Colorado Department of Transportation's Bridge Enterprise

Financial Statements and Independent Auditor's Reports
Financial Audit
Years Ended June 30, 2018 and 2017
Compliance Audit
Year Ended June 30, 2018

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BKD LLP
CPAs & Advisors

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Members of the Legislative Audit Committee:

We have completed the financial statement and compliance audits of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the years ended June 30, 2018 and 2017. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

December 14, 2018

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Colorado Bridge Enterprise

June 30, 2018 and 2017

Table of Contents

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Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2018

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Colorado Bridge Enterprise for the fiscal year ended June 30, 2018. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The audit of the Colorado Bridge Enterprise (the Enterprise or the CBE) was performed under authority of Section 2-3-103, C.R.S.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the years ended June 30, 2018 and 2017, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2018.
- Review the CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2018.
- Issue a report on the CBE's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audit of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the CBE's financial statements as of and for the years ended June 30, 2018 and 2017.

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

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

Summary of Key Findings and Recommendations

There are no findings and recommendations reported for the year ended June 30, 2018.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2018

Significant Audit Adjustments

There was one proposed audit adjustment identified during the audit to properly state capital assets (see Schedule of Adjustments Passed beginning of page 72.)

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 68.

Colorado Bridge Enterprise
Background
Year Ended June 30, 2018

On March 2, 2009, former Governor Ritter signed into law Colorado SB 09-108, *Funding Advancements for Surface Transportation and Economic Recovery*, otherwise known as FASTER. The law created the Colorado Bridge Enterprise (the CBE) and also authorized a new bridge safety surcharge fee assessed as a motor vehicle registration fee. The surcharge is dedicated for Colorado's most deficient bridges based on federal bridge standards. The business purpose of the CBE is to finance, repair, and replace any designated bridge in the state.

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

As provided in FASTER, the CBE constitutes an "enterprise" for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than 10 percent of its total revenues in grants from the State and local governments. Management did not identify any violations of this enterprise status, for fiscal years 2017 or 2018.

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

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Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the Colorado Bridge Enterprise (the Enterprise or CBE), an enterprise fund of the State of Colorado, Department of Transportation as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents of the Colorado Bridge Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2018 and 2017 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the net position and changes in financial position and, where applicable, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of the Enterprise. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2018 and 2017 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, during the year ended June 30, 2018, the Enterprise adopted new accounting guidance, Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 14, 2018

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Colorado Bridge Enterprise
Management's Discussion and Analysis (Unaudited)
June 30, 2018 and 2017

Management's Discussion and Analysis (MD&A) was prepared by the Colorado Bridge Enterprise (the Enterprise or the CBE) and is designed to provide an analysis of the CBE's financial condition and operating results for the fiscal years ended June 30, 2018 and 2017. The MD&A also informs the reader of the financial issues and activities related to the CBE. It should be read in conjunction with the CBE's financial statements.

Designated Bridges

In fiscal year 2010-11, the CBE Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges" within the eligibility criteria established by the CBE Board. Subsequently, an additional 89 bridges have qualified bringing the total number of bridges eligible to receive FASTER funding to 217 as of June 30, 2018.

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

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

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

Bridge Maintenance Program

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

Bridge Completion Status

CBE projects may include the repair, replacement, ongoing maintenance, inspection, or any combination thereof, of these designated bridges. The majority of the designated bridges are currently complete, in the construction phase, or have the design of the new bridge completed. In conjunction with these projects, CBE funds the expenses incurred by CDOT's specialty groups which work to complete the requisite approvals and permits associated with environmental, railroad, and utility clearances; securing the necessary Right-of-Way (ROW); and finalizing intergovernmental agreements (as required).

During fiscal year 2017-18, 15 structures were added to the program, and 10 structures were advanced to the construction phase. The current status of these 217 FASTER eligible bridges within the program as of June 2018 is shown below:

Project Phase	Number of Bridges
Future projects	52
In design phase	6
Design complete	7
In construction phase	20
Projects complete	132
Total	217

For the purpose of comparison, the status of the FASTER eligible structure within the program as of June 2017 is shown below:

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

Below is the status, as of June 2018, of the 30 bridges originally identified as most deficient by the Board of Directors:

Status	Worst 30
Completed	28
In construction	2
Designed	0
In design	0
Remaining	0
Total	30

The CBE has completed 28 of the 30 bridges originally identified as the most deficient. The remaining structures are I-25 Northbound over Indiana Avenue and the Central 70 project.

Bridge Project Financing

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

Debt Issuance

In December 2010, the CBE issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing project costs. The Board has resolved to use the revenue bond proceeds and any earned interest to provide at least partial funding for the design and or construction of 89 of the bridges. These 89 bridges are tracked separately from the total population of designated bridges. Projects partially funded with bond funds use other available sources revenue sources such as FASTER funds, federal funding and local agency contributions to complete the project.

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2018 recorded as current. Principal payments on the bonds begin in 2025 with final maturity in December 2040. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year. The debt proceeds are held by the Trustee, Zions Bank, and invested by the State Treasury per written agreements. The CBE has agreed to place with the Trustee, on December 1st and June 1st of each year, an amount equal to the debt service costs for the year.

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

Pursuant to the requirements of the Balance Budget and Emergency Deficit Control Act of 1985, the BABs are subject to sequestration. In fiscal years 2014-15, 2015-16, 2016-17 and 2017-18 an executive order was signed reducing the federal direct payments. In fiscal year 2017-18 the rate is approximately 6.6 percent.

