

# COLORADO BRIDGE ENTERPRISE

Annual Financial Statements  
Fiscal Year 2012



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**Members of the Legislative Audit Committee:**

We have completed the financial statement audit of the Colorado Department of Transportation's Bridge Enterprise as of and for the year ended June 30, 2012. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Section 2-3-104, C.R.S., which authorizes the State Auditor to audit the Bridge Enterprise. The audit is required in order to meet the requirements of financing sources. The reports we have issued as a result of this engagement are set forth in the table of contents which follows.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
December 14, 2012

**Colorado Bridge Enterprise  
Financial Statements  
June 30, 2012 and 2011**

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**COLORADO BRIDGE ENTERPRISE**  
**REPORT SUMMARY**  
**Years Ended June 30, 2012 and 2011**

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**Purposes and Scope of Audit**

*Authority, Purpose and Scope*

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen LLP to conduct the financial audit of the Colorado Bridge Enterprise for the fiscal year ended June 30, 2012. The audit of the Colorado Bridge Enterprise (the Enterprise) was performed under authority of Section 2-3-103, C.R.S., which requires the State Auditor to conduct an annual audit of the Enterprise Fund. The purpose of the audit was to express opinions on the financial statements of the Enterprise for the year ended June 30, 2012.

CliftonLarsonAllen LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

The purposes and scope of this audit were:

- To express opinions on the financial statements of the Enterprise as of and for the year ended June 30, 2012, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.
- To review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2012.

**Summary of Major Audit Comments**

*Audit Findings and Financial Statement Audit Report Section*

The audit resulted in no auditor's findings and recommendations.

**COLORADO BRIDGE ENTERPRISE**  
**REPORT SUMMARY**  
**Years Ended June 30, 2012 and 2011**

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**Audit Opinions and Reports**

The independent auditor's reports, included herein, state that the financial statements of the Enterprise are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and that no material weaknesses in internal controls were discovered during the course of 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 39.

**Summary of Progress in Implementing Prior Year Audit Recommendations**

There were no prior year audit recommendations.

**COLORADO BRIDGE ENTERPRISE**  
**BACKGROUND**  
**Years Ended June 30, 2012 and 2011**

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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 (CBE) and also authorized a new bridge safety surcharge fee. This 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% of the total surcharge in FY 2009-10, 75% in FY 2010-11 and 100% in FY 2011-12, and thereafter. The business purpose of the Enterprise 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 Bridge Enterprise director and, per resolution, 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.

## Independent Auditor's Report

Members of the Legislative Audit Committee

We have audited the basic financial statements of the Colorado Bridge Enterprise, an enterprise fund of the State of Colorado, Department of Transportation, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Colorado Bridge Enterprise's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colorado Bridge Enterprise's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements of the Colorado Bridge Enterprise are intended to present the financial position, results of operations and cash flows for only that portion of the financial reporting entity, the State of Colorado, Department of Transportation, that is attributable to the transactions of the Colorado Bridge Enterprise. They do not purport to, and do not present fairly, the financial position of the State of Colorado, Department of Transportation as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Bridge Enterprise as of June 30, 2012 and 2011, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of the Colorado Bridge Enterprise's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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. However, we did not audit the information and express no opinion on it.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
December 14, 2012

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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Management's Discussion and Analysis (MD&A) was prepared by the Colorado Bridge Enterprise (CBE) and is designed to provide an analysis of the CBE's financial condition and operating results for the fiscal years ended June 30, 2012 and 2011. 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, 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% of the total surcharge in FY 2009-10, 75% in FY 2010-11 and 100% 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, per resolution, 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 160 as of June 30, 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.

# Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011

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The CBE reimburses CDOT quarterly 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 still currently within the preconstruction phase where the primary focus is completion of the plans, specifications and estimates. 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). Per the current program schedule, construction work increased significantly in the later part of FY 2011-12 and is to increase.

Nonetheless, CBE made significant progress in FY 2011-12. Approximately 48% of the current FASTER eligible bridges are now either in the construction phase or completed. The current status of these 160 FASTER eligible bridges within the program as of June 2012 is shown below:

Project Phase	Number of Bridges
Future Projects	32
In Design Phase	45
In Construction Phase	26
Projects Complete	51
Evaluated, No action at this time	6
<b>Total</b>	<b>160</b>

Below is the status, as of June 2012, of the 30 bridges identified as most deficient by the Board:

Status	Worst 30
Completed	8
In Construction	9
Designed	5
In Design	4
Remaining	4
<b>Total</b>	<b>30</b>

The CBE expects to complete the design and reconstruction of the initially designated 30 bridges by the end of calendar year 2017 except for the I-70 viaduct.

