Colorado Bridge Enterprise

Annual Financial Statements
Fiscal Years 2020 and 2021

COLORADO AT WORK
PROJECT FUNDED BY YOUR FASTER VEHICLE REGISTRATION FEES

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Members of the Legislative Audit Committee

We have completed the financial statement and compliance audits of the Colorado Department of Transportation's Statewide Bridge and Tunnel Enterprise (the Enterprise) as of and for the years ended June 30, 2021 and 2020. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

BKD, LLP

Denver, Colorado
January 13, 2022

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Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
June 30, 2021 and 2020

Table of Contents

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Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Report Summary
Year Ended June 30, 2021

Purposes and Scope of Audit

The Office of the State Auditor engaged BKD, LLP (BKD) to conduct a financial and compliance audit of the Statewide Bridge and Tunnel Enterprise (formerly Colorado Bridge Enterprise (the Enterprise or CBE)) for the fiscal year ended June 30, 2021. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The audit of the Statewide Bridge and Tunnel Enterprise (the Enterprise) was performed under authority of Section 2-3-103, C.R.S.

The purposes and scope of this audit were to:

- Express an opinion on the financial statements of the Enterprise as of and for the years ended June 30, 2021 and 2020, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2021.
- Review the Enterprise's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2021.
- Issue a report on the Enterprise'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, 2021.

Audit Opinions and Reports

The independent auditor's reports included herein expressed an unmodified opinion on the Enterprise's financial statements as of and for the years ended June 30, 2021 and 2020.

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

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

Significant Audit Adjustments

There were no proposed audit adjustments identified during the audit.

Summary of Audit Findings

There is one finding for the year ended June 30, 2021.

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Report Summary
Year Ended June 30, 2021

Summary of Progress in Implementing Prior Year Audit Recommendations

There were no prior year audit recommendations.

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 85.

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Recommendation Locator
Year Ended June 30, 2021

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
2021-001	5	The Department of Transportation's Colorado Bridge and Tunnel Enterprise should strengthen its internal controls over exhibit preparation and review by: (A) Assigning back-up responsibilities for exhibit preparation and review to staff to allow for appropriate segregation of duties and review and appropriate delegation when turnover occurs. (B) Appropriately training employees on exhibit preparation and reviews. (C) Ensuring exhibits are reviewed prior to submission to the Office of the State Controller.	Agree	October 2022

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Background
Year Ended June 30, 2021

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

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

As provided in FASTER, the Enterprise constitutes an "enterprise" for purposes of Section 20 of Article X of the State Constitution (commonly referred to as "TABOR"), and accordingly, is not subject to the revenue and spending limitations of TABOR as long as it receives less than 10 percent of its total revenues in grants from the State and local governments. Management did not identify any violations of this enterprise status, for fiscal years 2020 or 2021.

SB21-260, was recently passed in June 2021 by the State Legislature and signed into law by the Governor. It will implement several new transportation fees and General Fund transfers, create or modify four state enterprises and add new planning and environmental study requirements. The bill also changed the name and scope of the Colorado Bridge Enterprise to the Statewide Bridge and Tunnel Enterprise.

By statute, the Enterprise is now granted the authority to repair, maintain, and operate tunnels throughout the state.

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Findings and Recommendations
Year Ended June 30, 2021

Accounting Controls

The Statewide Bridge and Tunnel Enterprise (BTE) is an enterprise which operates within the Department of Transportation, and is responsible for financing, repairing, reconstructing, and replacing the State's bridges and tunnels. The Department of Transportation and BTE accounting staff (Department staff) are responsible for BTE's financial reporting, including the accurate, complete, and timely entry and approval of financial transactions into the State's accounting system, the Colorado Operations and Resource Engine (CORE). In addition, Department staff are responsible for reporting fiscal year-end accounting information through "exhibits" to the Office of the State Controller (OSC) for inclusion in the State's financial statements.

Each fiscal year, BTE is required to prepare an exhibit containing its federal expenditures and related reimbursements to aid the OSC in the preparation of the State's Schedule of Expenditures of Federal Awards (SEFA). This exhibit is referred to as the Exhibit K1, Schedule of Federal Assistance, and should include expenditures for grants received directly from the federal government and expended by BTE (direct expenditures), as well as expenditures for federal grants payments made by BTE to other State and/or non-state agencies (subrecipient expenditures). For Fiscal Year 2021, BTE's Exhibit K1 reported \$11.2 million in federal expenditures for one grant program, Highway Planning and Construction.

BTE previously issued taxable Build America Bonds (BAB) as authorized by the federal American Recovery and Reinvestment Act (Recovery Act). Pursuant to the Recovery Act, BTE expects to receive annual federal direct payments (subsidies) from the United States Treasury. This subsidy is recognized annually in the financial statements as non-operating revenue. As BAB is considered a subsidy and not a reimbursable federal grant, the annual BAB subsidy should not be recorded as an expenditure of federal funds on the BTE's Exhibit K1. During Fiscal Year 2021, BTE received \$5.2 million in BAB subsidies.

Exhibit D2, Schedule if Debt Service Requirements to Maturity, is used to identify the maturity schedule of long-term debt obligations. For Fiscal Year 2021, the BTE's Exhibit D2 reported approximately \$301.0 million in long-term debt obligations.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to determine whether BTE had adequate internal controls in place over, and complied with its policies and procedures related to its financial accounting and reporting processes during Fiscal Year 2021.

Our Fiscal Year 2021 audit test work included a review of the BTE's exhibits and related supporting documentation prepared and submitted to the OSC for Fiscal Year 2021 to determine whether Department staff prepared this information in accordance with the OSC's Fiscal Procedures Manual.

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Findings and Recommendations
Year Ended June 30, 2021

How were the results of the audit work measured?

We measured the results of our audit work against the following:

- The OSC's Exhibits Instructions outline specific requirements for departments' completion of exhibits. For example, Exhibit K1, *Schedule of Federal Assistance*, reports federal expenditure information to the OSC for statewide compilation and reporting. Exhibit D2, *Schedule if Debt Service Requirements to Maturity,* reports information on future debt service obligations. The OSC uses information from the Exhibit K1, Exhibit D2 and other exhibits to support the State of Colorado's Schedule of Expenditures of Federal Awards and notes to the financial statements.
- State Fiscal Rule 1-2, Internal Controls, Rule 3.5, requires that state departments "implement internal accounting and administrative controls that reasonably ensure that financial transactions are accurate, reliable, conform to the Fiscal Rules, and reflect the underlying realities of the accounting transaction (substance rather than form)".

What problem did the audit work identify?

We identified errors in BTE's exhibits submitted to the OSC. Specifically, BTE's Exhibit K1 incorrectly reported $10.3 million in BAB subsidies as federal expenditures.

In addition, BTE's Exhibit D2 excluded the total amount of the original obligation for the amount for revenue bonds of $295,920,000. Once we notified the Department staff of the errors we found, they corrected the exhibits and resubmitted them to the OSC.

Why did this problem occur?

BTE lacked adequate internal controls over its exhibit preparation and review processes to ensure that it met OSC financial reporting deadlines for Fiscal Year 2021. Specifically, Department staff experienced turnover and vacancy in positions during Fiscal Year 2021 but had not adequately assigned and trained backup staff on exhibit preparation and financial reporting reviews; therefore, there was limited staff with the requisite background and training to prepare and review exhibits. This caused many of the responsibilities to complete required year-end tasks to fall to personnel who were new to their position within the last two years. Furthermore, adequate supervisory review was not available in many cases due to the vacancy of positions pulling already scarce resources from the fiscal year-end processes.

Why does this problem matter?

