COLORADO BRIDGE ENTERPRISE

Annual Financial Statements
Fiscal Years 2013 and 2014

COLORADO AT WORK
PROJECT FUNDED BY YOUR FASTER VEHICLE REGISTRATION FEES

CDOT

Colorado Department of Transportation's Bridge Enterprise

Financial Statements and Independent Auditor's Reports

Financial Audit

Years Ended June 30, 2014 and 2013

Compliance Audit

Year Ended June 30, 2014

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BKD LLP
CPAs & Advisors
1700 Lincoln Street, Suite 1400 //Denver, CO 80203-4514
303.861.4545 //fax 303.832.5705 //bkd.com

December 10, 2014

Members of the Legislative Audit Committee:

We have completed the financial statement audit of the Colorado Department of Transportation's Bridge Enterprise (the Enterprise or the CBE) as of and for the year ended June 30, 2014. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

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Colorado Bridge Enterprise
June 30, 2014 and 2013

Table of Contents

INTRODUCTORY SECTION

Report Summary 1

Background 3

Independent Auditor's Report 5

Management's Discussion and Analysis (Unaudited) 9

Basic Financial Statements

Statements of Net Position 25

Statements of Revenues, Expenses, and Changes in Fund Net Position 26

Statements of Cash Flows 27

Notes to Financial Statements 29

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 47

Independent Auditor's Communication to Legislative Audit Committee 49

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Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2014

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, 2014. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* The audit of the Colorado Bridge Enterprise (the Enterprise or the CBE) was performed under authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies. The purpose of the audit was to express an opinion on the financial statements of the Enterprise for the year ended June 30, 2014.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the year ended June 30, 2014, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*
- To review the CBE's compliance with rules and regulations governing the expenditure of state funds for the year ended June 30, 2014.
- 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, 2014.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the CBE's financial statements as of and for the year ended June 30, 2014.

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

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

Summary of Key Findings and Recommendations

There are no findings and recommendations reported for the year ended June 30, 2014.

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

Colorado Bridge Enterprise
Report Summary
Year Ended June 30, 2014

Significant Audit Adjustments

There were no proposed audit adjustments identified during the audit.

Auditor's Communication to Legislative Audit Committee

The auditor's communication to the Legislative Audit Committee describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 49.

Colorado Bridge Enterprise
Background
Year Ended June 30, 2014

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

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

As provided in FASTER, the CBE constitutes an "enterprise" for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than 10 percent of its total revenues in grants from the state and local governments. Management did not identify any violations of this enterprise status during FY 2013-14.

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BKD LLP
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Independent Auditors' Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Colorado Bridge Enterprise (the CBE or the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which are comprised of the statements of net position as of June 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents of the Colorado Bridge Enterprise.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Legislative Audit Committee:

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBE as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of CBE are intended to present the net position and changes in financial position and, where applicable, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of CBE. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2014 and 2013 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in Fiscal Year 2014 the Enterprise adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Members of the Legislative Audit Committee:

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of CBE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CBE's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 10, 2014

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Colorado Bridge Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

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, 2014 and 2013. The MD&A also informs the reader of the financial issues and activities related to the CBE. It should be read in conjunction with CBE's financial statements.

Program Overview

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

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

As provided in FASTER, the CBE constitutes an "enterprise" for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than 10 percent of its total revenues in grants from the state and from local governments. Management did not identify any violations of this enterprise status during FY 2013-14.

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

Designated Bridges

The CBE Board initially identified 128 bridges across the state highway system that qualified as "Designated Bridges" within the eligibility criteria established under FASTER. Subsequently, the Board added other bridges bringing the total number eligible to receive FASTER funding to 180 as of June 30, 2014.