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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## **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 73 of the bridges. These 73 bridges are tracked separately from the total population of designated bridges. The proceeds are expected to fully fund 50 of the projects with 23 projects partially funded with available sources and requiring either a future bond issue or other funding to complete.

The proceeds of debt issuance are recorded as long term debt in the financial statements with interest payable as of June 30, 2012 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 as authorized by the federal American Recovery and Reinvestment Act. Pursuant to the Recovery Act, the CBE expects to receive federal direct payments from the United States Treasury equal to 35% of the interest payable on the Series 2010A Bonds. 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 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.

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

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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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 2011-12 the Transportation Commission allocated to the CBE \$15 million in federal funds. In FY 2010-11 federal funds allocated totaled \$14.4 million.

## **Highlights of FY 2011-12**

- **Highways for Life Grant Award**

The CBE and CDOT applied for a Federal Highway Administration (FHWA) Highways for Life (HfL) Grant with the Pecos Street Bridge over I-70 as the candidate project. The project was selected to receive a \$3.76 million HfL Grant. Per the press release from U.S. Transportation Secretary Ray LaHood, there were over 1,800 applications, and the Pecos Street bridge was one of only two projects selected.

- **Project Reporting**

The CBE is committed to not only tracking program performance but also to ensuring transparency through periodic program reporting. Beginning with the 4<sup>th</sup> quarter of FY 2010-11, CBE publishes a Quarterly Report on the CDOT website that highlights program performance, significant accomplishments and activities, financial and schedule metrics, and economic outlook on a quarterly basis.

Quarterly, CBE completes a Bond Allocation Plan for all projects included within the \$300 million bond program. Cash draw down tables and cash flow charts are developed to track projected bond spending as compared to the original baseline schedule. In addition, program actual expenditures and encumbrances to date are reported.

- **Key Performance Indicators**

CBE has developed and publishes Key Performance Indicators (KPIs) - both financial and schedule metrics to track and monitor program performance. KPIs are reported as part of the monthly schedule update, and are included within monthly, quarterly, and annual reports.

- **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

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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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 assets includes the assets, liabilities, and net assets, provides information about the CBE assets and liabilities and reflects the financial position of the CBE as of June 30, 2012 and 2011. Over time, increases or decreases in the net assets continue 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 assets presents the revenues earned and expenses incurred for the year ended June 30, 2012 and 2011. 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 presents information of cash inflows and outflows related to the CBE's activities for the year ended June 30, 2012 and 2011.

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# Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011

## Net Asset Analysis

### Condensed Statements of Net Assets (In Thousands)

June 30	2012	2011	2010 (Unaudited)
<b>Assets</b>			
Current Assets	\$ 106,085.4	\$ 47,060.4	\$ 85,230.4
Non-Current Assets	<u>427,689.6</u>	<u>382,163.7</u>	<u>1,955.4</u>
<b>Total Assets</b>	<b><u>533,775.0</u></b>	<b><u>429,224.1</u></b>	<b><u>87,185.8</u></b>
<b>Liabilities</b>			
Current Liabilities	8,837.8	7,126.3	40,228.7
Long Term Liabilities	<u>300,000.0</u>	<u>300,000.0</u>	<u>0.0</u>
<b>Total Liabilities</b>	<b><u>308,837.8</u></b>	<b><u>307,126.3</u></b>	<b><u>40,228.7</u></b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	79,072.7	33,679.6	0.0
Restricted for Debt Service	12,435.6	12,138.5	0.0
Unrestricted	<u>133,428.9</u>	<u>76,279.7</u>	<u>46,957.1</u>
<b>Total Net Assets</b>	<b><u>\$ 224,937.2</u></b>	<b><u>\$ 122,097.8</u></b>	<b><u>\$ 49,957.1</u></b>

## FY2011-12 Analysis

### Assets

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

- **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.

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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- **Non-Current Assets**

Non-current assets increased by \$45.5 million. Long-term investments decreased by \$57.7 million to partially fund assets under construction which increased by \$73.4 million. 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.

## **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 Assets**

Total net assets 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 restricted is \$79.1 million representing the amount invested in capital assets, net of related debt. This amount includes capitalized assets and construction in progress. The remainder of the fund balance is unrestricted.