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

Federal Funds

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

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

Highlights of Fiscal Year 2017-18

Prioritization Plan

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

Since the last prioritization scoring update, CDOT has adopted a new "poor" bridge definition that is consistent with the Federal Highway Administration (FHWA) mandates for condition reporting. In June 2018, the CBE Board of Directors approved a resolution to adopt the refined program eligibility criteria based on the new CDOT "poor" definition. This resolution allows CBE to more closely align with CDOT and FHWA policy.

It is expected the eligibility criteria refinements will result in a larger pool of CBE eligible structures. Approximately 120 newly eligible structures are currently being evaluated using the prioritization system.

Ilex Design/Build in Pueblo, Colorado

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

4- and 10-Year Bridge Program Plan

In Fiscal Year 2012-13 CBE developed a 10-Year Program Plan. The 10-Year Program Plan examined the long-term financial capability of the program as it relates to remaining bond capacity, and projected yearly revenues contrasted with forecasted yearly expenditures. The plan was based upon a cash flow model that recognized incoming revenues as compared to outgoing expenditures. The 10-Year Program Plan was updated in July 2018.

CBE has also developed a mid-range 4-Year Program Plan which was finalized in August 2016 and was updated in July 2017. The 4-Year Program Plan is scheduled to be updated in January 2019 in order to align with the Statewide Transportation Improvement Program (STIP) update. The STIP is federally required and is the planning document that identifies all the transportation projects that CDOT, including CBE, intends to fund over a rolling four-year period. It is prepared in cooperation with the FHWA and local government entities throughout the state, including Transportation Planning Regions (TPRs) and Metropolitan Planning Organizations (MPOs). The STIP is updated on an annual basis to incorporate a new fiscal year, with the new updated STIP being adopted by the CDOT Transportation Commission in May 2018 and approved by FHWA in June 2018. Both the STIP and the 4-Year Program reflect current funding commitment resolutions made by the CBE Board of Directors for the Central 70 project.

Grand Avenue Bridge in Glenwood Springs, Colorado

The Grand Avenue Bridge replacement project replaces a functionally obsolete structure with a new structure on par with current standards. Additionally this project improves the functionality of traffic and pedestrian interfaces on each end of the project. The project required an extensive environmental process as well as significant regional design collaboration due to the location of the project being within a semi-urban corridor. The contracting team submitted a successful bid through the construction manager/general contractor (CM/GC) process and was given Notice to Proceed in 2016 by CBE.

A ribbon cutting ceremony was held on June 22, 2018. The project has reached substantial completion in July 2018 and will begin to complete a list of outstanding items which will lead towards final completion.

Central 70 Project

The reconstruction of Interstate 70 from Brighton Boulevard to Tower Road is slated to be the largest project in Colorado history. The approximately $1.2 billion project was awarded to Kiewit Meridiam Partners LLC (KMP) with financial close occurring on December 21, 2017. The project is now in the construction phase. The project will replace the aging Central 70 project between Brighton Boulevard and Colorado Boulevard with a lowered section of highway and added managed lanes. This is a design/build/operate/maintain, public-private partnership procurement method, in which the concessionaire/developer will construct the project and operate and maintain the facilities they construct for a specified period.

New Projects

Due to the award and financial close of the Central 70 project, CBE can now more accurately quantify impacts to the budget and cash balances and plan accordingly for non-central 70 CBE eligible projects. CBE has programmed new projects in the Fiscal Year 2018-19 portion of the 4-Year Plan and the Fiscal Year 2018-19 through Fiscal Year 2021-22 STIP. CBE has also set aside budget pools for the remainder of the 4-Year Plan and STIP.

CBE Website Maintenance

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

Using This Annual Report

This annual report consists of a series of financial statements.

The statements of net position include the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and provides information about the CBE assets, liabilities, deferred outflows of resources and deferred inflows of resources and reflects the financial position of the CBE as of June 30, 2018 and 2017. Over time, increases or decreases in the net position continues to serve as a useful indicator of whether the financial position of the CBE is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present the revenues earned and expenses incurred for the years ended June 30, 2018 and 2017. Revenues and expenses are reported on the accrual basis. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal years.

The statements of cash flows present information of cash inflows and outflows related to the CBE's activities for the years ended June 30, 2018 and 2017.

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	June 30, 2018	June 30, 2017*	June 30, 2016*
Assets			
Current Assets	$ 219,651.2	$ 218,738.3	$ 238,129.6
Noncurrent Assets	18,289.1	18,269.4	18,301.4
Capital Assets	951,795.1	829,172.8	706,504.9
Total Assets	**1,189,735.4**	**1,066,180.5**	**962,935.9**
Deferred Outflows of Resources	**1,741.7**	**6,259.3**	**1,949.3**
Liabilities			
Current Liabilities	5,374.6	8,528.3	8,935.8
Noncurrent Long-term Liabilities	308,637.9	319,835.1	315,329.1
Total Liabilities	**314,012.5**	**328,363.4**	**324,264.9**
Deferred Inflows of Resources	**6,195.0**	**624.2**	**1,057.2**
Net Position			
Net Investment in Capital Assets	647,705.0	522,256.7	406,504.9
Restricted for Debt Service	18,289.1	18,269.4	18,259.4
Unrestricted	205,275.6	202,926.1	214,798.8
Total Net Position	**$ 871,269.7**	**$ 743,452.2**	**$ 639,563.1**

*The prior periods were not restated for the adoption of GASB 75 as it was impractical to do so

Fiscal Year 2017-18 Analysis

Assets

Total assets increased in Fiscal Year 2017-18 by $123.6 million, due to explanations provided below.

Current Assets

Current assets increased by $912,852 in Fiscal Year 2017-18. The increase in cash of $2 million is due to the increase in collections of FASTER fees. The decrease in intergovernmental receivables of $636,742 is due to the completion of the Grand Avenue project.

