Colorado Department of Transportation’s Bridge Enterprise

Financial Statements and Independent Auditor’s Reports

Financial Audit

Years Ended June 30, 2020 and 2019

Compliance Audit

Year Ended June 30, 2020

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BKD
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, 2020 and 2019. 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

Denver, Colorado
December 4, 2020

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Colorado Bridge Enterprise

June 30, 2020 and 2019

Table of Contents

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Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2020

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, 2020. 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, 2020 and 2019, 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, 2020.
- Review the CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2020.
- 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, 2020.

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, 2020 and 2019.

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

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

Significant Audit Adjustments

There were no proposed audit adjustments identified during the audit.

Summary of Audit Findings

There were no findings for the year ended June 30, 2020.

Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2020

Summary of Progress in Implementing Prior Year Audit Recommendations

For the Fiscal Year 2019-20 audit, we performed test work to determine the disposition of the prior year recommendation relating to Fiscal Year 2018-19. We found that the recommendation for the fiscal year ended June 30, 2019 was fully implemented. See the Disposition of Prior Audit Findings and Recommendations section of this report for further information.

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 75.

Colorado Bridge Enterprise
Background
Year Ended June 30, 2020

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 2019 or 2020.

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.

Colorado Bridge Enterprise
Disposition of Prior Audit Findings and Recommendations
Year Ended June 30, 2020

Recommendation Number	Recommendation Summary	Disposition
2019-01	The CBE should improve its internal controls over adjusting entries by: (A) Implementing additional levels of review over recorded journal entries and its annual financial statements. If CBE does not have the capacity within its employees, CBE should request assistance from Colorado Department of Transportation's accounting personnel. (B) Providing additional training to CBE personnel, including those who work outside of the Accounting and Finance Division, on the importance of maintaining proper codes for projects and the effects of change in a projects code between that of a capital project and a project that is expensed.	Implemented

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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 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, 2020 and 2019, and the related notes to the basic financial statements, which collectively comprise the Enterprise's basic financial statements as listed in the table of contents.

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 Controller 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, 2020 and 2019, and the changes in its financial position and 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, 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, 2020 and 2019 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Enterprise’s basic financial statements. The report summary and background as listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, 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 4, 2020

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Colorado Bridge Enterprise

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

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, 2020 and 2019. 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

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"

In fiscal year 2010-11, the CBE Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges." Subsequently, an additional 248 bridges have qualified bringing the total number of bridges eligible to receive Funding Advancements for Surface Transportation and Economic Recovery (FASTER) funding to 376 as of June 30, 2020.

In April 2018, the Transportation Commission (TC) adopted new National Performance Measure targets for infrastructure condition and system performance as required by the federal Fixing America's Surface Transportation (FAST) Act, including a performance target for the percentage of National Highway System (NHS) bridges with a classification of "poor." By adopting these new performance measures, Colorado Department of Transportation (CDOT) aligned its definition of a "poor" bridge with the Federal Highway Administration (FHWA) definition established by the Pavement and Bridge Condition Performance Measures Final Rule in the Moving Ahead for Progress in the 21st Century Act (MAP-21). A comparison of the legacy and new "poor" definitions has been provided in the table below:

Legacy CDOT "poor" Definition	New CDOT "Poor" Definition=SD
Sufficiency Rating (SR)>50 (of 100) **and** Classified as Structurally Deficient (SD) or Functionally Obsolete (FO)	**Bridges** Superstructure, Substruture, or Deck rating of 4/9 or Less **Culverts** Culvert Rating of 4/9 or Less

To align with CDOT and FHWA, the CBE Board approved a resolution to adopt the new CDOT "poor" bridge definition in June 2018, which resulted in an increase to the eligible structure count in 2019 based on this policy change.

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 new CDOT "poor" bridge definition. 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 Completion Status

CBE projects may include the repair, replacement, ongoing maintenance, inspection, or any combination thereof, of these designated bridges. 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).

While CBE operates as a fully autonomous, governmental-owned business within CDOT, CBE utilizes CDOT's in house resources to assist with several facets of program delivery, thereby eliminating the need to hire additional CBE staff with roles and responsibilities that are similar to or redundant with existing CDOT staff.

As of the end of June 2019, there were a total of 355 structures considered eligible to receive FASTER funding. Subsequently, 21 additional bridges have qualified during Fiscal Year 2019-20, bringing the total number of bridges eligible to receive FASTER funding to 376 as of June 30, 2020.

Below is the status of the 376 FASTER eligible bridges within the program:

Project Phase	FY 2019-20	FY 2018-19
Future projects	145	157
In design phase	51	36
Design complete	1	0
In constuction phase	18	14
Projects complete	161	148
Total	376	355

Below is the status, as of June 2020, of the 30 bridges identified in 2009 as most deficient by the Board of Directors:

	Worst 30	
Status	FY 2019-20	FY 2018-19
Completed	29	29
In construction	1	1
Designed	0	0
In design	0	0
Remaining	0	0
Total	30	30

The CBE has completed 29 of the 30 bridges originally identified as the most deficient. The bridge that has not been completed is the "I-70 Viaduct," which is currently in the construction phase.

Bridge Maintenance Program

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

Bridge Project Financing

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

Colorado Bridge Enterprise Revenue Bonds, Series 2010A

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 through a unique Provider Code. 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, 2020 recorded as current. Principal payments on the bonds begin in December 2028 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 with the first payment beginning June 1, 2011. 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, a full year of debt service cost each December 1st and June 1st.

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 2017-18 an executive order was signed reducing the federal direct payments. In Fiscal Year 2018-19 the subsidy was reduced by approximately 6.2 percent and by 6.6

percent in Fiscal Year 2017-18. In Fiscal Year 2019-20 the subsidy was reduced due to the refunding of a portion of the 2010A bonds.

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

Colorado Bridge Enterprise Revenue Bonds, Series 2019A

A portion of the Series 2010A bonds were issued with an optional par-call redemption provision, enabling CBE to refinance the 2027 term bond ($42.8 million) for interest rate savings prior to its maturity. The remainder of the Series 2010A bonds ($257.2 million) were issued with a make-whole call provision, which allows CBE to refinance this portion of the bonds for structural considerations, but generally eliminates the ability to achieve debt service savings. The 2027 Term bond is callable at par on December 1, 2020.

In December 2019, CBE issued $38.7 million in Colorado Bridge Enterprise Revenue Refunding Bonds Series 2019A to capitalize on favorable market conditions. While the refunding transaction resulted in the loss of the subsidy on the 2027 term bond, interest rate savings resulted in savings of $10.3 million over this term. Debt service from Fiscal Year 2027-28 through Fiscal Year 2040-41 remains unchanged, as the 2040 term bond was not being refunded.

The proceeds of this debt issuance are recorded as long-term debt in financial statements with interest payable as of June 30, 2020 recorded as current. Principal payments on the bonds begin in December 2025 with final maturity in December 2027. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year.

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 available to fund the net debt service on the Series 2010A Bonds. The net debt service is amount of debt service remaining after the application of BABs subsidy from the U.S. Department of Treasury. 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.