## **FY2010-11 Analysis**

### **Assets**

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

- **Current Assets**

Current assets decreased by \$38.1 million in FY 2010-11. The decrease was primarily due to investing short-term loan proceeds 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.

- **Non-Current Assets**

Non-current assets increased by \$380.2 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.

# **Colorado Bridge Enterprise**

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

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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Non-current assets also increased with construction in progress, net of bond proceeds used to date, of \$33.1 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. A portion of debt issuance costs in the amount of \$1.8 million was also deferred and recorded as a non-current asset.

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 2010-2011.

- ***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 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.

- ***Non-current Liabilities***

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

#### **Net Assets**

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

Net assets 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 amount invested in capital assets, net of related debt. This amount includes capitalized assets and construction in progress. The remainder of the net assets is unrestricted.

# Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011

## Revenue and Expense Analysis

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

For Year Ended June 30	2012	2011	2010 (Unaudited)
<b>Operating Revenues</b>			
FASTER Revenues	\$ 90,394.8	\$ 66,964.8	\$ 43,755.1
Federal Revenues	15,829.7	11,447.2	1,325.4
Other Revenues	<u>276.0</u>	<u>113.3</u>	<u>0.0</u>
<b>Total Operating Revenues</b>	<b>106,500.5</b>	<b>78,525.3</b>	<b>45,080.5</b>
<b>Operating Expenses</b>			
Program Management	1,447.8	1,442.7	404.0
Bridge operations and maintenance	244.5	171.6	0.0
Depreciation Expense	<u>288.1</u>	<u>48.5</u>	<u>0.0</u>
<b>Total Operating Expenses</b>	<b>1,980.4</b>	<b>1,662.8</b>	<b>404.0</b>
<b>Operating Income</b>	<b>104,520.1</b>	<b>76,862.5</b>	<b>44,676.5</b>
Non-operating Expenses	(1,680.7)	(1,721.8)	375.6
Interfund Transfers	<u>0.0</u>	<u>0.0</u>	<u>1,085.5</u>
<b>Change in Net Assets</b>	<b>\$102,839.4</b>	<b>\$ 75,140.7</b>	<b>\$46,137.9</b>
Net Assets July 1	122,097.8	46,957.1	0.0
<b>Net Assets June 30</b>	<b><u>\$ 224,937.2</u></b>	<b><u>\$ 122,097.8</u></b>	<b><u>\$ 46,957.1</u></b>

## FY 2011-12 Analysis

### Revenues

Total operating revenues increased by \$28.0 million in FY2011-12.

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% of the total

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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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 nearly \$.2 million.

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

## **Expenses**

Total operating expenses increased by \$.3 million. The majority of the increase was \$.28 million in depreciation expense as additional bridges were capitalized and depreciated.

Of the total operating expenses, \$.24 million represents 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.

## **Non-operating Revenues/ (Expenses)**

Net non-operating expenses decreased by less than \$.01 million.

This change was due to an increase in debt service expense of \$4.4 million offset by a Build America Bonds subsidy increase of \$3.4 million. The 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 Assets**

The effect of these changes was an increase in net assets in the amount of \$102.8 million.

## **FY2010-11 Analysis**

### **Revenues**

Total operating revenues increased by \$33.4 million in FY2010-11.

The primary source of operating revenues for the Colorado Bridge Enterprise is from the bridge surcharge authorized in the FASTER legislation. FY 2010-11 represents the second full year of collection. As the program was established, the surcharge is phased in over three years. In FY 2010-11, 75% 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 Build America Bond (BAB) 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.

# Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011

## Expense

Total operating expenses increased by \$1.3 million for FY 2012.

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.

## Non-operating Revenues (Expenses)

The change in net non-operating 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 Assets

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

## Capital Assets and Debt Administration

(In Thousands)

For Year Ended June 30	2012	2011	2010 (Unaudited)
Bridges	\$ 32,194.8	\$ 4,113.3	0.0
Capital assets not being depreciated	110,258.0	35,033.6	0.0
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 142,452.8</b>	<b>\$ 39,146.9</b>	<b>0.0</b>

In fiscal year 2011-12, assets under construction increased by \$75.2 million due to the large number of construction projects initiated during the fiscal year. Capital assets increased by \$28.4 million due to the completion of Bridge projects, thus the total increase in assets are \$103.6 million. Capital additions were offset by current year depreciation of \$288,111.