Noncurrent Assets

Noncurrent assets, excluding capital assets, increased by $19,726 due to an increase in long-term investments. An increase in interest earnings on the 2010A debt service reserve accounts caused the increase in long-term investments.

Capital Assets

Completed bridge projects increased by $22.2 million, net of accumulated depreciation. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction increased by $69.8 million due to the Central 70 project. The increase in land is due to right-of-way purchased for the Central 70 project.

Liabilities

Total liabilities decreased by $14.3 million in Fiscal Year 2017-18, due to explanations provided below.

Current Liabilities

Current liabilities decreased by $3 million in Fiscal Year 2017-18 caused by a reduction in accrued liabilities. CBE had fewer liabilities to accrue due to CBE having less construction projects and concentrating on the Central 70 project and completion of the Grand Avenue project.

Noncurrent Liabilities

Noncurrent liabilities decreased by $11.2 million in Fiscal Year 2017-18 due to a decrease in the net pension liability.

Net Position

Total net position increased by $127.8 million in Fiscal Year 2017-18. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $647.7 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

The total net position is affected by the PERA pension and other postemployment benefit (OPEB) liabilities as detailed in the table below:

	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ 871,269,692	$ 743,452,166
GASB 68-Pension Related Items		
Net Pension Liability	8,444,751	19,828,708
Deferred Outflows of Resources	(1,733,382)	(6,259,336)
Deferred Inflows of Resources	5,940,419	624,223
Total GASB 68 Pension	12,651,788	14,193,595
GASB 75 OPEB Related Items		
Postemployment Benefit Liability	193,163	-
Deferred Outflows of Resources	(8,357)	-
Deferred Inflows of Resources	254,548	-
Total GASB 75 OPEB	439,354	-
Net Position excluding Pension and OPEB	$ 884,360,834	$ 757,645,761

CBE's net position increase was also caused by the change in net pension expense. In Fiscal Year 2017-18 net pension expense (credit) totaled ($1,289,783) and $2,749,021 in Fiscal Year 2016-17, resulting in a decrease of $4 million. The net position change was additionally attributed to the implementation of GASB 75, which resulted in OPEB expenses (credit) of ($47,631). The credit to the expense was a primary result of CBE's proportional share of the net pension liability decreasing from .11% to .04% from January 1, 2017 to December 31, 2017.

Fiscal Year 2016-17 Analysis

<u>Assets</u>

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

Current Assets

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

Noncurrent Assets

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

Capital Assets

Completed bridge projects increased by $51.6 million, net of accumulated depreciation. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction increased by $71 million, due to the Central 70, Grand Avenue, and Ilex projects. The increase in land is due to right-of-way purchased for the Central 70 project.

Liabilities

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

Current Liabilities

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

Noncurrent Liabilities

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

Net Position

Total net position increased by $103.9 million in Fiscal Year 2016-17. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $522.3 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

Revenue and Expense Analysis

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

	June 30, 2018	June 30, 2017*	June 30, 2016*
Operating Revenues			
FASTER Revenues	$ 106,023.7	$ 103,985.1	$ 100,891.4
Federal Revenues	9,391.4	10,964.0	6,915.0
Other Revenues	26,834.9	3,861.8	4,858.0
Total Operating Revenues	**142,250.0**	**118,811.0**	**112,664.4**
Operating Expenses			
Program Management	7,336.2	6,175.9	1,774.4
Bridge Operations and Maintenance Expense	395.1	100.8	148.2
Depreciation Expense	8,172.9	7,490.9	5,921.4
Total Operating Expenses	**15,904.2**	**13,767.6**	**7,844.0**
Operating Income	**126,345.8**	**105,043.4**	**104,820.4**
Net Nonoperating Revenues (Expenses)	**1,958.7**	**(1,154.3)**	**(210.6)**
Change in Net Position	**128,304.5**	**103,889.1**	**104,609.8**
Beginning Net Position, as previously stated	**$ 743,452.2**	**$ 639,563.1**	**$ 534,953.2**
Adjustment for change in accounting principle	**(487.0)**	**-**	**-**
Beginning Net Position, as Restated	**742,965.2**	**-**	**-**
Net Position, End of year	**$ 871,269.7**	**$ 743,452.2**	**$ 639,563.1**

*The prior periods were not restated for the adoption of GASB 75 as it was impractical to do so

Fiscal Year 2017-18 Analysis

Revenues

Total operating revenues increased by $23.4 million in Fiscal Year 2017-18, due to the explanations provided below.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. FASTER revenues increased by $2 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects increased by $23 million due to a payment from KMP of $25 million which was due at financial close of the Central 70 project.

Expenses

Total operating expenses increased by $2 million. The majority of the increase in operating expenses was from program management. Program management increased by $1 million due to the increase in management, operations and maintenance of completed CBE projects. Salaries and benefits and program management are combined for financial statement presentation purposes. Included in program management in Fiscal Year 2017-18 is the pension credit of $1,289,793. Both salaries and benefits and program management are both considered to be salaries and benefits to CBE. As of June 30, 2018, CBE only has one full-time employee (FTE), while CDOT staff and engineers charge their salaries and benefits to the CBE bridge projects. CDOT staff, engineers, and the CBE FTE oversee the CBE and its construction projects.

Nonoperating Revenues (Expenses)

Net nonoperating revenues increased by $3 million.

The Build America Bonds (BABs) subsidy increased by $19,146, due to the effects of the federal sequester. Additionally, investment income increased by $215,515, and interest expense decreased by $3.8 million.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $128.3 million. The implementation of GASB 75 in Fiscal Year 2017-18 resulted in a $486,985 adjustment, reducing beginning net position to a balance of $743.0 million and an ending balance of $871.3 million. Prior year information contained herein has not been restated for the adoption of GASB 75, as it was impractical to do so.