For the periods of Fiscal Year 2010-11 through 2016-17 the Transportation Commission allocated to the CBE $15 million in federal funds each year. 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. Between Fiscal Years 2011 and 2019, CBE received and used on average, approximately $9.7 million of the available $15 million of federal funds each year to pay debt services on the 2010A bonds. For Fiscal Years 2019 and 2020, even though CDOT did not transfer and allocate any new federal funds, CBE was still able to request reimbursement from the FHWA and use federal funds in the approximate amount of $9.7 million each fiscal year to pay debt service on the 2010A bonds because of an excess of the remaining allocation balance from prior years $15 million transfers. Beginning again in Fiscal Year 2021, the CBE expects to request a new transfer of federal funds from CDOT as all previous transfers have now been reduced to utilized to pay debt service.

Highlights of Fiscal Year 2019-20

COVID-19 Impacts

The COVID-19 pandemic resulted in significant operational and procedural changes within CDOT, CBE and throughout the industry to maintain the current preconstruction and construction programs. Based on current program forecasts and monthly schedule progress updates, it appears that impacts to active and planned CBE projects have been minimal to date, however the situation is dynamic and future impacts are possible. CBE revenues have decreased in March through June, but at this time there is no clarity on whether this is related to a decrease in registrations, a lag in collections, and/or reporting due to office closures and staffing adjustments, or multiple factors. CBE staff will continue to closely monitor program forecasts and project performance, and work with project teams to implement mitigation measures to reduce future potential project cost and schedule impacts if necessary.

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 bridges were distributed in July 2019 and January 2020.

Four Year Capital Project Plan (Fiscal Year 2020-21 to Fiscal Year 2023-24)

CBE completed an update of the Four Year Capital Project Plan in June 2020. The Four Year Plan is updated yearly, and the development of the document is timed to align with the Statewide Transportation Improvement Plan (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. The STIP (Fiscal Year 2020-21 to Fiscal Year 2023-24) update was adopted by the CDOT Transportation Commission in June 2020. The current STIP and the Four Year Project Plan reflect current funding commitment resolutions made by the CBE Board of Directors for the Central 70 project.

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 which is currently estimated at 35 percent complete as of June 30, 2020. The project will replace the aging viaduct 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.

A Settlement Agreement was executed on May 9, 2019 between CBE, the High Performance Transportation Enterprise (HPTE), and KMP, to resolve four Supervening Events (potential claim). The Settlement Agreement involved amendments to the project documents, including a settlement payment by CBE of $7.6 million and time extension to address these events. The payment of $7.6 million is due at substantial completion and was not accrued at fiscal year-end, as negotiations are still in process.

Other Supervening Events mainly related to Union Pacific Railroad Company (UPRR) related design processes, are not covered by the Settlement Agreement, and KMP is engaged in discussion with HPTE, CBE, and UPRR to manage and mitigate any resulting impacts. Currently, there is a forecast 10-month delay in milestone six payment, with a corresponding 10-month delay in substantial completion. KMP and CDOT are currently negotiating a revised baseline schedule to account for these conditions.

Speer Blvd and 23rd Avenue Over Interstate 25 (I-25)

In Fiscal Year 2018-19, CBE funded the eligible portion of the preliminary design and investigation for the Speer Boulevard and 23rd over I-25 bridge replacement project. This project includes the replacement of three eligible structures, and the reconstruction and reconfiguration of the interchanges at Speer Boulevard and 23rd Avenue.

The project will eliminate existing substandard vertical clearance conditions, mitigating damage caused by high frequency truck strikes, and opening the corridor to unrestricted freight traffic. The planned replacement structure will accommodate future corridor modifications of I-25 through Central Denver. The I-25 Central Planning and Environmental Linkages (PEL) study, which evaluated various alternatives to improve local and regional mobility through the corridor segment, has been completed and was released in June 2020. The estimated total cost for this project is $64.3 million.

I-25 South Gap Project

The Gap project will provide capacity, safety, and access improvements to an 18 mile stretch of I-25 from Castle Rock to Monument, and it is being delivered through a construction manager/general contract (CM/GC) procurement method. In Fiscal Year 2018-19, CBE funded the construction phase for two eligible structures being addressed by the Gap project, both bridges are on I-25 over Upper Lake Gulch Road. In Fiscal Year 2019-20, CBE funded the design phase for a third eligible structure, County Road

404 over I-25. CBE anticipates that the cost to replace the structures will be reduced due to the economy of scale of the Gap project as compared to a standalone project. The current total CBE eligible project cost is estimated at $12 million.

USDOT Competitive Highway Bridge Program (CHBP)

In Fiscal Year 2019-20 CDOT was awarded a $12.5 million discretionary grant for the Region 2 Concrete Box Culvert Program through the CHBP. This grant funding will be coupled with CBE revenues to address 14 eligible CBE structures on State Highway 9, U.S. Highway 24, and U.S. Highway 350 throughout rural areas of southern Colorado with the goal of providing rural mobility and connections to interstate commerce. The current total CBE eligible project cost for these 14 structures is estimated at $34.2 million. To capitalize on the economies of scale, five additional FASTER eligible structures, which are potential candidates for inclusion in the largest design build project, were funded for design. The tables below itemize the structures included in the CHBP grant project and the additional candidate structures.

Region 2 Concrete Box Culvert Program Structures (CHBP Grant Project)

Structure Count	Bridge ID	Facility Carried Over Featured Intersection	County
1	G-12-C	SH 9 over Platte Gulch	Park
2	H-13-N	US 24 over Draw	Park
3	I-13-G	US 24 over Draw	Park
4	I-15-AO	US 24 over Draw	Teller
5	I-15-T	US 24 over Draw	Teller
6	J-14-C	SH 9 over Louis Gulch	Park
7	J-15-G	SH 9 over Mack Gulch	Otero
8	M-21-B	US 350 over Lone Tree Arroyo	Otero
9	M-21-C	US 350 over Hoe Ranch Arroyo	Otero
10	M-21-J	US 350 over Draw	Otero
11	M-22-U	US 350 over Otero Ditch	Otero
12	M-22-Y	US 350 over Draw	Otero
13	N-21-C	US 350 over Draw	Otero
14	N-21-F	US 350 over Sheet Canyon Arroyo	Otero

Additional Region 2 Concrete Box Culvert Program Candidate Structures

Structure Count	Bridge ID	Facility Carried Over Featured Intersection	County
1	I-13-H	US 24 over Draw	Park
2	I-17-X	US 24 Service Road over Fountain Creek	El Paso
3	M-21-I	US 350 over Draw	Otero
4	O-19-D	US 350 over Lunning Arroyo	Las Animas
5	P-19-G Minor	SH 239 over Canal	Las Animas