# **Colorado Bridge Enterprise Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011**

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## **Debt Outstanding**

The long-term portion of the Bond debt remained \$300 million in FY 2011-12. 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 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 CBE and the Colorado Attorney General's office believe that they have a reasonable probability of a favorable outcome in the case but that the ultimate outcome cannot presently be determined. An unfavorable outcome in the case could have a materially adverse impact on the financial status of the CBE and on the Series 2010A bonds issued. The amount cannot be determined at this time.

## **Financial Contact**

If you have questions about this report please contact:

Colorado Bridge Enterprise  
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# Colorado Bridge Enterprise

## Statements of Net Assets

### June 30, 2012 and 2011

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and pooled cash investments	\$ 97,050,892	\$ 38,366,482
Receivables, net	8,070,547	6,754,996
Intergovernmental receivables	962,420	1,938,958
Prepaid items	1,542	0
Total current assets	106,085,401	47,060,436
Noncurrent assets:		
Long-term investments	283,478,367	341,196,523
Deferred debt issuance costs, net	1,758,427	1,820,306
Capital assets not being depreciated	110,258,067	35,033,632
Bridges, net of accumulated depreciation	32,194,777	4,113,260
Total noncurrent assets	427,689,638	382,163,721
<b>Total assets</b>	<b>533,775,039</b>	<b>429,224,157</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	8,837,789	7,126,282
Total current liabilities	8,837,789	7,126,282
Noncurrent liabilities:		
Long term debt	300,000,000	300,000,000
Total noncurrent liabilities	300,000,000	300,000,000
<b>Total liabilities</b>	<b>308,837,789</b>	<b>307,126,282</b>
<b>NET ASSETS</b>		
Restricted for:		
Invested in capital assets, net of related debt	79,072,728	33,679,647
Debt service	12,435,623	12,138,533
Unrestricted	133,428,899	76,279,695
<b>Total net assets</b>	<b>\$ 224,937,250</b>	<b>\$ 122,097,875</b>

The accompanying notes are an integral part of the financial statements.

**Colorado Bridge Enterprise**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>OPERATING REVENUES</b>		
FASTER revenues	\$ 90,394,790	66,964,791
Federal revenues	15,829,742	11,447,180
Other operating revenues	276,043	113,337
<b>Total operating revenues</b>	<b>106,500,575</b>	<b>78,525,308</b>
<b>OPERATING EXPENSES</b>		
Program management	1,447,879	1,442,694
Bridge operations and maintenance expense	244,468	171,613
Depreciation Expense	288,111	48,484
<b>Total operating expenses</b>	<b>1,980,458</b>	<b>1,662,791</b>
<b>Operating income</b>	<b>104,520,117</b>	<b>76,862,517</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Build American Bonds subsidy	6,381,900	2,942,765
Other non-operating expenses	(61,880)	(37,597)
Investment income, net	5,912,517	3,533,347
Interest expense	(13,913,279)	(9,527,846)
Capital contributions	0	1,367,571
<b>Net nonoperating expenses</b>	<b>(1,680,742)</b>	<b>(1,721,760)</b>
<b>CHANGE IN NET ASSETS</b>	<b>102,839,375</b>	<b>75,140,757</b>
NET ASSETS, BEGINNING OF THE YEAR	122,097,875	46,957,118
<b>NET ASSETS, END OF THE YEAR</b>	<b>\$ 224,937,250</b>	<b>\$ 122,097,875</b>

The accompanying notes are an integral part of the financial statements.