Fiscal Year 2016-17 Analysis

Revenues

Total operating revenues increased by $6.1 million in Fiscal Year 2016-17, due to the explanations provided below.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. FASTER revenues increased by $3.1 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects decreased by $996,178.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues increased by $4 million, due to the Central 70, Grand Avenue, and Ilex projects.

Expenses

Total operating expenses increased by $5.9 million. The majority of the increase in operating expenses was from salaries and benefits and program management. Salaries and benefits increased by $2.8 million and program management increased by $1.6 million due to staff time spent on management of the Grand Avenue, Ilex projects, and Central 70 projects. Furthermore, operating expenses includes pension expense related to GASB 68. Pension expense increased by $3 million in Fiscal Year 2016-17.

Nonoperating Revenues (Expenses)

Net nonoperating expenses increased by $943,749.

The Build America Bonds (BABs) subsidy was decreased by $6,382, due to the effects of the federal sequester. Net investment income also decreased by $2 million due to the 2010A bond proceeds being spent, thus less interest being earned.

Change in Net Position

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

Capital Assets

Capital Assets and Debt Administration
(In Thousands)

	June 30, 2018	June 30, 2017	June 30, 2016
Bridges	$ 582,501.9	$ 560,269.1	$ 508,641.1
Land	87,547.5	56,945.4	37,934.1
Assets Under Construction	281,745.7	211,958.3	159,929.7
Capital Assets, Net of Accumulated Depreciation	**$ 951,795.1**	**$ 829,172.8**	**$ 706,504.9**

CBE's investment in capital assets includes land, capital assets under construction and completed bridge projects. Total capital assets as of June 30, 2018 are $951.8 million, net of accumulated depreciation of $30.5 million. Significant capital assets events during the current fiscal year include:

- Financial close was completed for Central 70, resulting in a construction budget of $400 million. Construction expenditures for Fiscal Year 2017-18 totaled approximately $52,451,373 related to this project.
- Grand Avenue/SH 82 project was completed in June 2018 with a budget of $98 million. Construction expenditures for Fiscal Year 2017-18 totaled $14 million compared to $24.6 million in the prior fiscal year.
- Ilex project is in the construction phase and has a budget of $60 million. Construction started in the spring of 2015 and is scheduled to be completed by the end of the calendar year 2018.

The long-term portion of the bond debt remained at $300 million in Fiscal Year 2017-18. Principal payments do not begin until December 2025.

Financial Contact

If you have questions about this report please contact:

Colorado Bridge Enterprise
2829 West Howard Place
Denver, Colorado 80204

Attn: Kay Hruska

Colorado Bridge Enterprise

Statements of Net Position

June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
Assets		
Current assets:		
Cash and pooled cash investments	$ 208,832,310	$ 206,483,097
Receivables, net of allowance	9,717,755	10,517,913
Intergovernmental receivables	1,100,000	1,736,742
Prepaid items	1,125	586
Total current assets	219,651,190	218,738,338
Noncurrent assets:		
Long-term investments	18,289,079	18,269,353
Land	87,547,480	56,945,454
Assets under construction	281,745,738	211,958,269
Bridges, net of accumulated depreciation	582,501,923	560,269,061
Total noncurrent assets	970,084,220	847,442,137
Total assets	**1,189,735,410**	**1,066,180,475**
Deferred Outflows of Resources		
Related to pensions	1,733,382	6,259,336
Related to other postemployment benefits	8,357	-
Total deferred outflows of resources	**1,741,739**	**6,259,336**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	5,374,576	8,528,293
Total current liabilities	5,374,576	8,528,293
Noncurrent liabilities:		
Long-term debt	300,000,000	300,000,000
Unearned revenue	-	6,421
Net other postemployment benefits liability	193,163	-
Net pension liability	8,444,751	19,828,708
Total noncurrent liabilities	308,637,914	319,835,129
Total liabilities	**314,012,490**	**328,363,422**
Deferred Inflows of Resources		
Related to pensions	5,940,419	624,223
Related to other postemployment benefits	254,548	-
Total deferred inflow of resources	**6,194,967**	**624,223**
Net Position		
Net investment in capital assets	647,704,990	522,256,660
Restricted for debt service	18,289,079	18,269,353
Unrestricted	205,275,623	202,926,153
Total net position	**$ 871,269,692**	**$ 743,452,166**

The accompanying notes are an integral part of these financial statements

Colorado Bridge Enterprise

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
Operating Revenues		
FASTER revenues	$ 106,023,648	$ 103,985,122
Federal revenues	9,391,400	10,964,036
Other operating revenues	26,834,933	3,861,823
Total operating revenues	**142,249,981**	**118,810,981**
Operating Expenses		
Program management	7,336,168	6,175,923
Bridge operations and maintenance expense	395,140	100,810
Depreciation expense	8,172,908	7,490,850
Total operating expenses	**15,904,216**	**13,767,583**
Operating income	**126,345,765**	**105,043,398**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy (BABs)	5,960,695	5,941,549
Investment income, net	1,263,064	1,047,549
Gain (loss) on disposal of capital assets	(967,914)	-
Interest expense	(4,297,099)	(8,143,401)
Net nonoperating revenues (expenses)	**1,958,746**	**(1,154,303)**
Change in Net Position	**128,304,511**	**103,889,095**
Beginning Net position, as Previously Stated	743,452,166	639,563,071
Adjustment for change in accounting principle	(486,985)	
Beginning Net Position, as Restated	**742,965,181**	
Net Position, End of year	**$ 871,269,692**	**$ 743,452,166**