Strong financial accounting internal controls, including effective review processes and procedures over financial transactions and exhibits, are necessary to ensure that the Department staff are reporting financial information appropriately and accurately, in accordance with rules and regulations. Further, timeliness of accounting information is important to protect the users of accounting information from basing their decisions on outdated information. Inaccurate information in the exhibits could affect the preparation and accuracy of the State's Annual Comprehensive Financial Report (ACFR) and Schedule of Expenditure of Federal Awards.

Classification of Finding: Significant Deficiency

Recommendation No. 2021-001:

The Department of Transportation's Colorado Bridge and Tunnel Enterprise should strengthen its internal controls over exhibit preparation and review by:

A. Assigning back-up responsibilities for exhibit preparation and review to staff to allow for appropriate segregation of duties and review and appropriate delegation when turnover occurs.
B. Appropriately training employees on exhibit preparation and reviews.
C. Ensuring exhibits are reviewed prior to submission to the Office of the State Controller.

Statewide Bridge and Tunnel Enterprise Response:

A. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

   The Department of Transportation's Statewide Bridge and Tunnel Enterprise will enhance internal controls by ensuring there are proper backups identified for exhibit preparation. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

B. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

   The Department of Transportation's Statewide Bridge and Tunnel Enterprise will enhance internal controls by establishing additional training on exhibit preparation. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

C. AGREE. IMPLEMENTATION DATE: OCTOBER 2022

   The Department of Transportation's Statewide Bridge and Tunnel Enterprise will enhance internal controls by identifying additional review steps prior to submission to the Office of the State Controller. This will be defined in necessary procedures. Additional accounting staff are also being brought on board to support increased volume and complexity, and provide greater opportunity for back up, segregation of duties, and additional review.

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Independent Auditor's Report

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Statewide Bridge and Tunnel Enterprise (formerly Colorado Bridge Enterprise (the Enterprise), an enterprise fund of the State of Colorado, Department of Transportation, as of and for the years ended June 30, 2021 and 2020, and the related notes to the basic financial statements, which collectively comprise the Enterprise's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2021 and 2020, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Enterprise are intended to present the net position and changes in financial position and, cash flows for only that portion of the financial reporting entity, State of Colorado, Department of Transportation, that is attributable to the transactions of the Enterprise. They do not purport to, and do not present fairly the financial position of the State of Colorado, Department of Transportation as of June 30, 2021 and 2020 and the changes in its financial position, or cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2022, on our consideration of the Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Enterprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
January 13, 2022

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Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

Management's Discussion and Analysis (MD&A) was prepared by the Statewide Bridge and Tunnel Enterprise (the Enterprise) and is designed to provide an analysis of the Enterprise's financial condition and operating results for the fiscal years ended June 30, 2021 and 2020. The MD&A also informs the reader of the financial issues and activities related to the Enterprise. It should be read in conjunction with the Enterprise's financial statements.

Senate Bill 21-260 (SB21-260)

SB21-260, was recently passed by the State Legislature and signed into law by the Governor. It will implement several new transportation fees and General Fund transfers, create or modify four state enterprises and add new planning and environmental study requirements. The bill also changed the name and scope of the Colorado Bridge Enterprise to the Statewide Bridge and Tunnel Enterprise, authorizing an impact fee on diesel fuel and a retail delivery fee and is estimated to provide $522 million in new Enterprise revenues from Fiscal Year 2022-23 to Fiscal Year 2031-32. Fees are phased in gradually over this 10 year period, reach their maximum in Fiscal Year 2031-32, and are indexed to inflation.

By statute, the Enterprise is now granted the authority to repair, maintain, and operate tunnels throughout the state. Given that the tunnel asset class has a significant backlog of deferred maintenance for critical assets like the Eisenhower-Johnson Memorial Tunnels (EJMT) and the Hanging Lake Tunnel (HLT) and that fees are phased in slowly over a ten year period, the bridge asset class may only receive marginal benefit from this funding infusion over the next few years.

Designated Bridges

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

- Is part of the state highway system
- Has been identified by the Enterprise as structurally deficient or functionally obsolete
- Has been rated as "poor"

In fiscal year 2010-11, the Enterprise Board initially identified 128 bridges across the State highway system that qualified as "Designated Bridges." Subsequently, an additional 262 bridges have qualified bringing the total number of bridges eligible to receive Funding Advancements for Surface Transportation and Economic Recovery (FASTER) funding to 390 as of June 30, 2021.

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

Bridge Completion Status

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

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

As of the end of June 2020, there were a total of 376 structures considered eligible to receive FASTER funding. Subsequently, 14 additional bridges have qualified during Fiscal Year 2020-21, bringing the total number of bridges eligible to receive FASTER funding to 390 as of June 30, 2021.

Below is the status of the 390 FASTER eligible bridges within the program:

Project Phase	FY 2020-21	FY 2019-20
Future projects	149	145
In design phase	48	51
Design complete	1	1
In construction phase	18	18
Projects complete	174	161
Total	390	376

The Enterprise has completed 29 of the 30 bridges originally identified as the most deficient. The bridge that has not been completed is the "I-70 Viaduct (Central 70)," which is currently in the construction phase. A major project milestone, which is branded as the "Mile High Shift," was achieved this summer when eastbound and westbound traffic on the Viaduct were switched to the lowered section in a temporary head-to-head configuration. This phasing has allowed for the Viaduct demolition and the construction of the future eastbound I-70 alignment to commence. It is expected that the Viaduct will be removed from the statewide bridge inventory in calendar year 2022.

Bridge Maintenance Program

To comply with applicable state statutes, the Enterprise acquires ownership of bridges which have been addressed by the Enterprise program. The ownership of the assets is accomplished by resolution approved by the Enterprise Board of Directors, and the Enterprise becomes responsible for inspection, maintenance, and repair of these assets.

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

Bridge Project Financing

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

Colorado Bridge Enterprise Revenue Bonds, Series 2010A

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

The proceeds of debt issuance are recorded as long-term debt in the financial statements with interest payable as of June 30, 2021 recorded as current. Principal payments on the bonds begin in December 2028 with final maturity in December 2040. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year with the first payment beginning June 1, 2011. The debt proceeds are held by the Trustee, Zions Bank, and invested by the State Treasury per written agreements. The Enterprise has agreed to place with the Trustee, December 1st and June 1st of each year, an amount equal to the debt service costs for the coming one-year period.

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 Enterprise 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 Enterprise 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 Enterprise does not meet these requirements, it is possible that the program may not receive the federal direct payments.

Pursuant to the requirements of the Balance Budget and Emergency Deficit Control Act of 1985, the BABs are subject to sequestration. In Fiscal Years 2019-20 and 2020-21 the subsidy was reduced by approximately 1 percent. For future fiscal years, the subsidy was reduced due to the refunding of a portion of the 2010A bonds.

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

Colorado Bridge Enterprise Revenue Bonds, Series 2019A

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

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

The proceeds of this debt issuance are recorded as long-term debt in financial statements with interest payable as of June 30, 2021 recorded as current. Principal payments on the bonds begin in December 2025 with final maturity in December 2027. Interest payments, as well as principal when due, are payable on June 1 and December 1 of each year.

Federal Funds

In November 2010, the Transportation Commission adopted a resolution expressing its intent to annually consider allocating $15 million of eligible federal funds to the Colorado Bridge Enterprise. If the Federal funds are allocated by the Transportation Commission, the funds will be available to be used for debt service on the Series 2010A Bonds.