Eastern Plains Rural Bridge Replacement Program

The "Eastern Plains" project will replace seven CBE eligible and four non-CBE eligible structures throughout the CDOT Regions 1 and 4, and it is being delivered through a construction manager/general contract (CM/GC) procurement method. In Fiscal Year 2019-20, CBE funded the eligible components of the project through preliminary design. It is currently anticipated that the project will be constructed in multiple packages from Fiscal Year 2020-21 to Fiscal Year 2023-23. The current total project cost for these 11 structures is estimated at $25 million with a CBE eligible component of approximately $16.5 million. The table below itemizes the CBE eligible structures in the "Eastern Plains" project:

Eastern Plains Rural Bridge Replacement Program Eligible Structures

Structure Count	Bridge ID	Facility Carried Over Featured Intersection	County
1	F-19-E	US 36 over Draw	Arapahoe
2	F-20-L	I-70 Service Road over Draw	Arapahoe
3	F-20-J	US 40 over Draw	Arapahoe
4	C-22-K	US 6 over UPRR, S. Platte River, Beaver Canal	Morgan
5	D-24-O	US 34 Over Draw	Washington
6	D-25-E	SH 61 over Surveyor Creek	Washington
7	D-28-D	US 34 over Republican River	Yuma

Floyd Hill Project

This corridor improvement project includes the replacement of one CBE eligible structure, which carries traffic westbound on I-70 over Clear Creek and U.S. 6 at the base of Floyd Hill. In Fiscal Year 2019-20, $100 million in external funding was approved for the project and the approximate $2.1 million CBE eligible portion of the preliminary design and environmental assessment (EA) was fully funded. The project team is currently evaluating "tunnel" and "viaduct" design alternatives based on feedback solicited from stakeholders and industry. The two alternatives will be assessed through the National Environmental Policy Act review process, which is scheduled to conclude in Fiscal Year 2020-21. The current total project cost is estimated at $600 million with a CBE eligible component of approximately $100 million to $150 million.

New Projects

During the Fiscal Year 2019-20, 28 new projects went to design, nine projects went to construction and four projects were completed. The current Four Year Project Plan has programmed projects in Fiscal Year 2020-21 through Fiscal Year 2023-24.

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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019.

Net Position Analysis

Condensed Statements of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018
Assets			
Current Assets	$ 331,725,199	$ 258,476,695	$ 219,651,190
Noncurrent Assets	15,667,157	18,305,791	18,289,079
Capital Assets	1,091,646,207	1,042,225,602	959,157,089
Total Assets	**1,439,038,563**	**1,319,008,088**	**1,197,097,358**
Deferred Outflows of Resources	**2,688,897**	**2,093,206**	**1,741,739**
Liabilities			
Current Liabilities	5,019,282	9,242,022	5,374,576
Noncurrent Long-term Liabilities	306,661,253	306,207,507	308,637,914
Total Liabilities	**311,680,535**	**315,449,529**	**314,012,490**
Deferred Inflows of Resources	**2,489,264**	**5,512,895**	**6,194,967**
Net Position			
Net Investment in Capital Assets	786,593,442	741,976,073	655,066,938
Restricted for Debt Service	15,667,157	18,305,791	18,289,079
Unrestricted	325,297,062	239,857,006	205,275,623
Total Net Position	**$ 1,127,557,661**	**$ 1,000,138,870**	**$ 878,631,640**

Fiscal Year 2019-20 Analysis

Assets

Total assets increased in Fiscal Year 2019-20 by $120 million, due to explanations provided below.

Current Assets

Current assets increased by $73.2 million in Fiscal Year 2019-20. The increase in cash of $67.4 million was partially due to an increase in interest earnings. The annual interest rate decreased from 2.22% to 2.01%. However, there was an increase in FASTER Bridge revenue, which caused the increase in cash and increase in interest earnings. The increase in federal receivables of $4.8 million is due to project expenses that are eligible for federal reimbursement.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by $2.6 million due to the refunding of the 2010A bonds.

Capital Assets

Completed bridge projects increased by $34.3 million, net of accumulated depreciation. This increase is due to the capitalization of the Grand Avenue pedestrian bridge and several smaller bridge projects. 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. The increase of $12.6 in assets under construction was due to the start of construction of new projects such as I-25 South Gap, Floyd Hill and Speer over I-25. The additions to completed bridges were offset by $10.5 million of depreciation on completed bridges.

Liabilities

Total liabilities decreased by $3.8 million in Fiscal Year 2019-20, due to explanations provided below.

Current Liabilities

Current liabilities decreased by $4.2 million in Fiscal Year 2019-20 caused by a decrease in accrued liabilities. The decrease in accrued liabilities is primarily related to accrued invoices for Central 70 change orders and drainage work completed by the City and County of Denver totaling $3 million in Fiscal Year 2018-19.

Noncurrent Liabilities

Noncurrent liabilities increased by $453,746 in Fiscal Year 2019-20. The $4 million decrease in bond debt was offset by the $5.9 million bond premium related to the refunding of the 2010A bonds.

Net Position

Total net position increased by $127.4 million in Fiscal Year 2019-20. Of the ending balance, $15.7 million is restricted for payment of debt service in the following year. Also $786.6 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 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18
Net Position (GAAP Basis)	$ 1,127,557,661	$ 1,000,138,870	$ 878,631,640
GASB 68-Pension Related Items			
Net Pension Liability	4,653,323	5,957,055	8,444,751
Deferred Outflows of Resources	(868,731)	(2,042,950)	(1,733,382)
Deferred Inflows of Resources	2,278,672	5,310,572	5,940,419
Total GASB 68 Pension	6,063,264	9,224,677	12,651,788
GASB 75 OPEB Related Items			
Postemployment Benefit Liability	182,489	250,452	193,163
Deferred Outflows of Resources	(42,356)	(50,256)	(8,357)
Deferred Inflows of Resources	210,592	202,323	254,548
Total GASB 75 OPEB	350,725	402,519	439,354
Net Position excluding Pension and OPEB	$ 1,133,971,650	$ 1,009,766,066	$ 891,722,782

CBE's net position increase was also affected by the change in net pension expense. In Fiscal Year 2019-20 net pension expense (credit) totaled ($3,161,414) and ($3,427,111) in Fiscal Year 2018-19. The credit to the expense was primarily a result of the amortization of CBE's change in proportional share of the net pension liability and also the State's contribution to the Trust Fund in accordance with C.R.S. § 24-51-413.

Fiscal Year 2018-19 Analysis

Assets

Total assets increased in Fiscal Year 2018-19 by $121.9 million, due to explanations provided below.

Current Assets

Current assets increased by $38.8 million in Fiscal Year 2018-19. The increase in cash of $39.6 million was partially due to an increase in interest earnings. The annual interest rate increased from 1.66% to 2.22%, which resulted in an increase of interest earnings of $9 million. In addition, in Fiscal Year 2017-18, CBE made a payment of $12.7 million to the City and County of Denver, related to the Central 70 project. In Fiscal Year 2018-19, CBE did not have any large payments related to the Central 70 project. The decrease in intergovernmental receivables of $1.1 million is due to payments being received by a local government for completion of the Grand Avenue project.