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

Bridge Maintenance Program

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

Bridge Completion Status

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

Nonetheless, CBE made significant progress in FY 2013-14. Approximately 64 percent of the current FASTER eligible bridges are now either in the construction phase or completed. The current status of these 180 FASTER eligible bridges within the program as of June 2014 is shown below:

Project Phase	Number of Bridges
Future projects	22
In design phase	16
Design complete	10
In construction phase	11
Projects complete	105
Evaluated, no action at this time	16
Total	180

Below is the status, as of June 2014, of the 30 bridges originally identified as most deficient by the Board:

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

The CBE has completed 28 of the 30 bridges originally identified as the most deficient and expects to complete the design and reconstruction of one of the remaining bridges by the end of the calendar year 2015. The final remaining bridge is the I-70 viaduct, which currently is in the design phase.

Financing Bridge Projects

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

Working Capital Loan

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

Debt Issuance

In December 2010, the CBE issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing project costs. The Board has determined to use the bond proceeds for the construction of 93 of the bridges. These 93 bridges are tracked separately from the total population of designated bridges. The proceeds are expected to fully fund 55 of the projects with 38 projects partially funded with available sources and requiring either a future bond issue or other funding to complete.

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2014 recorded as current. Principal payments on the bonds begin in 2025 with final maturity in December 2040. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year. The debt proceeds are held by the Trustee, Zions First National Bank, and invested by the State Treasury per written agreements. The CBE has agreed to place with the Trustee, on December 1st and June 1st of each year, an amount equal to the debt service costs for the year.

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

Pursuant to the requirements of the Budget Control Act of 2011, the BABs are subject to sequestration. In FY 2012-13, an executive order was signed reducing the federal direct payments by 5.1 percent and in FY 2013-14 the federal direct payment was reduced by 7.2 percent.

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

Federal Funds

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

In FY 2013-14 the Transportation Commission allocated to the CBE $15 million in federal funds. In FY 2012-13 federal funds allocated totaled $15 million.

Colorado Bridge Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Highlights of FY 2013-14

Prioritization Plan

The CBE continues to utilize a scoring system whereas both quantitative and qualitative criteria are taken into consideration to determine which FASTER eligible bridge(s) represent the best use of available FASTER funding. The scoring worksheet assigns each FASTER eligible bridge with a numerical value that can be compared to other bridges to ensure funding is being directed to the most deserving structure. The CBE presented the latest prioritization scores for unprogrammed bridges to the Board at the May Board of Directors meeting.

Pilot Preservation Program

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

Accelerated Bridge Construction Methods

CBE continues to deploy various Accelerated Bridge Construction (or ABC) techniques on the replacement of FASTER eligible bridges. These techniques included lateral jacking (slide-in) technology, bridge roll-in using hydraulic screw jacks, lateral bridge slide-in with hydraulic push jacks, and a geosynthetic reinforced soil support system. CBE continues to look for opportunities to utilize Innovative Project Delivery and ABC. There are currently 15 bridges which are using Design/Build, Construction Manager General Contractor (CMGC), or Streamlined/Design Build.

10-Year Bridge Program Plan

CBE developed a 10-Year Bridge Program Plan in FY 2012-13. The 10-Year Bridge Program Plan examined the long-term financial capability of the program as it relates to remaining bond capacity, and projected yearly revenues contrasted with forecasted yearly expenditures. The 10-Year Bridge Program Plan was based upon a cash flow model that recognized incoming revenues as compared to outgoing expenditures. CBE is in the process of updating the 10-year financial plan. The updated plan will be an in-depth forecast to include the I-70 viaduct project.

Colorado Bridge Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

CBE Website Maintenance

CBE staff in concert with CDOT Communications 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, liabilities, and net position, provide information about the CBE assets and liabilities and reflect the financial position of the CBE as of June 30, 2014 and 2013. 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, 2014 and 2013. 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, 2014 and 2013.