For the periods of Fiscal Year 2010-11 through 2016-17 the Transportation Commission allocated to the Enterprise $15 million in federal funds each year. In November 2016, a memorandum of understanding was executed regarding the temporary suspension of the annual transfer of $15 million in federal funds for three years starting in Fiscal Year 2017-18. The transfer of eligible federal funds was reinstated in Fiscal Year 2020-21. Between Fiscal Years 2010-11 and 2018-19, the Enterprise received and used on average, approximately $9.7 million of the available $15 million of federal funds each year to pay debt services on the 2010A bonds. For Fiscal Years 2018-19, 2019-20, and 2020-21 even though CDOT did not transfer and allocate any new federal funds, the Enterprise was still able to request reimbursement from the Federal Highway Administration (FHWA) and use federal funds in the approximate amount of $9.7 million each fiscal year to pay debt service on the 2010A bonds due to the remaining unused allocation balance from prior years' $15 million allocations.

Highlights of Fiscal Year 2020-21

COVID-19 Impacts

The COVID-19 pandemic resulted in revised revenue budgets and forecasting for CDOT, the Enterprise and throughout the industry to maintain the current preconstruction and construction programs. The original revenue budget of $112 million for Fiscal Year 2020-21 was based on the CDOT Office of Financial Management and Budget (OFMB) June 2019 revenue forecast. Subsequent revenue forecasts, based on Fiscal Year 2018-19 actuals, reduced the revenue forecast to $108 million.

Although the COVID-19 pandemic is ongoing, the Colorado economy remained strong enough to maintain a $108 million revenue forecast. Future revenue forecasts from OFMB show that a combined change in inflation, supply chain disruption, and personal income are depressing the number of new registered vehicles in the state for Fiscal Year 2021-22. This would theoretically cause the growth of revenues over the near term to be slower than the historic growth rate. Enterprise staff will continue to closely monitor program forecasts and project performance, and work with project teams to implement mitigation measures to reduce potential project schedule impacts, if necessary.

Prioritization Plan

The Enterprise continues to utilize a Board of Directors approved prioritization system whereas both quantitative and qualitative criteria are used to determine which FASTER eligible bridge(s) represent the current best use of available FASTER funding. This system provides a peer-wise comparison between eligible bridges. Bridge Enterprise and Region staff utilizes this tool to ensure funding is being directed to appropriate structures from the eligible statewide pool. The prioritization rankings for eligible bridges are updated bi-annually with the most recent update released in January 2021.

Four Year Capital Project Plan (Fiscal Year 2021-22 to Fiscal Year 2024-25)

The Enterprise completed an update of the Four Year Capital Project Plan in June 2021. The current Four Year Project Plan anticipated that 39 structures will be completed during this four year period. The Four Year Project Plan is updated yearly, and the development of the document is timed to align with Statewide Transportation Improvement Program (STIP) update. The STIP is federally required and is the planning document that identifies all the transportation projects that CDOT, including the Enterprise, intends to fund over a rolling four year period. It is prepared in cooperation with the FHWA and local government entities throughout the state, including Transportation Planning Regions, and Metropolitan Planning Organizations. The STIP is updated on an annual basis to incorporate a new fiscal year. The STIP (Fiscal Year 2021-22 to Fiscal Year 2024-25) update was adopted by the CDOT Transportation Commission in June 2021 and FHWA and Federal Transit Authority (FTA) review of the most recent update STIP is in progress. It should be noted that the current STIP and the Four Year Project Plan reflect current funding commitment resolutions made by the Enterprise Board of Directors for the Central 70 Project.

Central 70 Project

The reconstruction of Interstate 70 from Brighton Boulevard to Tower Road is slated to be the largest project in Colorado history. The approximately $1.2 billion project was awarded to Kiewit Meridiam Partners LLC (KMP) with financial close occurring on December 21, 2017. The project is currently now in the construction phase. The total project (including design phase activities) is estimated at 74 percent complete as of June 2021. The project will replace the aging viaduct between Brighton Boulevard and Colorado Boulevard with a lowered section of highway and added managed lanes. This is a design/build/operate/maintain, public-private partnership procurement method, in which the concessionaire/developer will construct the project and operate and maintain the facilities they construct for a specified period.

A Settlement Agreement was executed on May 9, 2019, between the Enterprise, the High Performance Transportation Enterprise (HPTE), and KMP, to resolve four Supervening Events (potential claim). The Settlement Agreement involved amendments to the project documents, including a settlement payment by the Enterprise of $7.6 million and time extension to address these events. The payment of $7.6 million is due at substantial completion. Starting in May 2020, CDOT, HPTE, the Enterprise, and KMP, have worked toward a global settlement related to certain Union Pacific Railroad (UPPR) associated project disputes. The terms of the settlement are not projected to increase either CDOT's or the Enterprise's project funding commitments, while also keeping schedule impacts to a minimum. Additionally, a proposed debt restructuring was included in this settlement. In late 2020, a Memorandum of Settlement was executed, releasing all claims related to the disputes associated with the UPPR structure. The HPTE and the Enterprise Board of Directors authorized the debt restructuring associated with the settlement and approved all settlement related documents in April 2021. Financial close for the debt restructuring occurred in September 2021.

It is important to note that none of the settlement related project documents take effect unless and until financial close is reached on the debt restructuring. Also, the Memorandum of Settlement provides the developer and construction contractor certain rights to terminate the settlement if, due to movement in interest rates or other financing parameters, the debt restructuring is not projected to generate at least $37.5 million in new refinancing proceeds.

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

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

The project will eliminate existing substandard vertical clearance conditions, mitigating damage caused by high frequency truck strikes, and opening the corridor to unrestricted freight traffic. The planned replacement structure will accommodate future corridor modifications of I-25 through Central Denver. The I-25 Central Planning and Environmental Linkages (PEL) study, which evaluated various alternatives to improve local and regional mobility through the corridor segment, was completed and was released in June 2020. Subsequently, preliminary investigations, design, and work on the project began in quarter three of Fiscal Year 2020-21. The estimated total Enterprise eligible cost for this project is $64 million.

I-25 South Gap Project

The Gap project will provide capacity, safety, and access improvements to an 18 mile stretch of I-25 from Castle Rock to Monument, and it is being delivered through a construction manager/general contract (CM/GC) procurement method which involves a contractor in both the design and construction phases of a project. The focus is on a partnership in which mitigates risk, improves the construction schedule, and streamlines the design process. In Fiscal Year 2018-19, the Enterprise funded the construction phase for two eligible structures that carry I-25 over Upper Lake Gulch Road. In Fiscal Year 2019-20, the Enterprise funded the design phase for a third eligible structure, County Road 404 over I-25. The construction phases of the I-25 over Upper Lake Gulch bridges and the County Road 404 over I-25 bridges are scheduled to be completed in December 2022 and March 2022, respectively. The Enterprise anticipates that the cost to replace the combined structures will be less than budgeted due to the economy of scale of the Gap project as compared to a standalone project. The current total Enterprise eligible project cost is estimated at $19.2 million.

USDOT Competitive Highway Bridge Program (CHBP)

In Fiscal Year 2020-21, CDOT and the Enterprise were awarded a $12.5 million discretionary grant for the replacement of 14 FASTER eligible structures. This project will address the original 14 FASTER eligible structures that were included in the grant application as well as up to five additional nearby FASTER eligible structures in rural areas of southern Colorado using design build project delivery. The structures are located along key corridors and their replacement will assist rural mobility as well as enhance statewide connections to interstate commerce through the elimination of load restricted routes. The current total the Enterprise eligible project costs for these 19 structures is estimated at $69 million. Of this amount, $56.5 million is being funded directly with FASTER revenues and the remaining $12.5 million is funded through the Federal grant. In Fiscal Year 2020-21, $731,481 has been spent on eligible costs for the 19 structures. The table below itemize the structures included in the project.