# Colorado Bridge Enterprise

## Statements of Cash Flows

### For the Years Ended June 30, 2012 and 2011

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from users and grants	\$ 105,990,917	\$ 75,482,550
Cash payments to contractors and suppliers of goods and services	(1,472,604)	(1,706,378)
<b>Net cash provided by operating activities</b>	<b>104,518,313</b>	<b>73,776,172</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interest subsidy received	6,381,900	2,942,765
Proceeds from capital debt	0	300,000,000
Deferred debt issuance costs	0	(1,856,403)
Acquisition and construction of capital assets	(97,849,125)	(29,867,982)
Principal paid on capital debt	0	(40,000,000)
Interest paid on capital debt	(18,167,996)	(8,544,082)
<b>Net cash provided/(used) by noncapital financing activities</b>	<b>(109,635,221)</b>	<b>222,674,298</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments and related fees	(23,830,522)	(354,439,882)
Proceeds from sales and maturities of investments	81,548,678	13,243,359
Investment income	6,083,162	3,093,529
<b>Net cash provided/(used) by investing activities</b>	<b>63,801,318</b>	<b>(338,102,994)</b>
Net increase (decrease) in cash and cash equivalents	58,684,410	(41,652,524)
Cash and cash equivalents, beginning of period	38,366,482	80,019,006
Cash and cash equivalents, end of period	<b>97,050,892</b>	<b>38,366,482</b>
<b>Reconciliation of operating gain/loss to net cash provided/(used) by operating activities:</b>		
<b>Operating income/loss</b>	<b>\$ 104,520,117</b>	<b>\$ 76,862,517</b>
Adjustments to reconcile operating income/loss to net cash provided by operating activities:		
Depreciation expense	288,111	48,484
Changes in assets and liabilities:		
Receivables, net	(1,486,196)	(1,635,187)
Intergovernmental receivables	976,538	(1,407,571)
Prepaid Expense	(1,542)	0
Accounts payable and accrued liabilities	221,285	(92,071)
<b>Net cash provided by operating activities</b>	<b>\$ 104,518,313</b>	<b>\$ 73,776,172</b>
<b>Noncash investing, capital and financing activities</b>		
Contributed capital	\$ -	\$ 1,367,571

The accompanying notes are an integral part of the financial statements.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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

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

The Colorado Bridge Enterprise (CBE) 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 CDOT 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), Financial Accounting Standards Board (FASB), and other applicable guidelines or pronouncements. 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, 2012 and 2011 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**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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#### **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 valued at their estimated depreciated book value on the date donated. 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, 2012 and 2011 was \$18,167,995 and \$10,057,493 respectively. Interest expense capitalized during the years ended June 30, 2012 and 2011 were \$4,254,716 and \$529,647 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. Liabilities restricted in nature are distinguished as such in the financial statements. CBE liabilities are detailed in Note 5.

#### **Net Assets**

The net assets of the CBE are classified as follows:

##### ***Restricted net assets***

Restricted net assets represent resources in which the CBE is contractually obligated to spend or reserve in accordance with restrictions imposed by external parties. Also included are capital assets net of related debt.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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#### ***Unrestricted net assets***

Unrestricted net assets represent resources derived from services provided to borrowers, lenders, and collection activities. 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 non-operating. Operating revenues and expenses generally result from providing services or incurring expenses in connection with the CBE's principal activities. Non-operating revenues and expenses include transactions such as interest earned on deposits and interest expense.

#### **Reclassification of Prior Year Balances**

Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation.

#### **Budgets and Budgetary Accounting**

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

#### **Application of FASB Statements**

As an enterprise fund, the CBE operates as a business-type activity. It follows all current GASB pronouncements as well as all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

#### **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. Moneys 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,

# Colorado Bridge Enterprise

## Notes to Financial Statements

### For the Fiscal Years Ended June 30, 2012 and 2011

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:

	<u>2012</u>	<u>2011</u>
Cash on deposit with State Treasurer	\$95,706,680	\$37,783,743
State Treasurer pooled cash investments – unrealized gain	1,344,212	582,739
<b>Total</b>	<b>\$97,050,892</b>	<b>\$38,366,482</b>

On June 30, 2012, the total of \$97.0 million is approximately 1.5 percent of the total \$6,541.7 billion fair value of deposits in the Pool. On June 30, 2011 the total of \$38.4 million was approximately .6 percent of the total \$6.1 billion fair value of deposits in the Pool.

### **NOTE 3 – LONG TERM INVESTMENTS**

The CBE has also recorded long-term investments as of June 30, 2012 and 2011 in the amount of \$283,478,367 and \$341,196,523 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. 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, 2012 and 2011, 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, 2012 and 2011, approximately 89.0 and 86.7 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. In 2012, except for \$12,085,710 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. In 2011, except for \$18,384,300 of corporate bonds rated lower medium and \$15,015,000 of corporate bonds rated as very speculative, these investments were rated from upper medium to the highest quality, which indicated that the issuer had strong capacity to pay principal and interest when due.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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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, 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), 0.803 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). As of June 30, 2011, the weighted average maturity of investments in the Treasurer's Pool was 0.015 years for Commercial Paper (1.3 percent of the Pool), 1.054 years for U.S. Government Securities (81.7 percent of the Pool), 1.06 years for Asset Backed Securities (6.9 percent of the Pool), and 3.133 years for Corporate Bonds (11.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Years 2011-12 and 2010-11.