Noncurrent Assets

Noncurrent assets, excluding capital assets, increased by $16,712 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 $125.9 million, net of accumulated depreciation. This increase is due to the capitalization of the Grand Avenue project. 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. Majority of the right-of-way property for the Central 70 project was purchased in Fiscal Year 2017-18 and capitalized in Fiscal Year 2018-19. This caused the increase of $7.9 million in land and the reduction of $50.7 million in assets under construction.

Liabilities

Total liabilities increased by $1.4 million in Fiscal Year 2018-19, due to explanations provided below.

Current Liabilities

Current liabilities increased by $3.9 million in Fiscal Year 2018-19 caused by an increase in accrued liabilities. At fiscal year-end, CBE accrued change orders and drainage work completed by the City and County of Denver which are related to the Central 70 project.

Noncurrent Liabilities

Noncurrent liabilities decreased by $2.4 million in Fiscal Year 2018-19 due to a decrease in the net pension liability.

Net Position

Total net position increased by $121.5 million in Fiscal Year 2018-19. Of the ending balance $18.3 million is restricted for payment of debt service in the following year. Also $734.6 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 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17
Net Position (GAAP Basis)	$ 1,000,138,870	$ 878,631,640	$ 743,452,166
GASB 68-Pension Related Items			
Net Pension Liability	5,957,055	8,444,751	19,828,708
Deferred Outflows of Resources	(2,042,950)	(1,733,382)	(6,259,336)
Deferred Inflows of Resources	5,310,572	5,940,419	624,223
Total GASB 68 Pension	9,224,677	12,651,788	14,193,595
GASB 75 OPEB Related Items			
Postemployment Benefit Liability	250,452	193,163	-
Deferred Outflows of Resources	(50,256)	(8,357)	-
Deferred Inflows of Resources	202,323	254,548	-
Total GASB 75 OPEB	402,519	439,354	-
Net Position excluding Pension and OPEB	$ 1,009,766,066	$ 891,722,782	$ 757,645,761

CBE's net position increase was also affected by the change in net pension expense. In Fiscal Year 2018-19 net pension expense (credit) totaled ($3,427,111) and ($1,289,783) in Fiscal Year 2017-18, resulting in an increase of $2.1 million. The credit to the expense was primarily a result of the amortization of CBE's change in proportional share of the net pension liability and the State's contribution to the Trust Fund in accordance with C.R.S. § 24-51-413. As a result, the total net pension liability decreased.

Colorado Bridge Enterprise
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

Revenue and Expense Analysis

Condensed Statements of Net Revenues, Expenses, and Changes in Net Position

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Revenues			
FASTER Revenues	$ 106,770,724	$ 105,700,925	$ 106,023,648
Federal Revenues	14,659,093	9,920,525	9,391,400
Other Revenues	194,901	201,334	26,834,933
Total Operating Revenues	**121,624,718**	**115,822,784**	**142,249,981**
Operating Expenses			
Program Management (credit)	(1,594,102)	(860,837)	(25,780)
Bridge Operations and Maintenance Expense	300,136	358,456	395,140
Depreciation Expense	10,520,169	9,284,227	8,172,908
Total Operating Expenses	**9,226,203**	**8,781,846**	**8,542,268**
Net Operating Income	**112,398,515**	**107,040,938**	**133,707,713**
Net Nonoperating Revenues (Expenses)	**15,020,276**	**11,357,564**	**1,958,746**
Transfer of I-76 over Clear Creek From CDOT	-	3,108,728	-
Change in Net Position	**127,418,791**	**121,507,230**	**135,666,459**
Beginning Net Position	**1,000,138,870**	**878,631,640**	**742,965,181**
Net Position, End of year	**$ 1,127,557,661**	**$ 1,000,138,870**	**$ 878,631,640**

Fiscal Year 2019-20 Analysis

<u>Revenues</u>

Total operating revenues increased by $5.8 million in Fiscal Year 2019-20, 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 $1.1 million. Federal highway revenues increased by $4.7 million due to project expenses that are eligible for federal reimbursement.

Expenses

Total operating expenses increased by $444,357. The majority of the increase in operating expenses was from program management and depreciation, resulting in a credit balance of $1,594,102. Program management primarily consists of salary and benefits totaling $2,310,554. Program management is offset by a credit totaling $3,212,337, which is related to pensions and OPEB. The GASB 68 and 75 pension and OPEB entries cause credits to pension and OPEB items due to CBE having a small number of FTEs. Investment income increased by $5.7 million due to an increase in cash and pooled investments. This increase was offset by an increase in nonoperating expenses. The increase in nonoperating expenses was related to the refunding of the 2010A bonds. Depreciation expense increased due to the increased number of completed bridges.

Investment income increased by $5.7 million due to an increase in cash and pooled investments. Nonoperating expenses increased due to the refunding of the 2010A bonds.

Nonoperating Revenues (Expenses)

Net nonoperating revenues increased by $3.6 million.

The Build America Bonds (BABs) subsidy decreased by $381,828, due to the refunding of the 2010A bonds. The refunding of the 2010A bonds also caused CBE to incur cost of issuance fees totaling $311,811 and a refunding loss totaling $161,856 related to the current year amortization. Additionally, investment income increased by $5.7 million due to an increase in unrealized gain.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $127.4 million in Fiscal Year 2019-20 compared to an increase of $121.5 for Fiscal Year 2018-19.

Fiscal Year 2018-19 Analysis

Revenues

Total operating revenues decreased by $26.4 million in Fiscal Year 2018-19, 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 decreased by $322,723. Other operating revenues decreased by $26.6

million due to a payment from KMP of $25 million in Fiscal Year 2017-18. This payment was due at financial close of the Central 70 project which occurred in December 2017.

Expenses

Total operating expenses increased by $239,578. The majority of the increase in operating expenses was from program management and depreciation. Program management primarily consists of salary and benefits. Items related to pension and OPEB benefits can have a significant effect on the amounts recorded. The program management credit totaling $860,837 is a result of a large credit to pension expense. Program management decreased by $835,057 due to the reduction of expenditures related to the capitalization process of assets under construction. Depreciation expense increased due to the increased number of completed bridges.

Nonoperating Revenues (Expenses)

CBE received non-cash TABOR transfers of bridges from CDOT totaling $3.1 million related to the I-76 over Clear Creek.

Net nonoperating revenues increased by $9.3 million.

The Build America Bonds (BABs) subsidy increased by $12,763, due to the effects of the federal sequester. Additionally, investment income increased by $7.9 million due to an increase in interest earnings. Interest rates increased from 1.66% to 2.22% in Fiscal Year 2018-19.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $121.5 million in Fiscal Year 2018-19 compared to an increase of $135.7 for Fiscal Year 2017-18.

Capital Assets

Capital Assets and Debt Administration

	June 30, 2020	June 30, 2019	June 30, 2018
Bridges - net of accumulated depreciation	$ 742,635,265	$ 708,381,608	$ 582,501,923
Land	98,041,961	95,440,789	87,547,480
Assets Under Construction	250,968,981	238,403,205	289,107,686
Capital Assets, Net of Accumulated Depreciation	**$ 1,091,646,207**	**$ 1,042,225,602**	**$ 959,157,089**

CBE's investment in capital assets includes land, capital assets under construction and completed bridge projects. Total capital assets as of June 30, 2020 are $1.1 billion, net of accumulated depreciation of $50.3 million. Significant capital assets events during the current fiscal year include:

- Construction of the Central 70 project began in Fiscal Year 2018-19, with an overall budget of $400 million. Construction expenditures totaled approximately $185 million through June 30, 2020.