The accompanying notes are an integral part of these financial statements

Colorado Bridge Enterprise

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities		
Cash received from users and grants	$ 143,686,883	$ 122,019,461
Cash payments to contractors and suppliers of goods and services	(12,479,384)	(3,925,693)
Net cash provided by operating activities	**131,207,499**	**118,093,768**
Cash Flows from Noncapital Financing Activities		
Interest subsidy received	5,960,695	5,941,549
Acquisition and construction of capital assets	(117,826,278)	(120,068,166)
Interest paid on capital debt	(18,234,000)	(18,234,000)
Net cash used in noncapital financing activities	**(130,099,583)**	**(132,360,617)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(18,506,215)	(18,261,806)
Proceeds from sales and maturities of investments	18,486,489	18,293,883
Investment income	1,263,064	1,047,549
Net cash provided by investing activities	**1,243,338**	**1,079,626**
Net increase (decrease) in cash and cash equivalents	2,351,254	(13,187,223)
Cash and cash equivalents, beginning of period	206,484,402	219,671,625
Cash and cash equivalents, end of period	**$ 208,835,656**	**$ 206,484,402**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 126,345,765**	**$ 105,043,398**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	8,172,908	7,490,850
Adjustment to net pension liability	(11,383,957)	7,512,755
Adjustment to postemployment benefits	(293,822)	-
Changes in assets and liabilities:		
Receivables, net	800,158	1,339,935
Intergovernmental receivables	636,742	4,862,213
Compensated absences	2,041	1,305
Deferred inflows of resources - related to pension and other postemployment benefits	5,570,744	(433,002)
Deferred outflows of resources - related to pension and other postemployment benefits	4,517,597	(4,309,993)
Prepaid expense	(539)	543
Accounts payable and accrued liabilities	(3,153,717)	(420,568)
Unearned revenue	(6,421)	(2,993,668)
Net cash provided by operating activities	**$ 131,207,499**	**$ 118,093,768**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 4,090,152	$ 6,916,424
Loss on disposal of assets	$ 967,914	$ -
Unrealized losses	$ (2,551,656)	$ (90,647)
Capitalized interest	$ 13,936,901	$ 10,090,599

The accompanying notes are an integral part of these financial statements

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Colorado Bridge Enterprise

Notes to Financial Statements

June 30, 2018 and 2017

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

Nature of Operations

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

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

Basis of Accounting and Presentation

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

The financial statements of the CBE have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The 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, 2018 and 2017 or the results of operations, or cash flows, for the years then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

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

Capital Assets

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest incurred during the years ended June 30, 2018 and 2017 was $18,234,000. Interest expense capitalized during the years ended June 30, 2018 and 2017 was $13,936,901 and $10,090,599, respectively.

Liabilities

Amounts due within one year are reported as current liabilities. Amounts owed after one year are reported as noncurrent liabilities. CBE liabilities are detailed in Note 6 and Note 8.

Unearned Revenue

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

Net Position

The net position of the CBE is classified as follows:

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

Classification of Revenues and Expenses

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

Starting in fiscal year 2017-18, salaries, benefits and program management were combined for financial statement presentation purposes. As of June 30, 2018, CBE only had one full-time employee (FTE) compared to two FTEs in fiscal year 2016-17. The CBE's FTEs salaries and benefits were classified as salaries and benefits on the statement of net position, where CDOT staff and engineers whose time was charged to CBE were classified as program management on the statement of net position. As all parties oversee CBE and its construction projects and program management, these items were combined in fiscal year 2017-18. As of June 30, 2018 CBE only has one full time employee (FTE), while CDOT staff and engineers charge their salaries and benefits to the CBE bridge projects. CDOT staff, engineers, and the CBE FTE oversee the CBE and its construction projects. Fiscal Year 2016-17 has been reclassified accordingly.

Budgets and Budgetary Accounting

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

Application of Restricted and Unrestricted Resources

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

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

NOTE 2 – CASH AND POOLED INVESTMENTS

The CBE deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2018, the CBE had cash on deposit with the State Treasurer of $208,832,310 which represented approximately three percent of the total $7,635.8 million fair value of investments in the State Treasurer's Pool (Pool).

On the basis of CBE's participation in the Pool, CBE reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2018.

NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2018 and 2017 in the amount of $18,289,079 and $18,269,353, respectively. These amounts represent debt proceeds and debt service reserve held by CBE's trustee, Zions Bank. Zions Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool as disclosed in Note 2. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

Investments in the State Treasurer's Pool are recorded at fair value as of June 30, 2018. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 Investments

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

Level 2 Investments with Inputs

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

Level 3 Investments

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market

prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.
CBE's only investments with recurring measurements are its investments with State Treasury in the amount of $18,289,079 and $18,269,353 for the years ended June 30, 2018 and 2017, respectively. CBE's equity in the Pool is valued using the equivalent of the net asset value, and thus is not included in the fair value hierarchy.

NOTE 4 – ACCOUNTS RECEIVABLE

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

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

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

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

	2018	2017
FASTER revenues receivable	$ 9,545,221	$ 8,910,709
Trustee interest receivable	63,872	41,795
Other receivable	108,662	1,565,409
Total accounts receivable	**$ 9,717,755**	**$ 10,517,913**

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

	2018	2017
Local government receivable	$ 1,100,000	$ 1,736,742
Total intergovernment receivable	**$ 1,100,000**	**$ 1,736,742**

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

Colorado Bridge Enterprise
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 5 – CAPITAL ASSETS

By the end of Fiscal Year 2017-18, as a result of construction projects, a total of 98 bridges have been capitalized. They are depreciated using straight-line methodology over a useful life of 75 years. Costs capitalized include all expenses directly associated with the construction of the asset.