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, 2012.

#### **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.

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, 2012 is recorded by CBE.

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

	<u>2012</u>	<u>2011</u>
FASTER revenues receivable	\$7,801,374	\$6,315,178
Trustee interest receivable	269,173	439,818
Local government receivable	388,950	112,907
Federal government receivable	573,470	1,826,051
<b>Total accounts receivable</b>	<b>\$9,032,967</b>	<b>\$8,693,954</b>

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

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

	<u>2012</u>	<u>2011</u>
Accrued interest expense on debt issuance	\$1,519,500	\$1,519,500
Retainage payable	1,305,913	302,438
Accrued compensation payable	354,881	353,273
Accrued project costs payable	5,657,495	4,945,436
Other payables	0	5,635
<b>Total accrued liabilities</b>	<b>\$8,837,789</b>	<b>\$7,126,282</b>

**NOTE 6 – CAPITAL ASSETS**

By the end of FY 2011-12, as a result of construction projects, a total of 17 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.

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# Colorado Bridge Enterprise

## Notes to Financial Statements

### For the Fiscal Years Ended June 30, 2012 and 2011

A summary of changes in capital assets is as follows for the years ended June 30, 2012 and June 30, 2011:

	<u>2012</u>				Balance at June 30, <u>2012</u>
	Balance at June 30, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	
Capital assets, not being depreciated:					
Land	\$ 1,048,072	\$ -	\$ -	\$ 1,849,019	\$ 2,897,091
Assets under construction	<u>33,985,560</u>	<u>103,594,063</u>	<u>-</u>	<u>(30,218,647)</u>	<u>107,360,976</u>
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	<u>(48,484)</u>	<u>(288,111)</u>	<u>-</u>	<u>-</u>	<u>(336,595)</u>
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>

	<u>2011</u>				Balance at June 30, <u>2011</u>
	Balance at June 30, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	
Capital assets, not being depreciated:					
Land	\$ 25,967	\$ -	\$ -	\$ 1,022,105	\$ 1,048,072
Assets under construction	<u>1,929,414</u>	<u>35,872,424</u>	<u>-</u>	<u>(3,816,278)</u>	<u>33,985,560</u>
Total capital assets, not being depreciated	<u>1,955,381</u>	<u>35,872,424</u>	<u>-</u>	<u>(2,794,173)</u>	<u>35,033,632</u>
Capital assets, being depreciated:					
Bridges	-	4,161,744	-	-	4,161,744
Accumulated depreciation	<u>-</u>	<u>(48,484)</u>	<u>-</u>	<u>-</u>	<u>(48,484)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>4,113,260</u>	<u>-</u>	<u>-</u>	<u>4,113,260</u>
Capital assets, net	<u>\$ 1,955,381</u>	<u>\$ 39,985,684</u>	<u>\$ -</u>	<u>\$ (2,794,173)</u>	<u>\$ 39,146,892</u>

# Colorado Bridge Enterprise

## Notes to Financial Statements

### For the Fiscal Years Ended June 30, 2012 and 2011

#### NOTE 7 – COMMITMENTS

The CBE had recorded commitments for construction at the end of FY 2011-12 in the amount of \$119,667,333.

#### NOTE 8 – LONG TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2012 and June 30, 2011 as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Bridge Enterprise Revenue Bonds	\$300,000,000	\$0	\$0	\$300,000,000	\$0
<b>Total</b>	<b>\$300,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$300,000,000</b>	<b>\$0</b>

	<u>Balance</u> <u>July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Short-term loan	\$40,000,000	\$ 0	\$40,000,000	\$0	\$ 0
Bridge Enterprise Revenue Bonds	0	300,000,000	0	300,000,000	0
<b>Total</b>	<b>\$40,000,000</b>	<b>\$300,000,000</b>	<b>\$40,000,000</b>	<b>\$300,000,000</b>	<b>\$0</b>

On June 25, 2010, Colorado Bridge Enterprise obtained a tax-exempt short-term loan in the amount of \$40.0 million. The loan proceeds were to be used to design and/or repair deficient or functionally obsolete bridges throughout the State.