Net Position Analysis

Condensed Statements of Net Position
(In Thousands)

	June 30, 2014	June 30, 2013* (As restated)	June 30, 2012*
Assets			
Current Assets	$ 269,877.3	$ 170,818.3	$ 106,085.4
Noncurrent Assets	49,580.1	168,841.6	285,236.8
Capital Assets	431,444.2	304,999.4	142,452.8
Total Assets	**750,901.6**	**644,659.3**	**533,775.0**
Liabilities			
Current Liabilities	9,117.6	12,325.7	8,837.8
Long-term Liabilities	300,010.3	300,012.0	300,000.0
Total Liabilities	**309,127.9**	**312,337.7**	**308,837.8**
Net Position			
Net Investment in Capital Assets	134,143.6	124,659.1	79,072.7
Restricted for Debt Service	18,263.0	12,148.2	12,435.6
Unrestricted	289,367.1	195,514.3	133,428.9
Total Net Position	**$ 441,773.7**	**$ 332,321.6**	**$ 224,937.2**

* FY 2012-13 is restated due to CBE's adoption of GASB Statement 65. FY 2011-12 has not been restated for the adoption of GASB 65 because it was not practical to do so.

FY 2013-14 Analysis

<u>Assets</u>

Total assets increased in FY 2013-14 by $106.2 million, due to explanations provided below.

<u>Current Assets</u>

Current assets increased by $99.1 million in FY 2013-14. The increase was due to increased FASTER and federal revenues, transfer of debt proceeds to be used for construction projects and interest receivable on debt proceeds.

<u>Noncurrent Assets</u>

Noncurrent assets, excluding capital assets, decreased by $119.3 million primarily due to a decrease in long-term investments which are to fund the construction of bridges which increased by $224.3 million.

<u>Capital Assets</u>

Completed bridge projects increased by $224.3 million. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction decreased as funds are being conserved to be used on the I-70 Viaduct project.

<u>Liabilities</u>

Total liabilities decreased by $3.2 million in FY 2013-14, due to explanations provided below.

<u>Current Liabilities</u>

The entire $3.2 million was attributable to a decrease of current accounts payable. Amounts were accrued for bridge project costs and retainage on project contracts as well as debt interest payable at year-end.

<u>Noncurrent Liabilities</u>

Noncurrent liabilities decreased by $1,802 in FY 2013-14 due to a change in the balance of compensated absences.

Net Position

Total net position increased by $109.5 million in FY 2013-14. Of the ending balance, $18.3 million is restricted for payment of debt service in the following year. Also $134.1 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction-in-progress. The remainder of the net position is unrestricted.

FY 2012-13 Analysis

Assets

Total assets increased in FY 2012-13 by $110.9 million, due to explanations provided below.

Current Assets

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

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by $116.4 million primarily due to a decrease in long-term investments of which $114.6 million was used to partially fund assets under construction. Assets under construction increased by $92.8 million. Furthermore, with the adoption of Governmental Accounting Standards Board Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, deferred debt issuance costs were written off in FY 2012-13. The deferred costs were previously included in noncurrent assets. This change is not reflected in FY 2011-12 as it was not practical to do so (see Note 17).

Capital Assets

Completed bridge projects increased by $162.5 million. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. Assets under construction increased as mentioned above.

Liabilities

Total liabilities increased by $3.5 million in FY 2012-13, due to the explanations provided below.

Current Liabilities

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

Noncurrent Liabilities

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

Net Position

Total net position increased by $109.1 million in FY 2012-13. Of this amount, the CBE has restricted $12.1 million for payment of debt service in the following year. Also $124.7 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction-in-progress. The remainder of the net position is unrestricted. The beginning FY 2012-13 net position was restated for the adoption of GASB 65. The restatement amount was $1.8 million and represents the deferred debt issuance costs written off as a result of the adoption (see Note 17).