Bridge ID	Facility Carried Over Featured Intersection	County
G-12-C	SH 9 over Platte Gulch	Park
H-13-N	US 24 over Draw	Park
I-13-G	US 24 over Draw	Park
I-13-H	US 24 over Draw	Park
I-15-AO	US 24 over Draw	Teller
I-15-T	US 24 over Draw	Teller
I-17-X	US 24 Service Road over Fountain Creek	El Paso
J-14-C	SH 9 over Louis Gulch	Park
J-15-G	SH 9 over Mack Gulch	Otero
M-21-B	US 350 over Lone Tree Arroyo	Otero
M-21-C	US 350 over Hoe Ranch Arroyo	Otero
M-21-I	US 350 over Draw	Otero
M-21-J	US 350 over Draw	Otero
M-22-U	US 350 over Otero Ditch	Otero
M-22-Y	US 350 over Draw	Otero
N-21-C	US 350 over Draw	Otero
N-21-F	US 350 over Sheet Canyon Arroyo	Otero
O-19-D	US 350 over Lunning Arroyo	Las Animas
P-19-G Minor	SH 239 over Canal	Las Animas

Eastern Plains Rural Bridge Replacement Program

The "Eastern Plains" project will replace seven the Enterprise eligible and four non-Enterprise eligible structures throughout the CDOT Regions 1 and 4. The project is being delivered through a construction manager/general contract (CM/GC) project delivery method. The project is anticipated to complete final design in Fiscal Year 2021-22 and be advanced to construction using Enterprise funds allocated from the budget for Fiscal Year 2021-22 though Fiscal Year 2023-24. Construction is expected to start in Fiscal Year 2021-22. The current total Enterprise eligible project cost is estimated at $26.4 million. The table below itemizes the Enterprise eligible structures in the "Eastern Plains" project.

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

Floyd Hill Project

This corridor improvement project includes the replacement of one Enterprise eligible structure, which carry traffic westbound on I-70 over Clear Creek and U.S. 6 and from westbound I-70 to U.S. 6 at the base of Floyd Hill. In Fiscal Year 2019-20, $2.1 million Enterprise eligible portion of the preliminary design and environmental assessment (EA) was fully funded. Subsequently, "tunnel" and "viaduct" design alternatives for the project were evaluated though the National Environmental Policy Act (NEPA) review process, which is scheduled to conclude in Fiscal Year 2021-22. The "viaduct" option has been identified as the preferred alternative.

In June 2021, the CDOT Transportation Commission approved the use of CM/GC as the primary delivery method for the project. Due to the size and complexity of the project, as well as funding availability and limitations, it is anticipated that the project will be delivered in multiple packages. The westbound I-70 project scope, which contains the Enterprise eligible project components, is currently estimated at $425 million. Based on the most recent Enterprise project eligibility review, it is estimated that there are $260 million of eligible items on the project. Staff are currently working with CDOT management to review potential financing strategies to accommodate project funding needs from Fiscal Year 2022-23 through Fiscal Year 2026-27 and maintain the existing Enterprise base program. The remaining funding gap is expected to be addressed through the allocation of Senate Bill (SB) 17-267 funds and HPTE financing proceeds.

I-70 Vail Pass Safety and Operations Improvement Project

CDOT and the Enterprise were awarded $60.7 million though the USDOT Infrastructure for Rebuilding America (INFRA) Discretionary Grant Program to advance the I-70 Vail Pass Safety and Operations Improvement Project. The Enterprise program was leveraged to improve the competitiveness of the grant applications by increasing the state funding match and showing participation of multiple stakeholders. The project includes: the reconstruction of the Enterprise eligible eastbound I-70 bridge over Polk Creek, construction of an eastbound auxiliary lane, shoulder widening, westbound curve modifications, reconstruction of a truck ramp, dynamic message signs, a variable speed limit system, and automated anti-icing technologies.

Reconstruction of the Enterprise eligible bridge is currently scheduled to begin in Fiscal Year 2022-23. To date, the Enterprise Board has approved a resolution committing $40 million in Enterprise funding to the project; however, the project team is currently evaluating a value engineering proposal which may require an increased Enterprise funding contribution. The proposal includes the reconstruction of the Enterprise eligible westbound I-70 bridge over Polk Creek in the project scope with the goal of gaining efficiencies in the project phasing, reducing the quantity of permanent retaining walls on the project, and reducing the span of the new eastbound and westbound bridges.

I-270 Corridor Safety and Mobility Project

On February 17, 2021, the USDOT released a Notice of Funding Opportunity (NOFO) for the INFRA Discretionary Grant Program. The Enterprise management performed an evaluation to identify projects with the highest probability of award based on the selection criteria outlined in the NOFO. Through this process, the I-270 Corridor Safety and Mobility Project was identified as the top candidate for submission. This corridor improvement project aims to modernize a seven mile stretch of interstate to reduce crashes and commute times as well as improve freight efficiency.

The Enterprise staff supported Region 1 and the Office of Policy and Government Relations with the development of the INFRA grant application which was submitted in March 2021. In conjunction with this effort, the Enterprise Board approved a resolution to commit up to $90 million in Enterprise funding to address six eligible bridges from the Enterprise prioritization plan, totaling approximately 110,000 square feet of deck area, as part of the project. This commitment is contingent on the award of an INFRA grant. In the summer of 2021, the Enterprise was notified that they were not awarded the grant. The Enterprise is currently working with the Region to determine other funding sources to replace the grant funding. In Fiscal Year 2020-21, the table below itemizes the Enterprise eligible structures in the I-270 Corridor Safety and Mobility project.

Bridge ID	Facility Carried Over Featured Intersection	County
E-17-AT	SH 6 over Sand Creek	Adams
E-17-ID	I-270 WBND over South Platte River	Adams
E-17-IE	I-270 EBND over South Platte River	Adams
E-17-IF	I-270 WBND over Ditch Rd, Burlington Canal	Adams
E-17-IH	I-270 WBND over SH 265, UPRR, BNSF	Adams
E-17-IC	York St over I-270	Adams

Statewide Project Portfolio Progress Update

During the Fiscal Year 2020-21 13 structures were completed and the future project population increased by 4 structures. As of the end of Fiscal Year 2020-21, 49% of FASTER eligible structures are in construction or complete and 12% are in design. To date, approximately 1.5 million square feet of "Poor" rated deck area has been addressed statewide and approximately 1 million square feet of "Poor" rated deck area will be addressed upon the completion of the current active statewide project portfolio.

Enterprise Website Maintenance

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

Using This Annual Report

This annual report consists of a series of financial statements.

The statements of net position include the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, and provides information about the Enterprise assets, liabilities, deferred outflows of resources and deferred inflows of resources and reflects the financial position of the Enterprise as of June 30, 2021 and 2020. Over time, increases or decreases in the net position continues to serve as a useful indicator of whether the financial position of the Enterprise 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, 2021 and 2020. 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 Enterprise's activities for the years ended June 30, 2021 and 2020.

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

Net Position Analysis

Condensed Statements of Net Position

	June 30, 2021	June 30, 2020	June 30, 2019
Assets			
Current Assets	$ 270,270,988	$ 331,725,199	$ 258,476,695
Noncurrent Assets	15,647,483	15,667,157	18,305,791
Capital Assets	1,261,364,381	1,091,646,207	1,042,225,602
Total Assets	**1,547,282,852**	**1,439,038,563**	**1,319,008,088**
Deferred Outflows of Resources	**2,458,257**	**2,688,897**	**2,093,206**
Liabilities			
Current Liabilities	9,239,485	5,019,282	9,242,022
Noncurrent Long-term Liabilities	305,985,952	306,661,253	306,207,507
Total Liabilities	**315,225,437**	**311,680,535**	**315,449,529**
Deferred Inflows of Resources	**1,362,172**	**2,489,264**	**5,512,895**
Net Position			
Net Investment in Capital Assets	952,755,476	786,593,442	741,976,073
Restricted for Debt Service	15,647,483	15,667,157	18,305,791
Unrestricted	264,750,541	325,297,062	239,857,006
Total Net Position	**$ 1,233,153,500**	**$ 1,127,557,661**	**$ 1,000,138,870**

Fiscal Year 2020-21 Analysis

Assets

Total assets increased in Fiscal Year 2020-21 by $108.2 million, due to explanations provided below.