The loan had a variable tax exempt rate of 65 percent of British Bankers' Association London Interbank Offering Rate (BBA LIBOR) Daily Floating Rate plus 60 basis points (bps). The BBA LIBOR Daily Floating Rate was capped at 90 bps. The maximum rate as calculated by the Department of Transportation was 1.2 percent. The loan was due and payable on March 15, 2011 but the CBE subsequently retired the debt associated with the \$40 million loan on November 30, 2010 with FASTER revenues collected to date. Total interest paid on the loan was \$134,681.

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 73 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.

# Colorado Bridge Enterprise

## Notes to Financial Statements

### For the Fiscal Years Ended June 30, 2012 and 2011

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, 2012 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 CDOT.

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

#### Colorado Bridge Enterprise Series 2010A Bonds

<u>Fiscal Year</u>	<u>Interest Due</u>	<u>Principal Due</u>	<u>Less BAB Subsidy</u>	<u>Net Debt Service Payment</u>
2013	18,234,000	0	6,381,900	11,852,100
2014	18,234,000	0	6,381,900	11,852,100
2015	18,234,000	0	6,381,900	11,852,100
2016	18,234,000	0	6,381,900	11,852,100
2017	18,234,000	0	6,381,900	11,852,100
2018 to 2022	91,170,000	0	31,909,500	59,260,500
2023 to 2027	89,486,090	27,980,000	31,320,132	86,145,958
2028 to 2032	70,831,493	80,430,000	24,791,022	126,470,471
2033 to 2037	43,804,602	97,995,000	15,331,611	126,467,991
2038 to 2041	11,658,364	93,595,000	4,080,427	101,172,937
<b>Total Payments</b>	<b>\$398,120,549</b>	<b>\$300,000,000</b>	<b>\$139,342,192</b>	<b>\$558,778,357</b>

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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**NOTE 9 – AVAILABILITY OF FEDERAL FUNDS**

Although the Transportation Commission has 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 many 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 year ended June 30, 2012, \$15,000,000 was allocated and transferred to the CBE.

**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 PO 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.

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 58 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 on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.
- 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,

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

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

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

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

#### **B. FUNDING POLICY**

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

Most employees contribute 8.0 percent (10.0 percent for state troopers) of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions were reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent (14.95 percent for state troopers and 14.86 percent for the Judicial Branch) of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent (15.85 percent for state

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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troopers and 14.86 percent for the Judicial Branch). During all of Fiscal Year 2011-12, 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, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

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

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

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

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

The CBE contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2012, 2011, and 2010 were \$413,719, \$264,268, and \$63,397, 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 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

#### **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 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 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 PO 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

# **Colorado Bridge Enterprise**

## **Notes to Financial Statements**

### **For the Fiscal Years Ended June 30, 2012 and 2011**

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recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9. 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 \$36,184, \$24,587, and \$6,321 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, 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, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 49-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 two 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% of their annual revenue in grants from all state and local governments combined. The CBE qualifies as an Enterprise pursuant to C.R.S. 43-4-805.

**Colorado Bridge Enterprise**  
**Notes to Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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**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 CBE and the Colorado Attorney General’s office believe that they have a reasonable probability of a favorable outcome in the case but that the ultimate outcome cannot presently be determined. An unfavorable outcome in the case could have a materially adverse impact on the financial status of the CBE and on the Series 2010A bonds issued. The amount cannot be determined at this time.

This information is an integral part of the accompanying financial statements.

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

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the Colorado Bridge Enterprise (the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Enterprise's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Enterprise is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Enterprise's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control over financial reporting.

*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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

## **Compliance and Other Matters**

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

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee, the Enterprise's Board, and management and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
December 14, 2012

**Independent Auditor's  
Required Communications to the Legislative Audit Committee**

December 14, 2012

Members of the Legislative Audit Committee:

This letter is to provide you with information about significant matters related to our audit of the financial statements of the Colorado Bridge Enterprise for the year ended June 30, 2012.

The following are our observations arising from the audit that are relevant to management's responsibilities in overseeing the financial reporting process.

**Auditor's Responsibilities under Generally Accepted Auditing Standards.** Our audit was performed for the purpose of forming and expressing opinions about whether the financial statements, that have been prepared by management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve management of its responsibilities.

**Other Information in Documents Containing Audited Financial Statements.** In connection with the Colorado Bridge Enterprise's financial statements, we did not perform any procedures or corroborate other information included in the report. However, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.

**Significant Issues Discussed with Management Prior to Retention.** We discuss various matters with management prior to retention as the Colorado Bridge Enterprise's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

**Consultations with Other Accountants.** We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles or generally accepted auditing standards.