Long-term Debt

The long-term portion of the bond debt totaled $301.8 million and $300.0 million in Fiscal Years 2019-20 and 2018-19, respectively. 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, 2020 and 2019

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and pooled cash investments	$ 315,814,003	$ 248,437,988
Receivables	11,065,847	10,035,832
Federal receivables	4,842,474	-
Prepaid items	2,875	2,875
Total current assets	331,725,199	258,476,695
Noncurrent assets:		
Long-term investments	15,667,157	18,305,791
Land	98,041,961	95,440,789
Assets under construction	250,968,981	238,403,205
Bridges, net of accumulated depreciation	742,635,265	708,381,608
Total noncurrent assets	1,107,313,364	1,060,531,393
Total assets	**1,439,038,563**	**1,319,008,088**
Deferred Outflows of Resources		
Related to bond refunding	1,777,810	-
Related to pensions	868,731	2,042,950
Related to other postemployment benefits	42,356	50,256
Total deferred outflows of resources	**2,688,897**	**2,093,206**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	5,019,282	9,242,022
Total current liabilities	5,019,282	9,242,022
Noncurrent liabilities:		
2010A bonds	257,180,000	300,000,000
2019A bonds	38,740,000	-
2019A bond premium	5,905,441	-
Net pension liability	4,653,323	5,957,055
Net other postemployment benefits liability	182,489	250,452
Total noncurrent liabilities	306,661,253	306,207,507
Total liabilities	**311,680,535**	**315,449,529**
Deferred Inflows of Resources		
Related to pensions	2,278,672	5,310,572
Related to other postemployment benefits	210,592	202,323
Total deferred inflow of resources	**2,489,264**	**5,512,895**
Net Position		
Net investment in capital assets	786,593,442	741,976,073
Restricted for debt service	15,667,157	18,305,791
Unrestricted	325,297,062	239,857,006
Total net position	**$ 1,127,557,661**	**$ 1,000,138,870**

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, 2020 and 2019

	June 30, 2020	June 30, 2019
Operating Revenues		
FASTER revenues	$ 106,770,724	$ 105,700,925
Federal revenues	14,659,093	9,920,525
Other operating revenues	194,901	201,334
Total operating revenues	**121,624,718**	**115,822,784**
Operating Expenses		
Program management	(1,594,102)	(860,837)
Bridge operations and maintenance expense	300,136	358,456
Depreciation expense	10,520,169	9,284,227
Total operating expenses	**9,226,203**	**8,781,846**
Operating income	**112,398,515**	**107,040,938**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy (BABs)	5,591,630	5,973,458
Investment income, net	14,933,913	9,207,496
Refunding cost of issuance	(311,811)	-
Amortization of 2019A bond premium and refunding loss	264,180	-
Interest expense	(5,457,636)	(3,823,390)
Net nonoperating revenues (expenses)	**15,020,276**	**11,357,564**
Transfer of I-76 over Clear Creek from CDOT	-	3,108,728
Change in Net Position	**127,418,791**	**121,507,230**
Beginning Net Position	**1,000,138,870**	**878,631,640**
Net Position, End of year	**$ 1,127,557,661**	**$ 1,000,138,870**

The accompanying notes are an integral part of these financial statements

Colorado Bridge Enterprise

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
Cash Flows from Operating Activities		
Cash received from users and grants	$ 115,833,576	$ 116,565,776
Cash payments to employees and suppliers of goods and services	(1,670,080)	(2,833,581)
Net cash provided by operating activities	**114,163,496**	**113,732,195**
Cash Flows from Capital Financing Related Activities		
Interest subsidy received	5,591,630	5,973,458
Acquisition and construction of capital assets	(52,171,415)	(74,165,487)
Interest paid on capital debt	(17,698,891)	(18,234,000)
Net cash used in capital financing activities	**(64,278,676)**	**(86,426,029)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(15,094,855)	(24,190,037)
Proceeds from sales and maturities of investments	17,733,489	27,282,053
Investment income	14,852,561	9,207,496
Net cash provided by investing activities	**17,491,195**	**12,299,512**
Net increase in cash and cash equivalents	67,376,015	39,605,678
Cash and cash equivalents, beginning of period	248,437,988	208,832,310
Cash and cash equivalents, end of period	**$ 315,814,003**	**$ 248,437,988**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 112,398,515**	**$ 107,040,938**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	10,520,169	9,284,227
Adjustment to net pension liability	(1,303,733)	(2,487,696)
Adjustment to postemployment benefits	(67,963)	57,289
Direct state allocation to pension - expense	38,252	38,931
Direct state allocation to pension - revenue	(38,252)	(38,931)
Changes in assets and liabilities:		
Receivables, net	(5,791,142)	781,923
Compensated absences	871	243
Deferred inflows of resources - related to pension and other postemployment benefits	(3,023,631)	(682,072)
Deferred outflows of resources - related to pension and other postemployment benefits	(595,691)	(351,467)
Deferred outflows of resources - related to bond refunding	1,777,810	-
Prepaid expense	-	(1,750)
Accounts payable and accrued liabilities	248,291	90,560
Net cash provided by operating activities	**$ 114,163,496**	**$ 113,732,195**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 3,227,324	$ 7,611,477
Unrealized gain (loss)	$ 9,593,432	$ 1,165,020
Capitalized interest	$ 12,153,505	$ 14,410,610
Transfer of I-76 over Clear Creek From CDOT	$ -	$ 3,108,728
Proceeds from 2019A refunding bonds	$ 44,645,441	$ -
Payment of 2010A bonds	$ (42,820,000)	$ -
Payment of debt fees	$ (47,631)	$ -

The accompanying notes are an integral part of these financial statements

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Colorado Bridge Enterprise
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 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, other postemployment benefits (OPEB) items, and a refunding loss. The deferred outflows of resources that are related to pension and OPEB 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. The deferred outflow of resources related to the refunding loss will be amortized to refunding loss expense in a later period and is amortized over the life of the bond.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest incurred during Fiscal Year 2019-20 was $17,611,141 and $18,234,000 in Fiscal Year 2018-19. Interest expense capitalized during the years ended June 30, 2020 and 2019 was $12,153,505 and $14,410,610, 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.

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, 2020 and 2019, the CBE had cash on deposit with the State Treasurer of $315,814,003 and $248,437,988, respectively, which represented approximately three percent of the total $9,633.8 million fair value of investments in the State Treasurer's Pool (Pool) and approximately 3 percent of the total $9,096.5 million fair value of investments in the Pool as of June 30, 2019. As of June 30, 2020, the Pool's resources included $16 million of cash on hand and $9,617.8 million of investments.

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, 2020.

NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2020 and 2019 in the amount of $15,667,157 and $18,305,791, respectively. These amounts represent 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, 2020. 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

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

Level 3 Investments

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 $15,667,157 and $18,305,791 for the years ended June 30, 2020 and 2019, 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 Funding Advancements for Surface Transportation and Economic Recover (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.

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.

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.

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

	2020	2019
FASTER revenues receivable	$ 10,708,984	$ 9,848,478
Trustee interest receivable	164,213	82,862
Federal receivable	4,842,474	-
Other receivable	192,650	104,492
Total accounts receivable	**$ 15,908,321**	**$ 10,035,832**

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

NOTE 5 – CAPITAL ASSETS

By the end of Fiscal Year 2019-20, as a result of construction projects, a total of 113 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, 2020 and 2019:

	Balance at June 30, 2019	Additions	Disposals	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated					
Land	$ 95,440,789	$ -	$ -	$ 2,601,172	$ 98,041,961
Assets under construction	238,403,205	59,940,774	-	(47,374,998)	250,968,981
Total capital assets, not being depreciated	333,843,994	59,940,774	-	(44,773,826)	349,010,942
Capital assets, being depreciated					
Bridges	748,124,349	-	-	44,773,826	792,898,175
Accumulated depreciation	(39,742,741)	(10,520,169)	-	-	(50,262,910)
Total capital assets, being depreciated, net	708,381,608	(10,520,169)	-	44,773,826	742,635,265
Capital assets, net	$ 1,042,225,602	$ 49,420,605	$ -	$ -	$ 1,091,646,207

	Balance at June 30, 2018	Additions	Disposals	Transfers	Balance at June 30, 2019
Capital assets, not being depreciated					
Land	$ 87,547,480	$ -	$ -	$ 7,893,309	$ 95,440,789
Assets under construction	289,107,686	89,244,012	-	(139,948,493)	238,403,205
Total capital assets, not being depreciated	376,655,166	89,244,012	-	(132,055,184)	333,843,994
Capital assets, being depreciated					
Bridges	612,960,437	3,108,728	-	132,055,184	748,124,349
Accumulated depreciation	(30,458,514)	(9,284,227)	-	-	(39,742,741)
Total capital assets, being depreciated, net	582,501,923	(6,175,499)	-	132,055,184	708,381,608
Capital assets, net	$ 959,157,089	$ 83,068,513	$ -	$ -	$ 1,042,225,602

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2020	2019
Accrued interest expense on debt issuance	$ 1,431,750	$ 1,519,500
Retainage payable	1,158,070	1,277,528
Accrued project costs payable	2,069,255	6,333,949
Other payables	360,207	111,045
Total accrued liabilities	**$ 5,019,282**	**$ 9,242,022**

NOTE 7 – COMMITMENTS

The CBE had outstanding commitments for construction in the amount of $198,730,969 at June 30, 2020.

NOTE 8 – LONG-TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2020 and 2019 as follows:

	Balance at June 30, 2019	Issuances/ Additions	Retirements/ Reductions	Balance at June 30, 2020	Amount Due Within One Year
Bridge Enterprise 2010A bonds	$ 300,000,000	$ -	$42,820,000	$ 257,180,000	$ -
Bridge Enterprise 2019A bonds	-	38,740,000	-	38,740,000	-
Bridge Enterprise 2019A Premium	-	5,905,441	-	5,905,441	-
Net pension liability	5,957,055	489,349	1,793,081	4,653,323	-
Net other postemployment benefits/liability	250,452	21,192	89,155	182,489	-
	$ 306,207,507	$ 45,155,982	$44,702,236	$ 306,661,253	$ -

	Balance at June 30, 2018	Issuances/ Additions	Retirements/ Reductions	Balance at June 30, 2019	Amount Due Within One Year
Bridge Enterprise revenue bonds	$ 300,000,000	$ -	$ -	$ 300,000,000	$ -
Net pension liability	8,444,751	-	2,487,696	5,957,055	-
Net other postemployment benefits/liability	193,163	63,915	6,626	250,452	-
	$ 308,637,914	$ 63,915	$ 2,494,322	$ 306,207,507	$ -

Series 2010A Bonds

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 (the 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 Balanced Budget and Emergency Deficit Control Act of 1985, the BABs are subject to sequestration. In Fiscal Year 2018-19, an executive order was signed reducing the federal direct payments by 6.2 percent and in Fiscal Year 2017-18 the federal direct payment was reduced by 6.6 percent. In Fiscal Year 2019-20 the federal direct payment was reduced due to the refunding of the 2010A bonds that was completed in December 2019 with proceeds from the Series 2019A bond as discussed below.

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, 2020 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.

Series 2019A Bonds

A portion of the Series 2010A bonds were issued with an optional par-call redemption provision enabling CBE to refund the 2027 term bond totaling $42.8 million for interest rate savings prior to its maturity. The 2027 Term bond is callable at par on December 1, 2020. CBE started to evaluate the interest saving and pursued the partial refunding of the 2010A bonds in the Summer of 2019.

In December 2019, CBE issued $38.7 million in Colorado Bridge Enterprise Revenue Refunding Bonds Series 2019A with an interest rate of 4 percent and included a premium of $6.3 million. Interest payments are due June 30 and December 30 each year, starting in June 2020. A portion of the Bonds mature in December 2025 with the balance due June 2028.

CBE refunded the 2010A bonds to reduce its total debt service payments by $10.3 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4.2 million. The reacquisition price of $44.7 million exceeded the carrying value of the 2010A bond totaling $42.8 million, which resulted in a refunding loss of $1.9 million. The refunding loss was recognized as a deferred outflow, and will be amortized over the remaining life of the bond.

The proceeds from the 2019A bonds that were used to advance refund a portion of the outstanding 2010A bonds have been placed in escrow to provide for all future debt service payments on the refunded bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in CBE's financial statements. As of June 30, 2020, $257,180,000 of the defeased 2010A bonds remains outstanding.

Total future debt service payments over the remaining life of the 2010A and 2019A bonds are as follows:

2010A Bonds:

Fiscal Year	Interest Due	Principal Due	Less BAB Subsidy	Net Debt Service Payment
2021	$ 15,631,400	$ -	$ 5,470,990	$ 10,160,410
2022	15,631,400	-	5,470,990	10,160,410
2023	15,631,400	-	5,470,990	10,160,410
2024	15,631,400	-	5,470,990	10,160,410
2025	15,631,400	-	5,470,990	10,160,410
2026 to 2030	76,261,274	31,500,000	26,691,446	81,069,828
2031 to 2035	55,259,657	90,550,000	19,340,880	126,468,777
2036 to 2040	24,831,517	110,325,000	8,691,031	126,465,486
2041 to 2045	753,824	24,805,000	263,838	25,294,986
Total payments	**$ 235,263,272**	**$ 257,180,000**	**$ 82,342,145**	**$ 410,101,127**

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

2019A Bonds:

Fiscal Year	Interest Due	Principal Due	Net Debt Service Payment
2021	$ 1,549,600	$ -	$ 1,549,600
2022	1,549,600	-	1,549,600
2023	1,549,600	-	1,549,600
2024	1,549,600	-	1,549,600
2025	1,549,600	-	1,549,600
2026 to 2030	2,364,200	38,740,000	41,104,200
Total payments	**$ 10,112,200**	**$ 38,740,000**	**$ 48,852,200**

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 of eligible federal funds will be reinstated in Fiscal Year 2020-21.