Current Assets

Current assets decreased by $61.5 million in Fiscal Year 2020-21. The decrease in cash of $58.1 million was related to the milestone 2A and 3 payments for the Central 70 project. Milestone 2A and 3 totaled $105.6 million.

Noncurrent Assets

Noncurrent assets, excluding capital assets, decreased by \$19,674 due to a decrease in long-term investments. The decrease is due to the interest earnings of the investments, which are held by the Trustee. The decrease in interest earnings is due to a reduced required debt service balance that was caused by the 2019A bonds.

Capital Assets

Completed bridge projects increased by \$20.7 million, net of accumulated depreciation. This increase is due to the capitalization of the U.S. 34 over North Fork, I-25 over Butte Creek and several smaller bridge projects. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. The increase of \$148.5 million in assets under construction was due to the start of construction of new projects such as I-70 Vail Pass, I-270, and the current construction of the Central 70 project. The additions to completed bridges were offset by \$10.9 million of depreciation on completed bridges.

Liabilities

Total liabilities increased by \$3.5 million in Fiscal Year 2020-21, due to explanations provided below.

Current Liabilities

Current liabilities increased by \$4.2 million in Fiscal Year 2020-21 caused by an increase in accrued liabilities. The increase in accrued liabilities is primarily related to accrued invoices for new projects such as I-70 Vail Pass, I-270 and the Central 70 projects.

Noncurrent Liabilities

Noncurrent liabilities decreased by \$675,301 in Fiscal Year 2020-21. The decrease was due to a reduction in other postemployment benefits of \$14,830 and the amortization of the 2019A bond premium.

Net Position

Total net position increased by \$106 million in Fiscal Year 2020-21. Of the ending balance, \$15.6 million is restricted for payment of debt service in the following year. Also \$952.8 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

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

	Fiscal Year 2020-21	Fiscal Year 2019-20	Fiscal Year 2018-19
Net Position (GAAP Basis)	$ 1,233,153,500	$ 1,127,557,661	$ 1,000,138,870
GASB 68-Pension Related Items			
Net Pension Liability	4,864,259	4,653,323	5,957,055
Deferred Outflows of Resources	(910,097)	(868,731)	(2,042,950)
Deferred Inflows of Resources	1,185,480	2,278,672	5,310,572
Total GASB 68 Pension	5,139,642	6,063,264	9,224,677
GASB 75 OPEB Related Items			
Postemployment Benefit Liability	167,659	182,489	250,452
Deferred Outflows of Resources	(50,485)	(42,356)	(50,256)
Deferred Inflows of Resources	176,692	210,592	202,323
Total GASB 75 OPEB	293,866	350,725	402,519
Net Position excluding Pension and OPEB	$ 1,238,587,008	$ 1,133,971,650	$ 1,009,766,066

The Enterprise's net position increase was also affected by the change in net pension expense. In Fiscal Year 2020-21 net pension expense (credit) totaled ($923,622) and ($3,161,414) in Fiscal Year 2019-20. The credit to the expense was primarily a result of the amortization of the Enterprise's change in proportional share of the net pension liability and also the State's contribution to the Trust Fund in accordance with C.R.S. § 24-51-413.

Fiscal Year 2019-20 Analysis

Assets

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

Current Assets

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

Noncurrent Assets

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

Capital Assets

Completed bridge projects increased by $34.3 million, net of accumulated depreciation. This increase is due to the capitalization of the Grand Avenue pedestrian bridge and several smaller bridge projects. The increased amount also includes a portion of debt interest that has been capitalized based on bond proceeds directly attributable to the costs of the bridges being constructed. The increase of $12.6 in assets under construction was due to the start of construction of new projects such as I-25 South Gap, Floyd Hill and Speer over I-25. The additions to completed bridges were offset by $10.5 million of depreciation on completed bridges.

Liabilities

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

Current Liabilities

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

Noncurrent Liabilities

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

Net Position

Total net position increased by $127.4 million in Fiscal Year 2019-20. Of the ending balance, $15.7 million is restricted for payment of debt service in the following year. Also $786.6 million represents the net amount invested in capital assets. This amount includes capitalized assets and construction in progress. The remainder of the net position is unrestricted.

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

Revenue and Expense Analysis

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

	June 30, 2021	June 30, 2020	June 30, 2019
Operating Revenues			
FASTER Revenues	$ 106,403,060	$ 106,770,724	$ 105,700,925
Federal Revenues	11,250,782	14,659,093	9,920,525
Other Revenues	165,737	194,901	201,334
Total Operating Revenues	**117,819,579**	**121,624,718**	**115,822,784**
Operating Expenses			
Program Management (credit)	1,036,365	(1,594,102)	(860,837)
Bridge Operations and Maintenance Expense	601,967	300,136	358,456
Depreciation Expense	10,932,932	10,520,169	9,284,227
Total Operating Expenses	**12,571,264**	**9,226,203**	**8,781,846**
Net Operating Income	**105,248,315**	**112,398,515**	**107,040,938**
Net Nonoperating Revenues (Expenses)	**347,524**	**15,020,276**	**11,357,564**
Transfer of I-76 over Clear Creek From CDOT	-	-	3,108,728
Change in Net Position	**105,595,839**	**127,418,791**	**121,507,230**
Beginning Net Position	**1,127,557,661**	**1,000,138,870**	**878,631,640**
Net Position, End of year	**$ 1,233,153,500**	**$ 1,127,557,661**	**$ 1,000,138,870**

Fiscal Year 2020-21 Analysis

Revenues

Total operating revenues decreased by $3.8 million in Fiscal Year 2020-21, due to the explanations provided below.

The primary source of operating revenues for the Enterprise is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. FASTER revenues decreased by $367,664. Federal highway revenues also decreased by $3.4 million due the Region 2 CHBP grant being received in Fiscal Year 2019-20.

Expenses

Total operating expenses increased by $3.3 million. The majority of the increase operating expenses was from program management, resulting in an increase of $2.6 million. Program management primarily consists of salary and benefits totaling $1.5 million. Program management is offset by a credit totaling $980,307, which is related to pensions and OPEB. The GASB 68 and 75 pension and OPEB entries cause credits to pension and OPEB items due to the Enterprise having a small number of FTEs. Bridge operations and maintenance expense increased by $301,831 due to the increased number of bridges that have been placed into service and require the Enterprise to complete quarterly maintenance.

Nonoperating Revenues (Expenses)

Net nonoperating expenses decreased by $14.7 million.

The Build America Bonds (BABs) subsidy decreased by $422,530, due to the refunding of the 2010A bonds. The refunding of the 2010A bonds also caused the Enterprise to incur costs associated with the amortization of the bond premium and refunding loss totaling $603,244 related to the current year amortization. Additionally, investment income decreased by $19.4 million due to a decrease in unrealized gain and a reduction in cash and pooled investments. Interest expense decreased by $4.5 million due to capitalized interest.

Change in Net Position

The effect of these changes was an increase in net position in the amount of $106 million in Fiscal Year 2020-21 compared to an increase of $127.4 for Fiscal Year 2019-20.