A summary of changes in capital assets is as follows for the years ended June 30, 2018 and 2017:

	Balance at June 30, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated					
Land	$ 56,945,454	$ 1,440,999	$ -	$ 29,161,027	$ 87,547,480
Assets under construction	211,958,269	130,322,179	(967,914)	(59,566,796)	281,745,738
Total capital assets, not being depreciated	268,903,723	131,763,178	(967,914)	(30,405,769)	369,293,218
Capital assets, being depreciated					
Bridges	582,554,668	-	-	30,405,769	612,960,437
Accumulated depreciation	(22,285,607)	(8,172,907)	-	-	(30,458,514)
Total capital assets, being depreciated, net	560,269,061	(8,172,907)	-	30,405,769	582,501,923
Capital assets, net	$ 829,172,784	$ 123,590,271	$ (967,914)	$ -	$ 951,795,141

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

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2018	2017
Accrued interest expense on debt issuance	$ 1,519,500	$ 1,519,500
Retainage payable	1,677,682	2,227,473
Accrued project costs payable	2,157,152	4,750,300
Other payables	20,242	31,020
Total accrued liabilities	**$ 5,374,576**	**$ 8,528,293**

NOTE 7 – COMMITMENTS

The CBE had outstanding commitments for construction in the amount of $40,849,139 at June 30, 2018.

NOTE 8 – LONG-TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2018 and 2017 as follows:

	Balance at June 30, 2017	Issuances/ Additions	Retirements/ Reductions	Balance at June 30, 2018	Amount Due Within One Year
Bridge Enterprise revenue bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -
Net pension liability	19,828,708	74,185	11,458,142	8,444,751	-
Net other postemployment benefits/liability	493,398	-	300,235	193,163	-
	$ 320,322,106	$ 74,185	$ 11,758,377	$ 308,637,914	$ -

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

On December 10, 2010, the CBE issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing the project costs. The Series 2010A Bonds were issued as taxable, Build America Bonds (BABs), as authorized by the federal American Recovery and Reinvestment Act. Pursuant to the Act, the CBE expects to receive federal direct payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010A Bonds. The Bonds were issued with a coupon rate of 6.078 percent but with the federal subsidy, the net interest cost of the Bonds for the CBE is approximately 3.97 percent.

Pursuant to the requirements of the Balance Budget and Emergency Deficit Control Act of 1985, the BABs are subject to sequestration. In Fiscal Year 2017-18, an executive order was signed reducing the federal direct payments by 6.6 percent and in Fiscal Year 2016-17 the federal direct payment was reduced by 6.9 percent.

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

The proceeds of this issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2018 recorded as current. Interest payments are due on June 1 and December 1 of each year. A portion of the Bonds mature in December 2025 with the balance due by December 2040. The debt proceeds are held by the Trustee, Zions Bank, and invested by the State Treasury per written agreement.

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

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

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

Fiscal Year	Interest Due	Principal Due	Less BAB Subsidy	Net Debt Service Payment
2019	$ 18,234,000	$ -	$ 6,056,423	$ 12,177,577
2020	18,234,000	-	6,056,423	12,177,577
2021	18,234,000	-	6,056,423	12,177,577
2022	18,234,000	-	6,056,423	12,177,577
2023	18,234,000	-	6,056,423	12,177,577
2024 to 2028	87,334,478	42,820,000	29,008,147	101,146,331
2029 to 2033	65,844,494	83,670,000	21,870,249	127,644,245
2034 to 2038	37,728,425	101,945,000	12,531,496	127,141,929
2039 to 2042	6,639,151	71,565,000	2,205,194	75,998,957
Total payments	**$ 288,716,548**	**$ 300,000,000**	**$ 95,897,201**	**$ 492,819,347**

The BABs subsidy is received prior to the due date of the semi-annual debt service payments.

NOTE 9 – AVAILABILITY OF FEDERAL FUNDS

Although the Transportation Commission adopted resolution TC-1925 in November 2010 expressing its intent to annually consider allocating and transferring from CDOT to the CBE $15 million of eligible federal funds, the Transportation Commission is not obligated to make such transfers. The decision whether or not to allocate and transfer such federal funds will be made on an annual basis and will be at the sole discretion of the Transportation Commission. Such decision may be affected by the amounts of such federal funds that are available to CDOT in the future, which may be adversely impacted by federal budgeting and appropriation constraints or changes in federal law.

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts to the SDTF for financial purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

A. Plan Description

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

B. Benefits Provided as of December 31, 2017

PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

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

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

C. Contributions provisions as of June 30, 2018

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

	Fiscal Year 2015	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2018
	CY14	CY15	CY15	CY16	CY16	CY17	CY17	CY18
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18
Employer Contribution Rate[1]	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)[1]	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF[1]	16.43%	17.33%	17.33%	18.23%	18.23%	19.13%	19.13%	19.13%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the CBE is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the CBE were $251,976 and $365,722 for the years ended June 30, 2018 and 2017, respectively.

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

The CBE reported a liability of $8,444,751 and $19,828,708 at June 30, 2018 and 2017, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The CBE proportion of the net pension liability was based on CBE's contributions to the SDTF for the calendar year 2017, relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the CBE proportion was .0422 percent, which was decrease of .0678 percent from its proportion measured as of December 31, 2016. At December 31, 2016, the CBE proportion was .1106 percent, which was a decrease of .01 percent from its proportion measured at December as of December 31, 2015.