In Fiscal Year 2019-20 CDOT was awarded a $12.5 million discretionary grant for the Region 2 Concrete Box Culvert Program. This federal funding will be coupled with CBE revenues to address CBE structures on State Highway 9, U.S. Highway 24, and U.S. Highway 350 throughout rural areas throughout southern Colorado with the goal of providing rural mobility and connections to interstate commerce. The current CBE eligible project costs for these structures is estimated at $34.2 million.

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.

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.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some but not all, of these changes were in effect as of June 30, 2020.

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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

B. Benefits Provided as of December 31, 2019

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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SDTF.

The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 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, 2020

Eligible employees and of CBE and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of January 1, 2019 through December 31, 2020 are summarized in the table below:

	January 1, 2019 through June 30, 2019	July 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020
Employee contribution (all employees except State Troopers)**	8.00%	8.75%	10.00%

**Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
	CY19	CY19/20	CY20
	January 1, 2019 through June 30, 2019	July 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020
Employer Contribution Rate**	10.15%	10.40%	10.90%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.13%	9.38%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in 413 C.R.S., Section 24-51-411	5.00%	5.00%	5.00%
Total Employer Contribution Rate to the SDTF	19.13%	19.38%	19.88%

**Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 $361,180 and $336,026 for the years ended June 30, 2020 and 2019, respectively.

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

The net pension liability was measured as of December 31, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 and 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2019 and 2018. The CBE proportion of the net pension liability was based on CBE's contributions to the SDTF for calendar year 2019, relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2020, the CBE reported a liability of $4,653,323 and $5,957,055 as of June 30, 2019 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The CBE proportionate share of the net pension liability is as follows:

At December 31, 2019, the CBE proportion was .0479 percent, which was a decrease of .004 percent from its proportion measured as of December 31, 2018.

At December 31, 2018, the CBE proportion was .0523 percent, which was an increase of .010 percent from its proportion measured as of December 31, 2017.

For the years ended June 30, 2020 and 2019, the CBE recognized a pension expense (credit) of $3,161,414 and $3,427,111 for the year ended June 30, 2020. At June 30, 2020 and 2019, the CBE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 173,858	$ -	$ 170,352	$ -
Changes of assumptions	-	1,334,673	313,669	3,076,131
Net difference between projected and actual earnings on pension plan investments	-	501,341	300,899	-
Changes in proportion and differences between CBE contributions and proportionate share of contributions	535,889	442,658	1,131,321	2,234,441
CBE contributions subsequent to the measurement date	158,984	-	126,709	-
Total	$ 868,731	$ 2,278,672	$ 2,042,950	$ 5,310,572

$158,984 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, 2021. 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:		
2021	$	(1,085,544)
2022		(293,093)
2023		(19,677)
2024		(170,611)
	$	(1,568,925)

E. Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial cost methods, actuarial assumptions and other inputs:

	2018	2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	4.72 percent
Post-retirement benefit increases:		
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	1.25 percent compounded annually	2.00 percent compounded annually
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

[1] For 2019, the annual increase was 0.00 percent.

Additionally, the following actuarial assumptions were utilized for both the December 31, 2018 and 2017 actuarial valuations:

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.

Postretirement non-disabled mortality assumptions 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 actuarial assumptions used in the December 31, 2018 and 2017 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.

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 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 percent.

F. Discount Rate

The discount rate used to measure the total pension liability for December 31, 2019 and 2018 was 7.25 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 member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include 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 reflect reductions for the funding of the 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.

- As specified in law, the State will provide an annual direct distribution of $225 million, commencing July 1, 2018, that is proportioned between the State, School, Judicial and DPS Division Trust Funds based upon the cover payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	June 30, 2020		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 5,986,356	$ 4,653,323	$ 3,525,248

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.

NOTE 11 – OTHER RETIREMENT PLANS

Voluntary Investment Program PERAPlus 401(k) Plan

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 CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

B. Funding Policy

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

Defined Contribution Retirement Plan (DC Plan)

A. Plan Description

Employees of CBE that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008, 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). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. 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 CAFR as referred to above.

B. Funding Policy

All participating employees in the PERA DC Plan and the CBE are required to contribute a percentage of the participating employee's PERA-includable salary to the PERA DC Plan. The employee contributions rates for the period January 2019 through December 2020 are summarized in the tables below:

	January 1, 2019 through June 30, 2019	July 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020
Employee Contribution Rates:			
Employee contribution (All employees except State Troopers)	8.00%	8.75%	10.00%
State Troopers Only	10.00%	10.75%	12.00%
Employer Contributions Rates:			
On behalf of all employees except State Troopers	10.15%	10.40%	10.90%
State Troopers Only	12.85%	13.10%	13.60%

Additionally the employers are required to contribute to AED and SAED to the SDTF as follows:

	As of June 30, 2020 and 2019
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	5.00%
Total Employer Contribution Rate to the SDTF[1]	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 $12,967,000 and $10,573,000 for the years ended June 30, 2020 and 2019, respectively, and the CBE did not recognize any pension contributions for the PERA DC plan for the years ended June 30, 2020 and 2019.

PERAPlus 457 Plan (457 Plan)

The PERA Deferred Compensation Plan (457 Plan) 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 2019, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by the percentage of their PERA contribution) to a maximum of $19,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional $6,000 contribution in 2019. Contributions and earnings are tax-deferred. At December 31, 2019, CBE had no participants.

NOTE 12 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

A. OPEB

The CBE participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' 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 of the HCTF have been determined 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. Investments 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 (CAFR) 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 into 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 $16,909 for the year ended June 30, 2020 and $15,841 for the year ended June 30, 2019.

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

At June 30, 2020 and 2019, the CBE reported a liability of $182,489 and $250,452 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability for the HCTF was measured as of December 31, 2019 and 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019 from the actuarial valuation date of December 31, 2018. The CBE's proportion of the net OPEB liability was based on CBE's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the CBE's proportion was .016 percent, which was a decrease of .002 percent from its proportion measured as of December 31, 2018.

At December 31, 2018, the CBE's proportion was .018 percent, which was a decrease of .003 percent from its proportion measured as of December 31, 2017.