Fiscal Year 2019-20 Analysis

Revenues

Total operating revenues increased by $5.8 million in Fiscal Year 2019-20, due to the explanations provided below.

The primary source of operating revenues for the Enterprise is from the bridge surcharge authorized in the FASTER legislation. The FASTER legislation authorizes a surcharge upon the registration of a motor vehicle with the amount of the surcharge ranging from $13 to $32 depending on the type and weight of the vehicle. FASTER revenues increased by $1.1 million. Federal highway revenues increased by $4.7 million due to project expenses that are eligible for federal reimbursement.

Expenses

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

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

Nonoperating Revenues (Expenses)

Net nonoperating revenues increased by $3.7 million.

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

Change in Net Position

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

Capital Assets

Capital Assets and Debt Administration

	June 30, 2021	June 30, 2020	June 30, 2019
Bridges - net of accumulated depreciation	$ 763,345,892	$ 742,635,265	$ 708,381,608
Land	98,564,499	98,041,961	95,440,789
Assets Under Construction	399,453,990	250,968,981	238,403,205
Capital Assets, Net of Accumulated Depreciation	**$ 1,261,364,381**	**$ 1,091,646,207**	**$ 1,042,225,602**

The Enterprise's investment in capital assets includes land, capital assets under construction and completed bridge projects. Total capital assets as of June 30, 2021 are $1.3 billion, net of accumulated depreciation of $61.2 million. Significant capital assets events during the current fiscal year include:

- Construction of the Central 70 project began in Fiscal Year 2018-19, with an overall budget of $400 million. Construction expenditures totaled approximately $119.5 million through Fiscal Year 2020-21 and $304.4 million in total since the beginning of the project.

Long-term Debt

The long-term portion of the bond debt totaled $301 million and $301.8 million in Fiscal Years 2020-21 and 2019-20, respectively. Principal payments do not begin until December 2025.

Financial Contact

If you have questions about this report please contact:

Statewide Bridge and Tunnel Enterprise
2829 West Howard Place
Denver, Colorado 80204
Attn: Kay Hruska

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Statements of Net Position
June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
Assets		
Current assets:		
Cash and pooled cash investments	$ 257,722,060	$ 315,814,003
Receivables	7,717,789	11,065,847
Federal receivables	4,827,514	4,842,474
Prepaid items	3,625	2,875
Total current assets	270,270,988	331,725,199
Noncurrent assets:		
Long-term investments	15,647,483	15,667,157
Land	98,564,499	98,041,961
Assets under construction	399,453,990	250,968,981
Bridges, net of accumulated depreciation	763,345,892	742,635,265
Total noncurrent assets	1,277,011,864	1,107,313,364
Total assets	**1,547,282,852**	**1,439,038,563**
Deferred Outflows of Resources		
Related to bond refunding	1,497,675	1,777,810
Related to pensions	910,097	868,731
Related to other postemployment benefits	50,485	42,356
Total deferred outflows of resources	**2,458,257**	**2,688,897**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	9,239,485	5,019,282
Total current liabilities	9,239,485	5,019,282
Noncurrent liabilities:		
2010A bonds	257,180,000	257,180,000
2019A bonds	38,740,000	38,740,000
2019A bond premium	5,034,034	5,905,441
Net pension liability	4,864,259	4,653,323
Net other postemployment benefits liability	167,659	182,489
Total noncurrent liabilities	305,985,952	306,661,253
Total liabilities	**315,225,437**	**311,680,535**
Deferred Inflows of Resources		
Related to pensions	1,185,480	2,278,672
Related to other postemployment benefits	176,692	210,592
Total deferred inflow of resources	**1,362,172**	**2,489,264**
Net Position		
Net investment in capital assets	952,755,476	786,593,442
Restricted for debt service	15,647,483	15,667,157
Unrestricted	264,750,541	325,297,062
Total net position	**$ 1,233,153,500**	**$ 1,127,557,661**

The accompanying notes are an integral part of these financial statements

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
Operating Revenues		
FASTER revenues	$ 106,403,060	$ 106,770,724
Federal revenues	11,250,782	14,659,093
Other operating revenues	165,737	194,901
Total operating revenues	**117,819,579**	**121,624,718**
Operating Expenses		
Program management	1,036,365	(1,594,102)
Bridge operations and maintenance expense	601,967	300,136
Depreciation expense	10,932,932	10,520,169
Total operating expenses	**12,571,264**	**9,226,203**
Operating income	**105,248,315**	**112,398,515**
Nonoperating Revenues (Expenses)		
Build America Bonds subsidy (BABs)	5,169,100	5,591,630
Investment income (loss), net	(4,440,581)	14,933,913
Refunding cost of issuance	-	(311,811)
Amortization of 2019A bond premium and refunding loss	603,244	264,180
Interest expense	(984,239)	(5,457,636)
Net nonoperating revenues (expenses)	**347,524**	**15,020,276**
Change in Net Position	**105,595,839**	**127,418,791**
Beginning Net Position	**1,127,557,661**	**1,000,138,870**
Net Position, End of year	**$ 1,233,153,500**	**$ 1,127,557,661**

The accompanying notes are an integral part of these financial statements

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
Cash Flows from Operating Activities		
Cash received from users and grants	$ 121,046,826	$ 115,833,576
Cash payments to employees and suppliers of goods and services	(2,826,905)	(1,670,080)
Net cash provided by operating activities	**118,219,921**	**114,163,496**
Cash Flows from Capital Financing Related Activities		
Interest subsidy received	5,169,100	5,591,630
Acquisition and construction of capital assets	(160,026,798)	(52,171,415)
Interest paid on capital debt	(17,169,028)	(17,698,891)
Net cash used in capital financing activities	**(172,026,726)**	**(64,278,676)**
Cash Flows from Investing Activities		
Purchase of investments and related fees	(17,173,299)	(15,094,855)
Proceeds from sales and maturities of investments	17,192,972	17,733,489
Investment income (expense)	(4,304,811)	14,852,561
Net cash provided by (used in) investing activities	**(4,285,138)**	**17,491,195**
Net increase (decrease) in cash and cash equivalents	(58,091,943)	67,376,015
Cash and cash equivalents, beginning of period	315,814,003	248,437,988
Cash and cash equivalents, end of period	**$ 257,722,060**	**$ 315,814,003**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	**$ 105,248,315**	**$ 112,398,515**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	10,932,932	10,520,169
Adjustment to net pension liability	210,936	(1,303,733)
Adjustment to postemployment benefits	(14,830)	(67,963)
Direct state allocation to pension - expense	-	38,252
Direct state allocation to pension - revenue	-	(38,252)
Changes in assets and liabilities:		
Receivables, net	3,227,248	(5,791,142)
Compensated absences	173	871
Deferred inflows of resources - related to pension and other postemployment benefits	(1,127,092)	(3,023,631)
Deferred outflows of resources - related to pension and other postemployment benefits	230,640	(595,691)
Deferred outflows of resources - related to bond refunding	(280,135)	1,777,810
Prepaid expense	(750)	-
Accounts payable and accrued liabilities	(207,516)	248,291
Net cash provided by operating activities	**$ 118,219,921**	**$ 114,163,496**
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets, on account	$ 6,853,613	$ 3,227,324
Unrealized gain (loss)	$ 8,022,684	$ 9,593,432
Capitalized interest	$ 16,196,761	$ 12,153,505
Proceeds from 2019A refunding bonds	$ 11,972	$ 44,645,441
Payment of 2010A bonds	$ -	$ (42,820,000)
Payment of debt fees	$ -	$ (47,631)

The accompanying notes are an integral part of these financial statements

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Notes to Financial Statements
June 30, 2021 and 2020

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

Nature of Operations

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

The Enterprise 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 Statewide Bridge and Tunnel Enterprise Board of Directors (Board). The business purpose of the Enterprise is to "finance, repair, reconstruct, and replace any designated bridge in the state." Because it was constituted as a government-owned business, the Enterprise may issue revenue bonds to accelerate construction to replace or repair Colorado's poor bridges.