For the year ended June 30, 2018, the CBE recognized a pension expense credit of $1,289,783 and pension expense of $2,749,021 for the year ended June 30, 2017. At June 30, 2018 and 2017, the CBE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 131,673	$ -	$ 197,099	$ -
Changes of assumptions	1,466,331	-	5,044,551	61,034
Net difference between projected and actual earnings on pension plan investments	-	318,059	657,337	-
Changes in proportion and differences between CBE contributions and proportionate share of contributions	-	5,622,360	240,071	563,189
CBE contributions subsequent to the measurement date	135,378	-	120,278	-
Total	$ 1,733,382	$ 5,940,419	$ 6,259,336	$ 624,223

$135,378 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2019	$ (2,119,249)
2020	(1,984,149)
2021	(118,149)
2022	(120,868)
2023	-
Thereafter	-
	$ (4,342,415)

E. Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.72 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

F. Discount Rate

The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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

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

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date the municipal bond index rate was 3.43 percent resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.72 percent) or one-percentage-point higher (5.72 percent) than the current rate:

	June 30, 2018		
	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Proportionate share of the net pension liability	$ 10,505,870	$ 8,444,751	$ 6,752,689

H. Pension Plan Fiduciary Net Position

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

I. Changes between the measurement date and the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to the plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of three years starting on July 1, 2019).

- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trust to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the CBE reported a liability of $8,444,751 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72 percent. For comparative purposes, the following schedule presents an estimate of what the CBE proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$4,005,443

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $4,440,308 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 11 – OTHER RETIREMENT PLANS

Voluntary Investment Program

A. Plan Description

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

B. Funding Policy

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

Defined Contribution Retirement Plan (DC Plan)

A. Plan Description

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

B. Funding Policy

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

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018	
	CY14	CY15		CY16		CY17		CY18
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF[1]	7.30%	8.20%	8.20%	9.10%	9.10%	10.00%	10.00%	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $11,411,000 and the State of Colorado recognized pension contributions of $14,309,000 for the PERA DC plan.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009 as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2017, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $18,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2017. Special 457(b) catch-up contributions allow a participant for three years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit ($37,000 in 2015, 2016, and 2017) or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch up contributions). Contributions and earnings are tax deferred. At December 31, 2017, the plan had 18,211 participants.

The CBE did not make any contributions to other retirement plans during fiscal year 2017-18, 2016-17 or 2015-16.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (As of and for the year ended June 30, 2018, accounted for and reported in accordance with GASB Statement No. 75)

A. OPEB

The CBE participates in the Heath Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employee's Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the HCTF, using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investment are reported at fair value.

B. Plan Description

Eligible employees of the CBE are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

C. Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

D. PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

E. Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the CBE is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the CBE were $13,437 for the year ended June 30, 2018.

F. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the CBE reported a liability of $193,163 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The CBE's proportion of the net OPEB liability was based on CBE's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the CBE's proportion was .015 percent, which was a decrease of .023 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the CBE recognized a reduction of OPEB expense of $34,194. At June 30, 2018 the CBE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 913	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,232
Changes in proportion and differences between CBE contributions and proportionate share of contributions	226	251,316
CBE contributions subsequent to the measurement date	7,218	-
Total	$ 8,357	$ 254,548

$7,218 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2019	$ (49,959)
2020	(49,959)
2021	(49,959)
2022	(49,959)
2023	(49,151)
2024	(4,422)
Thereafter	-
	$ (253,409)

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method and actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA Benefit Structure:	
Service-based premium subisdy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS Benefit Structure:	
Service-based premium subisdy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Mediare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income-Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

H. Sensitivity of the CBE proportionate share of the net OPEB liability to changes in Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 187,849	$ 193,163	$ 199,565

I. Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

J. Sensitivity of the CBE proportionate share of the net OPEB liability to changes in the discount rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 217,241	$ 193,163	$ 172,668

K. OPEB plan fiduciary net position

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

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE (As of and for the year ended June 30, 2017, accounted for and reported in accordance with GASB Statement No. 45)

Health Care Trust Fund

A. Plan Description

The CBE contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investements/pera-financialreports.

B. Funding Policy

The CBE is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the CBE are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended June 30, 2017, 2016, and 2015 the CBE contributions to the HCTF were $38,254, $36,158, and $48,215, respectively, equal to their required contributions for each year.

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 16 – CENTRAL 70 PROJECT

On August 24, 2017, Keiwit Meridiam Partners (KMP) was selected to be the Central 70 project developer to undertake the $1.2 billion dollar project. On November 22, 2017, CBE and the High Performance Transportation Enterprise (HPTE) Boards approved the Project Agreement and completed the commercial close of the Central 70 project. On December 21, 2017, KMP and CBE completed the financial close of the project that included CBE issuing $120,765,426 of Private Activity Bonds (PABs) and closing on a TIFIA loan totaling $416,000,000. Since CBE acted as a conduit issuer for the TIFIA loan and the PABs, CBE has no liabilities to record, and the debt will be repaid by KMP. Construction officially started in the summer of 2018 with completion estimated to be in 2022.