Colorado Bridge Enterprise

Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

Revenue and Expense Analysis

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

	June 30, 2014	June 30, 2013* (As restated)	June 30, 2012*
Operating Revenues			
FASTER Revenues	$ 95,700.1	$ 92,839.5	$ 90,394.8
Federal Revenues	12,973.5	15,421.4	15,829.7
Other Revenues	2,343.1	598.3	276.0
Total Operating Revenues	**111,016.7**	**108,859.2**	**106,500.5**
Operating Expenses			
Salaries and Benefits	170.3	180.0	-
Program Management	1,093.1	1,454.0	1,447.8
Bridge Operations and Maintenance Expense	684.0	193.1	244.5
Depreciation Expense	3,130.7	830.1	288.1
Total Operating Expenses	**5,078.1**	**2,657.2**	**1,980.4**
Operating Income	105,938.6	106,202.0	104,520.1
Net Nonoperating Revenues (Expenses)	3,513.5	2,940.8	(1,680.7)
Change in Net Position	**109,452.1**	**109,142.8**	**102,839.4**
Beginning Net Position, before Restatement	332,321.6	224,937.2	122,097.8
Adjustment for Change in Accounting Principle	-	(1,758.4)	-
Beginning Net Position as Restated	**$ 332,321.6**	**$ 223,178.8**	**$ 122,097.8**
Net Position, End of year	**$ 441,773.7**	**$ 332,321.6**	**$ 224,937.2**

* FY 2012-13 is restated due to CBE's adoption of GASB Statement 65. FY 2011-12 has not been restated for the adoption of GASB 65 because it was not practical to do so.

Colorado Bridge Enterprise
Management's Discussion and Analysis
(Unaudited)
June 30, 2014 and 2013

FY 2013-14 Analysis

Revenues

Total operating revenues increased by $2.16 million in FY 2013-14.

The primary source of operating revenues for the CBE is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. As the program was established, the surcharge was to be phased in over three years. As FY 2013-14 represents the fifth full year of collection, 100 percent of the total fee is applied and FASTER revenues increased by $2.9 million primarily due to increased car registrations. Other operating revenues received from local governments as matching funds for construction projects also increased by $1.7 million.

The CBE received federal funds from federal highway revenues directed to the CBE. Federal highway revenues decreased by $2.4 million, due to the completion of the majority of the FASTER eligible bridges.

Expenses

Total operating expenses increased by $2.4 million. The majority of the increase was $2.3 million in depreciation expense as additional bridges were capitalized and depreciated. The additional capitalization of bridges caused bridge operations and maintenance to increase by $490,968.

Nonoperating Revenues (Expenses)

Net nonoperating expenses increased by $572,714.

The BABs subsidy was decreased by $181,884, due to the effects of the federal sequester. Interest expense increased by $357,199 during FY 2013-14 while net investment income also increased by $1.1 million.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $109.4 million, resulting in an ending balance of net position of $441.8 million.

FY 2012-13 Analysis

Revenues

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

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

The CBE received federal funds from federal highway revenues directed to the CBE. The decrease in federal highway revenues was $408,321 over the previous year.

Expenses

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

Nonoperating Revenues (Expenses)

Net nonoperating expenses increased by $4.6 million.

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

Change in Net Position

The effect of these changes was an increase in net position of $109.1 million prior to the effect of the adoption of GASB 65. When considering the effect of this adoption, net position increased by $107.4 million to an ending balance of net position of $332.3 million.

Capital Assets

Capital Assets
(In Thousands)

	June 30, 2014	June 30, 2013	June 30, 2012
Bridges	$ 317,332.2	$ 92,996.1	$ 32,194.8
Capital Assets Not Being Depreciated	114,112.0	212,003.3	110,258.0
Capital Assets, Net of Accumulated Depreciation	**$ 431,444.2**	**$ 304,999.4**	**$ 142,452.8**

In FY 2013-14, assets under construction decreased by $97.9 million due to the completion of the FASTER eligible bridges. Capital assets increased by $224.3 million due to the completion of CBE projects, thus the total increase in assets are $126.4 million. Capital additions were offset by current year depreciation of $3.1 million.

Debt Outstanding

The long-term portion of the bond debt remained at $300 million in FY 2013-14. Principal payments do not begin until December 2025.

Contingencies and Subsequent Event

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

The FASTER lawsuit hearing occurred on May 13th and 14th, 2013 in Denver District Court. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE on July 19, 2013. On September 6, 2013 the TABOR Foundation filed with the Court of Appeals. The oral arguments for the appeal were held on July 8, 2014. On August 14, 2014, the Court of Appeals ruled in favor of CBE.