SB21-260, was recently passed by the State Legislature and signed into law by the Governor. It will implement several new transportation fees and General Fund transfers, create or modify four state enterprises and add new planning and environmental study requirements. The bill also changed the name and scope of the Colorado Bridge Enterprise to the Statewide Bridge and Tunnel Enterprise, authorizing an impact fee on diesel fuel and a retail delivery fee and is estimated to provide $522 million in new Enterprise revenues from Fiscal Year 2022-23 to Fiscal Year 2031-32. Fees are phased in gradually over this 10 year period, reach their maximum in Fiscal Year 2031-32, and are indexed to inflation.

By statute, the Enterprise is now granted the authority to repair, maintain, and operate tunnels throughout the state.

Basis of Accounting and Presentation

For financial reporting purposes, the Enterprise is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Enterprise 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 Enterprise have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements of the Enterprise 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, 2021 and 2020 or the results of operations, or cash flows, for the years then ended.

Use of Estimates in Preparation of Financial Statements

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

Cash and Pooled Cash Investments

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

Receivables

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

Capital Assets

The Statewide Bridge and Tunnel Enterprise records its property and equipment at historical cost. Contributed capital assets are recorded at acquisition value on the date they are accepted into the Enterprise. 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 Enterprise's capitalization level is $500,000 for infrastructure and $5,000 for other capital assets. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation will be removed from the respective accounts and any gains or losses will be included in nonoperating expenses.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

The Enterprise's deferred outflows of resources and deferred inflows of resources consist of pension, other postemployment benefits (OPEB) items, and a refunding loss. The deferred outflows of resources that are related to pension and OPEB amounts will be amortized to pension and OPEB expense in a later period, or in the case of the deferred outflows of resources relating to contributions made subsequent to the measurement date, will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent year. The deferred outflow of resources related to the refunding loss will be amortized to refunding loss expense in a later period and is amortized over the life of the bond.

Capitalized Interest

Interest incurred during construction is reflected in the capitalized value of the asset constructed. Total interest incurred was $17,181,000 in Fiscal Year 2020-21 and $17,611,141 in Fiscal Year 2019-20. Interest expense capitalized during the years ended June 30, 2020 and 2021 was $12,153,505 and $16,196,761, respectively.

Liabilities

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

Unearned Revenue

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

Net Position

The net position of the Enterprise 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 and liabilities attributable to the acquisition, construction or improvement of these assets.

Restricted net position

Restricted net position represent resources in which the Enterprise 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 Enterprise and are also available for future construction.

Classification of Revenues and Expenses

The Enterprise 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 Enterprise'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 Enterprise 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 Enterprise's policy is to first use unrestricted resources per State policy.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Enterprise deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2021 and 2020, the Enterprise had cash on deposit with the State Treasurer of $257,722,060 and $315,814,003, respectively, which represented approximately one and one-half percent of the total $17,744.6 million fair value of investments in the State Treasurer's Pool (Pool) and as of June 30, 2021 and 3 percent of the total $9,096.5 million as of June 30, 2020. As of June 30, 2021, the Pool's resources included $36.1 million of cash on hand and $17,708.5 million of investments.

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

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2021.

NOTE 3 – LONG-TERM INVESTMENTS

The Enterprise has also recorded long-term investments as of June 30, 2021 and 2020 in the amount of $15,647,483 and $15,667,157, respectively. These amounts represent debt service reserve held by the Enterprise's trustee, Zions Bank. Zions Bank has entered into an investment agreement with the State Treasury to hold the proceeds in a separate account to be invested in the Pool as disclosed in Note 2. The State Treasurer pools these deposits and invests them in securities approved by C.R.S. Section 24-75-601.1.

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

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

Level 1 Investments

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

Level 2 Investments

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

Level 3 Investments

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The Enterprise's only investments with recurring measurements are its investments with State Treasury in the amount of $15,647,483 and $15,667,157 for the years ended June 30, 2021 and 2020, respectively. The Enterprise's equity in the Pool is valued using the equivalent of the net asset value, and thus is not included in the fair value hierarchy.

NOTE 4 – ACCOUNTS RECEIVABLE

The Enterprise records a receivable for Funding Advancements for Surface Transportation and Economic Recover (FASTER) revenues earned at year-end and paid in the subsequent month. The amount is calculated by the State Department of Revenue based on historical collections.

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

The Enterprise also expects to receive matching funds from local governments and from the federal government for approved projects. The amounts are recorded in the Enterprise financial statements directly from CDOT's federal aid billing system based on the project status. The amounts recorded as receivables as of June 30 are as follows:

	2021	2020
FASTER revenues receivable	$ 7,578,463	$ 10,708,984
Trustee interest receivable	28,444	164,213
Federal receivable	4,827,514	4,842,474
Other receivable	110,882	192,650
Total accounts receivable	**$ 12,545,303**	**$ 15,908,321**

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 5 – CAPITAL ASSETS

By the end of Fiscal Year 2020-21, as a result of construction projects, a total of 121 bridges have been capitalized upon completion. 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, 2021 and 2020:

	Balance at June 30, 2020	Additions	Disposals	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated					
Land	$ 98,041,961	$ -	$ -	$ 522,538	$ 98,564,499
Assets under construction	250,968,981	181,079,481	(428,375)	(32,166,097)	399,453,990
Total capital assets, not being depreciated	349,010,942	181,079,481	(428,375)	(31,643,559)	498,018,489
Capital assets, being depreciated					
Bridges	792,898,175	-	-	31,643,559	824,541,734
Accumulated depreciation	(50,262,910)	(10,932,932)	-	-	(61,195,842)
Total capital assets, being depreciated, net	742,635,265	(10,932,932)	-	31,643,559	763,345,892
Capital assets, net	$ 1,091,646,207	$ 170,146,549	$ (428,375)	$ -	$ 1,261,364,381

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Notes to Financial Statements
June 30, 2021 and 2020

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2021	2020
Accrued interest payable on debt issuance	$ 1,431,750	$ 1,431,750
Retainage payable	801,258	1,158,070
Accrued project costs payable	6,893,133	2,069,255
Other payables	113,344	360,207
Total accrued liabilities	**$ 9,239,485**	**$ 5,019,282**

NOTE 7 – COMMITMENTS

The Enterprise had outstanding commitments for construction in the amount of $174,535,629 at June 30, 2021.

NOTE 8 – LONG-TERM LIABILITIES

The Enterprise has recorded debt for the years ended June 30, 2021 and 2020 as follows:

	Balance at June 30, 2020	Issuances/ Additions	Retirements/ Reductions	Balance at June 30, 2021	Amount Due Within One Year
Bridge Enterprise 2010A bonds	$ 257,180,000	$ -	$ -	$ 257,180,000	$ -
Bridge Enterprise 2019A bonds	38,740,000	-	-	38,740,000	-
Bridge Enterprise 2019A Premium	5,905,441	-	(871,407)	5,034,034	-
Net pension liability	4,653,323	2,725,236	(2,514,300)	4,864,259	-
Net other postemployment benefits/liability	182,489	18,691	(33,521)	167,659	-
	$ 306,661,253	$ 2,743,927	$ (3,419,228)	$ 305,985,952	$ -

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

Series 2010A Bonds

On December 10, 2010, the Enterprise issued $300 million in Colorado Bridge Enterprise Revenue Bonds Series 2010A for the purpose of financing the project costs. The Series 2010A Bonds were issued as taxable, Build America Bonds (BABs), as authorized by the federal American Recovery and Reinvestment Act (the Act). Pursuant to the Act, the Enterprise 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 Enterprise is approximately 3.97 percent.