NOTE 17 – ADOPTION OF ACCOUNTING PRINCIPLE

In Fiscal Year 2017-18 the CBE implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The financial statements as of and for the year ended June 30, 2017 were not restated because such restatement was not practical. To the extent practical, changes to comply with Statement No. 75 should be presented as a restatement of the fiscal year 2017 financial statements. However, PERA did not provide the information required to restate CBE's fiscal year 2017 financial statements; therefore, the impact of the adoption of Statement No. 75 is shown as a cumulative effect adjustment to new position beginning of year in fiscal year 2018. The implementation of GASB 75 resulted in a $486,985 reduction of net position as of July 1, 2017. This restatement was comprised of the following:

Net OPEB Liability as of July 1, 2017	$	(493,398)
Deferred Outflows of Resources - Employer Contributions from January 1, 2017 through June 30, 2017		6,413
Restatement	$	(486,985)

Required Supplementary Information

Colorado Bridge Enterprise
Required Supplementary Information
Schedule of CBE's Proportionate Share of the Net Pension Liability
June 30

	2018	2017	2016 *	2015 *
CBE's proportion of the net pension liability	0.04%	0.11%	0.12%	0.11%
CBE's proportionate share of the net pension liability	$ 8,444,751	$ 19,828,708	$ 12,315,953	$ 10,165,317
CBE's covered payroll	$ 1,238,452	$ 3,076,792	$ 3,193,343	$ 3,087,257
CBE's proportionate share of the net pension liability as a percentage of its covered payroll	681.88%	644.46%	385.68%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	43.20%	42.60%	56.10%	59.80%

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

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

Colorado Bridge Enterprise

Required Supplementary Information

Schedule of CBE's Pension Contributions

June 30

	2018	2017	2016 *	2015 *
Statutorily required contribution	$ 251,976	$ 365,722	$ 630,061	$ 454,689
Contributions in relation to the statutorily required contribution	251,976	365,722	630,061	454,689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
CBE's covered payroll	$ 1,317,384	$ 1,957,828	$ 3,544,901	$ 2,853,298
Contributions as a percentage of covered payroll	19.13%	18.68%	17.77%	15.94%

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

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

Colorado Bridge Enterprise
Required Supplementary Information
Schedule of CBE's Proportionate Share of the Net OPEB Liability
June 30

	2018
CBE's proportion of the net OPEB liability	0.015%
CBE's proportionate share of the net OPEB liability	$ 193,163
CBE's covered payroll	$ 1,238,452
CBE's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.60%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the measurement date (December 31) of the collective net OPEB liability in accordance with Governmental Accounting Standards Board Statement No. 75.

Colorado Bridge Enterprise
Required Supplementary Information
Schedule of CBE's OPEB Contributions
June 30

	2018
Statutorily required contribution	$ 13,437
Contributions in relation to the statutorily required contribution	13,437
Contribution deficiency (excess)	$ -
CBE's covered payroll	$ 1,317,384
Contributions as a percentage of covered payroll	1.02%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of CBE's fiscal year-end (June 30) in accordance with Governmental Accounting Standards Board Statement No. 75.

Colorado Bridge Enterprise

Notes to Required Supplementary Information

June 30, 2018 and 2017

NOTE 1 – 2017 CHANGES IN ASSUMPTIONS OR OTHER INPUTS SINCE 2016 – PENSIONS

- The single equivalent interest rate (SEIR) for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projections' valuation basis, a projected year of depletion of fiduciary net position (FNP), and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR for the State, School, and Judicial Divisions changed from 3.86 percent on prior measurement date to 3.43 percent on the measurement date.

NOTE 2 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS

- There were no changes made the actuarial methods of assumptions.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Colorado Bridge Enterprise (the Enterprise or CBE), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of financial position as of June 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018, which contained emphasis of matter paragraphs regarding the scope of the financial presentation and the adoption of a new accounting standard.

Internal Control Over Financial Reporting

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

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

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

Compliance

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*.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
December 14, 2018

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Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audits of the financial statements and compliance of the Colorado Bridge Enterprise (the Enterprise or CBE) as of and for the year ended June 30, 2018, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

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

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Depreciation and useful lives of capital assets
- Net pension liability and related items
- Net OPEB liability and related items

Financial Statement Disclosures

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

- Revenue recognition
- Defined benefit pension plan
- OPEB plan

Audit Adjustments

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

Proposed Audit Adjustments Recorded

- No matters are reportable

Proposed Audit Adjustments Not Recorded

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

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

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

- Adoption of Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

Disagreements with Management

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

- No matters are reportable

Consultation with Other Accountants

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

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

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

- No matters are reportable

During the Audit Process

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

- No matters are reportable

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Communications

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

- Management representation letter
- Management letter

* * * * *

This communication is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, Board of Directors, and management of CBE and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

BKD, LLP

Denver, Colorado
December 14, 2018

Colorado Department of Transportation

ATTACHMENT

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

CBE - Fund 538

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	219,651,190		219,651,190	
Non-Current Assets & Deferred Outflows	971,825,959		971,825,959	
Current Liabilities	(5,374,576)		(5,374,576)	
Non-Current Liabilities & Deferred Inflows	(314,832,881)		(314,832,881)	
Current Ratio	40.869		40.869	
Total Assets & Deferred Outflows	1,191,477,149		1,191,477,149	
Total Liabilities & Deferred Inflows	(320,207,457)		(320,207,457)	
Total Net Position	(871,269,692)		(871,269,692)	
Operating Revenues	(142,249,981)		(142,249,981)	
Operating Expenses	15,904,216		15,904,216	
Nonoperating (Revenues) Exp	(1,958,746)		(1,958,746)	
Change in Net Position	(128,304,511)		(128,304,511)	

Client: Colorado Department of Transportation
Period Ending: June 30, 2018

CBE - Fund 538

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Non-Current* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Non-Current* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	Net Effect on Following Year: *Change in Net Position* DR (CR)	Net Effect on Following Year: *Net Position* DR (CR)
To adjust balances of capital assets and assets under construction to proper amounts at year-end.		F	0	0	0	0	0	0	0	0	0	0
	Construction in Progress (1887)			(376,798)								
	Bridges and Tunnels (1895)			376,798								
Total passed adjustments			0	0	0	0	0	0	0	0	0	0

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