Financial Contact

If you have questions about this report please contact:

Colorado Bridge Enterprise
4201 East Arkansas Avenue
Denver, Colorado 80222

Attn: Kay Hruska

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Colorado Bridge Enterprise

Statements of Net Position

June 30, 2014 and 2013

	June 30, 2014	June 30, 2013 (Restated)
Assets		
Current assets:		
Cash and pooled cash investments	$ 260,608,116	$ 162,399,741
Receivables, net of allowance of $0 for 2014 and 2013	7,988,910	8,158,638
Intergovernmental receivables	1,279,913	256,791
Prepaid items	375	3,083
Total current assets	269,877,314	170,818,253
Noncurrent assets:		
Long-term investments	49,580,112	168,841,640
Capital assets not being depreciated	114,112,007	212,003,296
Bridges, net of accumulated depreciation	317,332,155	92,996,134
Total noncurrent assets	481,024,274	473,841,070
Total assets	**750,901,588**	**644,659,323**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	9,117,613	12,325,650
Total current liabilities	9,117,613	12,325,650
Noncurrent Liabilities:		
Long-term debt	300,000,000	300,000,000
Compensated absences	10,285	12,087
Total noncurrent liabilities	300,010,285	300,012,087
Total liabilities	**309,127,898**	**312,337,737**
Net Position		
Net investment in capital assets	134,143,607	124,659,094
Restricted for debt service	18,262,961	12,148,189
Unrestricted	289,367,122	195,514,303
Total net position	**$ 441,773,690**	**$ 332,321,586**

See notes to financial statements

Colorado Bridge Enterprise

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

Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013 (Restated)
Operating Revenues		
FASTER revenues	$ 95,700,102	$ 92,839,475
Federal revenues	12,973,540	15,421,421
Other operating revenues	2,343,071	598,310
Total operating revenues	**111,016,713**	**108,859,206**
Operating Expenses		
Salaries and benefits	170,346	180,045
Program management	1,093,098	1,454,047
Bridge operations and maintenance expense	684,033	193,065
Depreciation expense	3,130,668	830,109
Total operating expenses	**5,078,145**	**2,657,266**
Operating income	**105,938,568**	**106,201,940**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy	5,922,403	6,104,287
Investment income, net	3,896,436	2,784,639
Interest expense	(6,305,303)	(5,948,104)
Net nonoperating revenues (expenses)	**3,513,536**	**2,940,822**
Change in Net Position	**109,452,104**	**109,142,762**
Beginning net position, before restatement	332,321,586	224,937,250
Adjustment for change in accounting principle	-	(1,758,426)
Beginning Net Position as Restated	**$ 332,321,586**	**$ 223,178,824**
Net Position, End of year	**$ 441,773,690**	**$ 332,321,586**

See notes to financial statements

Colorado Bridge Enterprise

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013 (Restated)
Cash Flows from Operating Activities		
Cash received from users and grants	$ 110,063,500	$ 109,349,920
Cash payment for salaries and benefits	(172,148)	(142,454)
Cash payments to contractors and suppliers of goods and services	(1,831,362)	(1,648,654)
Net cash provided by operating activities	**108,059,990**	**107,558,812**
Cash Flows from Capital Financing Activities		
Interest subsidy received	5,922,403	6,104,287
Acquisition and construction of capital assets	(120,798,228)	(147,628,442)
Interest paid on capital debt	(18,234,000)	(18,234,000)
Net cash used by noncapital financing activities	**(133,109,825)**	**(159,758,155)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(25,251,484)	(24,132,914)
Proceeds from sales and maturities of investments	144,513,012	138,769,644
Investment income	3,996,682	2,911,462
Net cash provided by investing activities	**123,258,210**	**117,548,192**
Net increase in cash and cash equivalents	98,208,375	65,348,849
Cash and cash equivalents, beginning of year	162,399,741	97,050,892
Cash and cash equivalents, end of year	**$ 260,608,116**	**$ 162,399,741**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 105,938,568**	**$ 106,201,940**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,130,668	830,109
Changes in assets and liabilities:		
Receivables, net	69,480	(214,914)
Intergovernmental receivables	(1,023,122)	705,628
Prepaid expense	2,708	(1,542)
Accounts payable and accrued liabilities	(58,312)	37,591
Net cash provided by operating activities	**$ 108,059,990**	**$ 107,558,812**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 7,274,360	$ 10,425,765