For the years ended June 30, 2020 and 2019, the CBE recognized a reduction of OPEB expense of $51,794 and $36,834, respectively. At June 30, 2020, the CBE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 606	$ 30,665	$ 909	$ 381
Changes of assumptions	1,514	-	1,757	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,046	1,440	-
Changes in proportion and differences between CBE contributions and proportionate share of contributions	31,868	176,881	39,394	201,942
CBE contributions subsequent to the measurement date	8,368	-	6,756	-
Total	$ 42,356	$ 210,592	$ 50,256	$ 202,323

$8,368 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 ended June 30, 2020. 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	
2021	$ (52,770)
2022	(52,770)
2023	(51,887)
2024	(8,155)
2025	(10,379)
Thereafter	(643)
	$ (176,604)

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial cost method and actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2018	2017
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Health care cost trend rates		
PERA Benefit Structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029	5.00 percent
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029	3.25 percent in 2018, gradually increasing to 5.00 percent in 2025
DPS Benefit Structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	N/A	N/A
Medicare Part A premiums	N/A	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.

The actuarial assumptions used in the December 31, 2018, 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 discussed below.

In determining the additional liability for PERACare enrollees who are 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA benefit structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is $437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost trend rates, as discussed below.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	5.70%	4.25%
2029	4.50%	4.50%

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, postretirement 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.

Postretirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 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 68 percent factor applied to rates for ages less than 80, a 106 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 updated and used in the measurement of the obligations for the HCTF:

- 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 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

- 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 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 percent.

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
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.51%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$158,011	$182,489	$166,299

I. Discount Rate

The discount rate used to measure the total OPEB liability for December 31, 2019 and 2018 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, 2019 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 percent.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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	$178,154	$182,489	$187,498

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 – RISK MANAGEMENT

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

NOTE 14 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 15 – CENTRAL 70 PROJECT

On August 24, 2017, Kiewit 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 16 – COVID-19

As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of CBE. The duration of these uncertainties and the financial effect cannot be reasonably estimated at this time.

Required Supplementary Information

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Colorado Bridge Enterprise

Required Supplementary Information

Schedule of CBE's Proportionate Share of the Net Pension Liability

June 30

	2020	2019	2018	2017	2016 *	2015 *
CBE's proportion of the net pension liability	0.05%	0.05%	0.04%	0.11%	0.12%	0.11%
CBE's proportionate share of the net pension liability	$ 4,653,323	$ 5,957,055	$ 8,444,751	$ 19,828,708	$ 12,315,953	$ 10,165,317
CBE's covered payroll	$ 1,499,770	$ 1,598,345	$ 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	310.27%	372.70%	681.88%	644.46%	385.68%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	55.11%	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

	2020	2019	2018	2017	2016 *	2015 *
Statutorily required contribution	$ 361,180	$ 336,026	$ 251,976	$ 365,722	$ 630,061	$ 454,689
Contributions in relation to the statutorily required contribution	361,180	336,026	251,976	365,722	630,061	454,689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
CBE's covered payroll	$ 1,657,763	$ 1,553,032	$ 1,317,384	$ 1,957,828	$ 3,544,901	$ 2,853,298
Contributions as a percentage of covered payroll	21.79%	21.64%	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

	2020	2019	2018
CBE's proportion of the net OPEB liability	0.016%	0.018%	0.015%
CBE's proportionate share of the net OPEB liability	$ 182,489	$ 250,452	$ 193,163
CBE's covered payroll	$ 1,499,770	$ 1,598,345	$ 1,238,452
CBE's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.17%	15.67%	15.60%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	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

	2020	2019	2018
Statutorily required contribution	$ 16,909	$ 15,841	$ 13,437
Contributions in relation to the statutorily required contribution	16,909	15,841	13,437
Contribution deficiency (excess)	$ -	$ -	$ -
CBE's covered payroll	$ 1,657,763	$ 1,553,031	$ 1,317,384
Contributions as a percentage of covered payroll	1.02%	1.02%	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, 2020 and 2019

NOTE 1 – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2019 Changes in Assumptions or Other Inputs Since 2018:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

2018 Changes in Assumptions or Other Inputs Since 2017:

- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.

2017 Changes in Assumptions or Other Inputs Since 2016:

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the 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 and Judicial Division changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

2016 Changes in Assumptions or Other Inputs Since 2015:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.

- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.

- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.

- The postretirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.

  The postretirement mortality assumption for healthy lives for the Judicial Division was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, for males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.

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

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

- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.

- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.

- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

2015 Changes in Assumptions or Other Inputs Since 2014:

- The following programming changes were made:

    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit.
    - Refinement of the 18-month AI timing.
    - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:

    - Recognition of merit salary increases in the firs projection year.
    - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

Colorado Bridge Enterprise
Notes to Required Supplementary Information
June 30, 2020 and 2019

2014 Changes in Assumptions or Other Inputs Since 2013:

- The SEIR for the Judicial Division was lowered from 6.66 percent to 6.14 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate from 4.73 percent on the prior measurement date to 3.70 percent on the measurement date.

2013 Changes in Assumptions or Other Inputs Since 2012:

- The investment return assumption was lowered from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 3.50 percent to 2.80 percent.
- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

NOTE 2 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS

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

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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*

Independent Auditor's Report

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 net position as of June 30, 2020 and the related statements of revenues, expenses, changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 4, 2020, which contained an emphasis of matter paragraph regarding the financial statements of the Enterprise.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
December 4, 2020

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Members of the Legislative Audit Committee

As part of our audit of the financial statements and compliance of Colorado Bridge Enterprise (the Enterprise or CBE) as of and for the year ended June 30, 2020, 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 contract with the State of Colorado Office of the State Auditor more specifically describes 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.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Enterprises' 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 financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. 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, but more than trivial to the financial statements as a whole

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

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

- No matters are reportable

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:

- Matters related to Central 70 and debt refunding

Members of the Legislative Audit Committee

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
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

* * * * *

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

December 4, 2020

Colorado Department of Transportation

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect 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	331,725,199		331,725,199	
Non-Current Assets & Deferred Outflows	1,110,002,261		1,110,002,261	
Current Liabilities	(5,019,282)		(5,019,282)	
Non-Current Liabilities & Deferred Inflows	(309,150,517)		(309,150,517)	
Current Ratio	66.090		66.090	
Total Assets & Deferred Outflows	1,441,727,460		1,441,727,460	
Total Liabilities & Deferred Inflows	(314,169,799)		(314,169,799)	
Total Net Position	(1,127,557,661)		(1,127,557,661)	
Operating Revenues	(121,624,718)		(121,624,718)	
Operating Expenses	9,226,203		9,226,203	
Nonoperating (Revenues) Exp	(15,020,276)	90,000	(14,930,276)	-0.60%
Change in Net Position	(127,418,791)	90,000	(127,328,791)	-0.07%

Client: Colorado Department of Transportation
Period Ending: June 30, 2020

CBE - Fund 538

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows						Net Effect on Following Year	
			Current DR (CR)	*Noncurrent* DR (CR)	*Current* DR (CR)	*Noncurrent* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	*Change in Net Position* DR (CR)	*Net Position* DR (CR)
To post turnaround effect of understated expenses in FY19 that would have been recorded in FY20		F	0	0	0	0	0	0	90,000	(90,000)	0	0
	Beginning Fund Balance									(90,000)		
	Expenses								90,000			
Total passed adjustments			0	0	0	0	0	0	90,000	(90,000)	0	0

Impact on Change in Net Position	**90,000**
Impact on Net Position	**0**