**Qualitative Aspects of Accounting Practices.**

*Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Colorado Bridge Enterprise are described in Note 1 to

the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The following is management's description of the process utilized in forming estimates for depreciation expense and capitalized interest:

- The Enterprise's capital assets are depreciated using the straight-line method over the useful life of the asset. All depreciable capital assets are bridges and are depreciated using an estimated useful life of 75 years.
- The Enterprise estimates capitalized interest based on the interest rate on its Build America Bond issuance and expenses incurred in constructing bridges.

#### *Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

**Corrected Misstatements.** There were no misstatements detected as a result of audit procedures and correct by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Uncorrected Misstatements.** The schedule on page 42 summarizes uncorrected misstatements, other than those that are trivial, aggregated by us during our current audit and pertaining to the most recent period presented in the financial statements. Management has determined that these uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Difficulties Encountered in Performing the Audit.** We encountered no significant difficulties in dealing with management related to the performance of our audit.

**Representations from Management.** We have requested and received representations from management.

**Disagreements with Management.** There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Colorado Bridge Enterprise's financial statements or our report on those financial statements.

Please contact Bill Petri, Audit Partner, if you have any questions regarding the matters included in this letter.

*CliftonLarsonAllen LLP*

**COLORADO BRIDGE ENTERPRISE  
PASSED ADJUSTMENT SUMMARY  
JUNE 30, 2012**

Description	Effect of misstatements on:			
	Assets	Liabilities	Net Assets	Net Income
Construction contractor services expense				\$ 1,387,269
Accounts payable others		\$ (1,387,269)	\$ (1,387,269)	
To record additional accruals at 6/30/12.				
Net current year misstatements	-	(1,387,269.00)	(1,387,269)	1,387,269
Net prior year misstatements	-	-	-	-
Total misstatements	\$ -	\$ (1,387,269.00)	\$ (1,387,269)	\$ 1,387,269

Note: The above amounts are listed as either debits or (credits).

**BRIDGE ENTERPRISE  
DEPARTMENT OF TRANSPORTATION, STATE OF COLORADO**

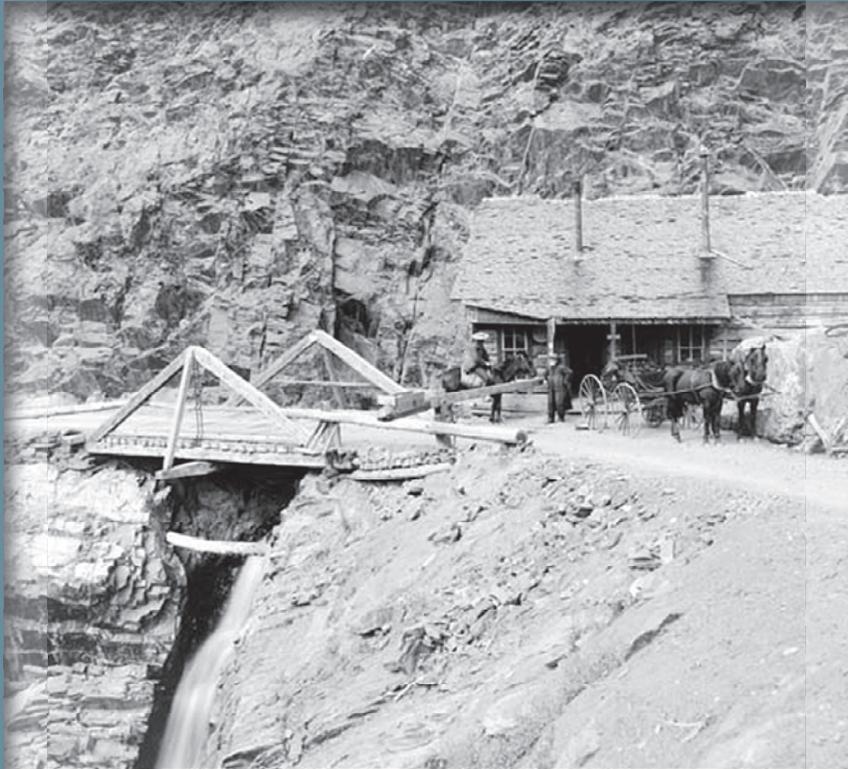
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**Report Control Number 2093-12b**



**Colorado Bridge Enterprise**

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