See notes to financial statements

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

Nature of Operations

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

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

Basis of Accounting and Presentation

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

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

The basic financial statements of the CBE present the financial position, results of operations, and cash flows for only the Enterprise. They do not purport to, and do not present, the financial position of CDOT as of June 30, 2014 and 2013 or the results of operations, or cash flows where applicable, for the year then ended.

Use of Estimates in Preparation of Financial Statements

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

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

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest incurred during the years ended June 30, 2014 and 2013 was $18,234,000 and $18,234,000, respectively. Interest expense capitalized during the years ended June 30, 2014 and 2013 were $11,928,697 and $12,285,896, 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 5.

Compensated Absences

Employees of CBE are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. The Enterprise has recorded the amount of compensation for future absences as an accrued liability in the accompanying financial statements. The estimated liability is based on hours earned up to assigned maximums. One-fourth of unused sick days or a maximum of 520 hours may be paid to employees upon retirement or death. Unused vacation days are paid to employees upon termination.

Net Position

The net position of the CBE is classified as follows:

Net investment in capital assets

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

Restricted for debt service

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

Unrestricted net position

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

Classification of Revenues and Expenses

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

Budgets and Budgetary Accounting

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

Application of Restricted and Unrestricted Resources

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

NOTE 2 – CASH ON DEPOSIT WITH THE STATE TREASURER

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

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of 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.

As of June 30 the cash balances were as follows:

	2014	2013
Cash on deposit with State Treasurer	$ 259,466,093	$ 162,130,244
State Treasurer pooled cash investments - unrealized gain	1,142,023	269,497
Total	**$ 260,608,116**	**$ 162,399,741**

On June 30, 2014, the total of $260.6 million is approximately 3.5 percent of the total $7.5 billion fair value of deposits in the Pool. On June 30, 2013, the total of $162.4 million was approximately 2.2 percent of the total $7.3 billion fair value of deposits in the Pool.

NOTE 3 – LONG-TERM INVESTMENTS

The CBE has also recorded long-term investments as of June 30, 2014 and 2013 in the amount of $49,580,112 and $168,841,640, respectively. These amounts represent debt proceeds held by CBE's trustee, Zions First National Bank. The bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2014, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2014, approximately 87 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $15,235,458 of corporate bonds rated lower medium and $25,428,000 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2014, the weighted average maturity of investments in the Treasurer's Pool is 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in FY 2013-14.

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, 2014.

NOTE 4 – ACCOUNTS RECEIVABLE

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

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

Debt proceeds are retained by Zions First National Bank acting as trustee and invested for the trustee by the Colorado State Treasury per an investment agreement. Interest due on the balance at June 30, 2014 is recorded by CBE.

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

	2014	2013
FASTER revenues receivable	$ 7,943,591	$ 8,010,299
Trustee interest receivable	42,102	142,350
Other receivable	3,217	5,989
Total accounts receivable	**$ 7,988,910**	**$ 8,158,638**

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

	2014	2013
Federal government receivable	$ 9,452	$ 248,291
Local government receivable	1,270,461	8,500
Total intergovernmental receivable	**$ 1,279,913**	**$ 256,791**

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

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2014	2013
Accrued interest expense on debt issuance	$ 1,519,500	$ 1,519,500
Retainage payable	1,431,903	1,744,487
Accrued compensation payable	323,444	380,157
Accrued project costs payable	5,831,376	8,678,611
Other payables	11,390	2,895
Total accrued liabilities	**$ 9,117,613**	**$ 12,325,650**

