<b>Balance at June 30, 2012</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance at June 30, 2013</b>	<b>Amount Due Within One Year</b>
Bridge Enterprise Revenue Bonds	\$300,000,000	\$ -	\$ -	\$300,000,000	\$ -
	<u>\$300,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$300,000,000</u>	<u>\$ -</u>
	<b>Balance at June 30, 2011</b>	<b>Issuances</b>	<b>Retirements</b>	<b>Balance at June 30, 2012</b>	<b>Amount Due Within One Year</b>
Bridge Enterprise Revenue Bonds	\$300,000,000	\$ -	\$ -	\$300,000,000	\$ -
	<u>\$300,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$300,000,000</u>	<u>\$ -</u>

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

On December 10, 2010, the CBE issued \$300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing the project costs. The CBE currently anticipates that all or a portion of the construction and/or design costs related to the 91 bridge projects identified for the bond program will be financed or refinanced with a portion of the proceeds of the Series 2010A Bonds. The Series 2010A Bonds were issued as taxable, Build America Bonds, as authorized by the federal American Recovery and Reinvestment Act. Pursuant to the Act, the CBE expects to receive federal direct payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010A Bonds. The Bonds were issued with a coupon rate of 6.078 percent but with the federal subsidy, the net interest cost of the Bonds for the CBE is approximately 3.97 percent.

On March 1, 2013, an executive order was signed by the President which reduced the federal direct payment by 5.1 percent for the federal fiscal year ended September 30, 2013. The executive order does not affect payments for future years; although there could be additional sequester orders for future payments.

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, 2013 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, Wells Fargo Bank, and invested by the State Treasury per written agreement.

The primary source of revenues to repay the debt obligations comes from bridge surcharges as defined in statute and from the Build America Bond subsidy. 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.

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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

**Colorado Bridge Enterprise Series 2010A Bonds**

<b>Fiscal Year</b>	<b>Interest Due</b>	<b>Principal Due</b>	<b>Less BAB Subsidy</b>	<b>Net Debt Service Payment</b>
2014	\$ 18,234,000	\$ -	\$ 6,381,900	\$ 11,852,100
2015	18,234,000	-	6,381,900	11,852,100
2016	18,234,000	-	6,381,900	11,852,100
2017	18,234,000	-	6,381,900	11,852,100
2018	18,234,000	-	6,381,900	11,852,100
2019 to 2023	91,170,000	-	31,909,500	59,260,500
2024 to 2028	87,334,478	42,820,000	30,567,067	99,587,411
2029 to 2033	65,844,494	83,670,000	23,045,573	126,468,921
2034 to 2038	37,728,425	101,945,000	13,204,949	126,468,476
2039 to 2042	6,639,151	71,565,000	2,323,703	75,880,448
<b>Total payments</b>	<b>\$ 379,886,548</b>	<b>\$ 300,000,000</b>	<b>\$ 132,960,292</b>	<b>\$ 546,926,256</b>

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

**NOTE 9 – AVAILABILITY OF FEDERAL FUNDS**

Although the Transportation Commission adopted resolution TC-1925 in November 2010 expressing its intent to annually consider allocating and transferring from CDOT to the CBE \$15 million of eligible federal funds, the Transportation Commission is not obligated to make such transfers. The decision whether or not to allocate and transfer such federal funds will be made on an annual basis and will be in the sole discretion of the Transportation Commission. Such decision may be affected by the amounts of such federal funds that are available to CDOT in the future, which may be adversely impacted by federal budgeting and appropriation constraints or changes in federal law. There is no assurance that such federal funds will be available in future years to pay costs associated with designated bridge projects or to pay debt service on the Series 2010A Bonds. For the years ended June 30, 2013 and 2012, \$15,000,000 was allocated and transferred to the CBE.

# Colorado Bridge Enterprise

## Notes to Financial Statements

### June 30, 2013 and 2012

#### NOTE 10 – PENSION PLANS

##### A. Plan Description

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

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

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

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.

# Colorado Bridge Enterprise

## Notes to Financial Statements

### June 30, 2013 and 2012

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

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

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

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

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

# Colorado Bridge Enterprise

## Notes to Financial Statements

### June 30, 2013 and 2012

- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

#### **B. Funding Policy**

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

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

From July 1, 2012 to December 31, 2012, the State contributed 15.65 percent (18.35 percent for State troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2013 through June 30, 2013, the State contributed 16.55 percent (19.25 percent for State troopers and 17.36 percent for the Judicial Branch). During all of FY 2012-13, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2012, the division of PERA in which the State participates has a funded ratio of 59.2 percent and a 53-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

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



# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

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

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

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

The CBE contributions to PERA and/or the State defined contribution plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$568,697, \$413,719 and \$264,268, respectively. These contributions met the contribution requirement for each year.

#### **NOTE 11 – OTHER RETIREMENT PLANS**

##### **Defined Contribution Plan**

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over five years. Participants in the plan are required to contribute 8 percent (10 percent for State troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for State Troopers) effective in Fiscal Years 2010-11 and 2011-12 expired on July 1, 2012. At December 31, 2012, the plan had 4,362 participants.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

#### **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 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution on rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2012, for total contributions of \$22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 participants.

#### **NOTE 12 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS**

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

#### **NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE**

##### **Health Care Plan**

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **June 30, 2013 and 2012**

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 10. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. CBE contributed \$38,415, \$36,184, and \$24,587 as required by statute in Fiscal Years 2012-13, 2011-12, and 2010-11, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

#### **NOTE 14 – RISK MANAGEMENT**

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

#### **NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS**

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

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**NOTE 16 – CONTINGENT LIABILITY**

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

The FASTER lawsuit occurred on May 13, 2013 and May 14, 2013. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE. The State Attorney General's office expects the TABOR Foundation will appeal this decision.

**NOTE 17 – ADOPTION OF ACCOUNTING PRINCIPLE**

During Fiscal Year 2013, the Enterprise adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position (previously "net assets") in a statement of net position (previously "statement of net assets") and related disclosures. GASB 63 also changes the caption "Invested in capital assets, net of related debt" to "Net investment in capital assets" in the Statement of Net Position. Adoption of GASB 63 had no effect on the Enterprise's beginning net position as of July 1, 2012 or on the change in net position for the year ended June 30, 2013.

**NOTE 18 – SUBSEQUENT EVENT**

The north-central/northeast corner of Colorado experienced severe flooding in early September 2013. CBE and CDOT are currently assessing damages to on-system bridges that may now be eligible to receive FASTER funding. The exact number of bridges damaged and the appropriate corrective action (repair vs. replace) is yet to be fully quantified, and therefore the financial impact cannot be accurately estimated as of the date of the auditor's report. The CBE's financial liability is projected to be minimal as the federal government is expected to cover 75 to 100 percent of subject repair/replacement costs in addition to funds supplemented by CDOT.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the basic financial statements as of and for the year ended June 30, 2013 and have issued our report thereon dated December 9, 2013.

***Internal Control Over Financial Reporting***

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Members of the Legislative Audit Committee:

### ***Compliance***

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

### ***Purpose of this Report***

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

**BKD, LLP**

Denver, Colorado  
December 9, 2013

## Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the year ended June 30, 2013, we wish to communicate the following to you.

### AUDIT SCOPE AND RESULTS

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

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in OMB Circular A-133 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 audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### **Significant Accounting Policies**

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



Members of the Legislative Audit Committee

### Alternative Accounting Treatments

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

- No matters are reportable

### Management Judgments and Accounting Estimates

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

- Useful lives of capital assets

### 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:

- Contingent liability
- Subsequent event

### Audit Adjustments

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

Areas in which adjustments were proposed include:

#### Proposed Audit Adjustments Recorded

- No matters are reportable

#### Proposed Audit Adjustments Not Recorded

- No matters are reportable

Members of the Legislative Audit Committee

### **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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* for the fiscal year ended June 30, 2013

### **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:

- Disclosure of the amortization period for the health care trust fund unfunded actuarial accrued liability
- Disclosure of subsequent event

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**Difficulties Encountered in Performing the Audit**

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

- No matters are reportable

**Other Material Written Communications**

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

- Management representation letter

\* \* \* \* \*

This information is intended solely for the 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  
December 9, 2013

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