NOTE 6 – CAPITAL ASSETS

By the end of FY 2013-14, as a result of construction projects, a total of 29 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, 2014 and 2013:

	Balance at June 30, 2013	Additions	Disposals	Transfers	Balance at June 30, 2014
Capital assets, not being depreciated					
Land	$ 8,920,876	$ -	$ -	$ 5,223,555	$ 14,144,431
Assets under construction	203,082,420	129,575,400	-	(232,690,244)	99,967,576
Total capital assets, not being depreciated	212,003,296	129,575,400	-	(227,466,689)	114,112,007
Capital assets, being depreciated					
Bridges	94,162,837	-	-	227,466,689	321,629,526
Accumulated depreciation	(1,166,703)	(3,130,668)	-	-	(4,297,371)
Total capital assets, being depreciated, net	92,996,134	(3,130,668)	-	227,466,689	317,332,155
Capital assets, net	$304,999,430	$126,444,732	$ -	$ -	$431,444,162

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

NOTE 7 – COMMITMENTS

The CBE had outstanding commitments for construction at the end of FY 2013-14 in the amount of $171,046,364.

NOTE 8 – LONG TERM LIABILITIES

The CBE has recorded debt for the years ended June 30, 2014 and 2013 as follows:

	Balance at June 30, 2013	Issuances	Retirements	Balance at June 30, 2014	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$300,000,000	$ -	$ -	$300,000,000	$ -

	Balance at June 30, 2012	Issuances	Retirements	Balance at June 30, 2013	Amount Due Within One Year
Bridge Enterprise Revenue Bonds	$300,000,000	$ -	$ -	$300,000,000	$ -

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

Pursuant to the requirements of the Budget Control Act of 2011, the BABs bonds are subject to sequestration. In FY 2012-13, an executive order was signed reducing the federal direct payments by 5.1 percent and in FY 2013-14 the federal direct payment was reduced by 7.2 percent.

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

The proceeds of this issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2014 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 First National 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 BAB subsidy. The Transportation Commission has also committed, subject to annual approval, up to $15 million in Federal Highway Authority funds annually to pay a portion of the debt service costs of the bonds. Please see further discussion of availability of these funds in Note 9.

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

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

Colorado Bridge Enterprise Series 2010A Bonds

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

Fiscal Year	Interest Due	Principal Due	Less BAB Subsidy	Net Debt Service Payment
2015	$ 18,234,000	$ -	$ 6,381,900	$ 11,852,100
2016	18,234,000	-	6,381,900	11,852,100
2017	18,234,000	-	6,381,900	11,852,100
2018	18,234,000	-	6,381,900	11,852,100
2019	18,234,000	-	6,381,900	11,852,100
2020 to 2024	91,170,000	-	31,909,500	59,260,500
2025 to 2029	84,262,657	58,260,000	29,419,930	113,102,727
2030 to 2034	60,656,617	87,040,000	21,229,816	126,466,801
2035 to 2039	31,407,305	106,055,000	10,992,557	126,469,748
2040 to 2043	2,985,969	48,645,000	1,045,089	50,585,880
Total payments	**$ 361,652,548**	**$ 300,000,000**	**$ 126,506,392**	**$ 535,146,156**

NOTE 9 – AVAILABILITY OF FEDERAL FUNDS

Although the Transportation Commission adopted resolution TC-1925 in November 2010 expressing its intent to annually consider allocating and transferring from CDOT to the CBE $15 million of eligible federal funds, the Transportation Commission is not obligated to make such transfers. The decision whether or not to allocate and transfer such federal funds will be made on an annual basis and will be in the sole discretion of the Transportation Commission. Such decision may be affected by the amounts of such federal funds that are available to CDOT in the future, which may be adversely impacted by federal budgeting and appropriation constraints or changes in federal law. There is no assurance that such federal funds will be available in future years to pay costs associated with designated bridge projects or to pay debt service on the Series 2010A Bonds. For the years ended June 30, 2014 and 2013, $15,000,000 was allocated and transferred to the CBE.

Colorado Bridge Enterprise
Notes to Financial Statements
June 30, 2014 and 2013

NOTE 10 – PENSION PLANS

A. Plan Description

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Funding Policy

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

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

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent (19.25 percent for state troopers and 17.36 percent for the Judicial Branch) of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent (20.15 percent for state troopers and 17.36 percent for the Judicial Branch). During all of FY 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the state participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

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

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

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

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

The CBE contributions to PERA and/or the state defined contribution plan for the fiscal years ended June 30, 2014, 2013, and 2012 were $527,689, $568,697, and $413,719, respectively. These contributions met the contribution requirement for each year.

NOTE 11 – OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the state's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. The temporary contribution rate increase to 10.5 percent (12.5 percent for State Troopers) effective in FY 2010-11 and FY 2011-12 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in FY 2010-11 and FY 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

NOTE 12 – VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Plan

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

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 10. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Enterprise contributed $33,540, $38,415, and $36,184 as required by statute in FY 2013-14, FY 2012-13, and FY 2011-12, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 16 – CONTINGENT LIABILITY

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

The FASTER hearing occurred on May 13, 2013 and May 14, 2013. The Finding of Fact and Conclusions Law filed by the Judge ruled in favor of CBE. On September 6, 2013, the TABOR Foundation filed with the Court of Appeals. Oral arguments for the appeal were held on July 8, 2014. The Court of Appeals ruled in favor of CBE on August 14, 2014.

NOTE 17 – ADOPTION OF ACCOUNTING PRINCIPLE

During 2014, the Enterprise adopted Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported As Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

Adoption of GASB 65 resulted in a decrease in beginning net position, as of July 1, 2013, of $1,758,426 resulting from the requirement in GASB 65 that debt issuance costs, (except for any portion related to prepaid bond insurance costs), be recognized as an expense in the period incurred. As such, the financial statements for the year ended June 30, 2013 were restated to eliminate the other nonoperating expense of $84,930 relating to the amortization of prior period’s deferred debt issuance costs. As a result, net nonoperating income and the change in net position were increased by this amount for the year ended June 30, 2013.

CBE does not have any deferred outflows of resources or deferred inflows of resources to report for the year ended June 30, 2014.

NOTE 18 – SUBSEQUENT EVENT

On July 8, 2014, oral arguments in the Court of Appeals were held, relating to the FASTER lawsuit (see Note 16 above). The original hearing was held on May 13th and 14th, 2013, in Denver District Court, where the ruling was received in favor of CBE on July 19, 2013. On August 14, 2014, the Court of Appeals ruled in favor of CBE.

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

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Colorado Bridge Enterprise (the CBE or the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the basic financial statements as of and for the year ended June 30, 2014, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Members of the Legislative Audit Committee:

Compliance

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

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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 10, 2014

BKD LLP
CPAs & Advisors

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Independent Auditor's Communication to Legislative Audit Committee

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of the Colorado Bridge Enterprise (the CBE or the Enterprise) as of and for the year ended June 30, 2014, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements identified in OMB Circular A-133 that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction.

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Members of the Legislative Audit Committee:

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

- Useful lives of capital assets

Financial Statement Disclosures

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

- Revenue recognition
- Contingent liability
- Subsequent event

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- No matters are reportable

Proposed Audit Adjustments Not Recorded

- No matters are reportable

Members of the Legislative Audit Committee:

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

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

- Adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*

Disagreements with Management

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

- No matters are reportable

Consultation with Other Accountants

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

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

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

- No matters are reportable

During the Audit Process

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

- No matters are reportable

Members of the Legislative Audit Committee:

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Written Communications

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

- No matters are reportable

* * * * *

This information is intended solely for the use of the Legislative Audit Committee, the Office of the State Auditor, Board of Directors, and management of CBE and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Denver, Colorado
December 10, 2014

Colorado Bridge Enterprise
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