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

The IRS Code imposes requirements on the Series 2010A Bonds that the Enterprise 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 Enterprise 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, 2021 recorded as current. Interest payments are due on June 1 and December 1 of each year. A portion of the Bonds mature in December 2025 with the balance due by December 2040. The debt proceeds are held by the Trustee, Zions Bank, and invested by the State Treasury per written agreement.

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

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

Series 2019A Bonds

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

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

In December 2019, the Enterprise partially refunded the 2010A bonds to reduce its total debt service payments by $10.3 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4.2 million. The reacquisition price of $44.7 million exceeded the carrying value of the 2010A bond totaling $42.8 million, which resulted in a refunding loss of $1.9 million. The refunding loss was recognized as a deferred outflow and will be amortized over the remaining life of the bond.

The proceeds from the 2019A bonds that were used to advance refund a portion of the outstanding 2010A bonds have been placed in escrow to provide for all future debt service payments on the refunded bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the Enterprise's financial statements. As of June 30, 2021, $257,180,000 of the defeased 2010A bonds remains outstanding.

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

2010A Bonds:

Fiscal Year	Interest Due	Principal Due	Less BAB Subsidy	Net Debt Service Payment
2022	$ 15,631,400	$ -	$ 5,470,990	$ 10,160,410
2023	15,631,400	-	5,470,990	10,160,410
2024	15,631,400	-	5,470,990	10,160,410
2025	15,631,400	-	5,470,990	10,160,410
2026	15,631,400	-	5,470,990	10,160,410
2027 to 2031	73,838,887	48,210,000	25,843,610	96,205,277
2032 to 2036	49,645,256	94,195,000	17,375,840	126,464,416
2037 to 2041	17,990,728	114,775,000	6,296,755	126,468,973
Total payments	**$ 219,631,871**	**$ 257,180,000**	**$ 76,871,155**	**$ 399,940,716**

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

2019A Bonds:

Fiscal Year	Interest Due	Principal Due	Net Debt Service Payment
2022	$ 1,549,600	$ -	$ 1,549,600
2023	1,549,600	-	1,549,600
2024	1,549,600	-	1,549,600
2025	1,549,600	-	1,549,600
2026	1,301,200	12,420,000	13,721,200
2027 to 2031	1,063,000	26,320,000	27,383,000
Total payments	**$ 8,562,600**	**$ 38,740,000**	**$ 47,302,600**

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 Enterprise $15 million of eligible federal funds, the Transportation Commission is not obligated to make such transfers. The decision whether or not to allocate and transfer such federal funds will be made on an annual basis and will be at the sole discretion of the Transportation Commission. Such decision may be affected by the amounts of such federal funds that are available to CDOT in the future, which may be adversely impacted by federal budgeting and appropriation constraints or changes in federal law.

In November 2016, a memorandum of understanding (MOU) was executed regarding the temporary suspension of the annual transfer of $15 million in federal funds for three years starting in Fiscal Year 2017-18. In compliance with the MOU, the transfer of eligible federal funds was partially reinstated in Fiscal Year 2020-21 in the annual budget. Beginning in Fiscal Year 2021-22, a transfer in amount equal to the FHWA participation in the debt service has been reinstated.

In Fiscal Year 2019-20 CDOT was awarded a $12.5 million discretionary grant for the Region 2 Concrete Box Culvert Program. This federal funding will be coupled with Enterprise revenues to address Enterprise structures on State Highway 9, U.S. Highway 24, and U.S. Highway 350 throughout rural areas throughout southern Colorado with the goal of providing rural mobility and connections to interstate commerce. The current Enterprise eligible project costs for these structures is estimated at $34.2 million. In Fiscal Year 2020-21, Enterprise has spent $731,481 on eligible costs for these structures.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

General Information about the Pension Plan

A. Plan Description

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

B. Benefits Provided as of December 31, 2020

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

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

C. Contributions Provisions as of June 30, 2021

Eligible employees of the Enterprise and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of July 1, 2020 through June 30, 2021 are summarized in the table below:

	Fiscal Year 2019-20	**Fiscal Year 2020-21**	**Fiscal Year 2020-21**
	CY19/20	**CY20**	**CY21**
	July 1, 2019 through June 30, 2020	July 1, 2020 through December 31, 2020	January 1,2021-June 30, 2021
Employer Contribution Rate**	10.40%	10.90%	10.90%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.38%	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in 413 C.R.S., Section 24-51-411	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S., 24-51-415	N/A	N/A	0.05%
Total Employer Contribution Rate to the SDTF	19.38%	19.88%	19.93%

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

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

	July 1, 2020 Through December 31, 2020	January 1 Through June 30, 2021
Employee contribution (all employees except State Troopers)**	10.00%	10.00%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Enterprise is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Enterprise were $355,828 and $361,180 for the years ended June 30, 2021 and 2020, respectively.

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

The net pension liability was measured as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2020 and 2019. The Enterprise proportion of the net pension liability was based on the Enterprise's contributions to the SDTF for calendar year 2020, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the Enterprise reported a liability of $4,864,259 and $4,653,323 as of June 30, 2020 for its proportionate share of the net pension liability. The Enterprise proportionate share of the net pension liability is as follows:

At December 31, 2020, the Enterprise proportion was .0513 percent, which was a decrease of .003 percent from its proportion measured as of December 31, 2019.

At December 31, 2019, the Enterprise proportion was .0479 percent, which was an increase of .004 percent from its proportion measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the Enterprise recognized a pension expense of $923,622 and $3,161,414. At June 30, 2021 and 2020, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 120,209	$ -	$ 173,858	$ -
Changes of assumptions	330,292	-	-	1,334,673
Net difference between projected and actual earnings on pension plan investments	-	995,584	-	501,341
Changes in proportion and differences between BTE contributions and proportionate share of contributions	275,628	189,896	535,889	442,658
BTE contributions subsequent to the measurement date	183,968	-	158,984	-
Total	$ 910,097	$ 1,185,480	$ 868,731	$ 2,278,672

$183,968 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	$ (60,727)
2023	95,887
2024	(338,487)
2025	(156,024)
	$ (459,351)

E. Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial cost methods, actuarial assumptions and other inputs:

	2019	2018
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50-9.17 percent	3.50-9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	4.72 percent
Postretirement benefit increases:		
PERA Benefit Structure hired prior to January 1, 2007 and DPS Benefit Structure (automatic)	1.25 percent compounded annual	2.00 percent compounded annually
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve	Financed by the Annual Increase Reserve

[1] Postretirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefits tiers can never exceed available assets.

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

Postretirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

The actuarial assumptions used in the December 31, 2019 and 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020 for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019 to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	
Members other than State Troopers	3.30 percent-10.90 percent
State Troopers	3.20 percent-12.40 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount Rate	7.25 percent
Postretirement benefit Increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25 percent
PERA benefit structure hired after 12/31/06[1]	Financed by AIR

[1] Postretirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefits tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality table described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study reported dated October 28, 2020. As a result of the November 20, 2020 PERA Board meeting, the following economic assumptions were changed effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table below as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020

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

F. Discount Rate

The discount rate used to measure the total pension liability for December 31, 2020 and 2019 was 7.25 percent. The projection of cash flows used to determine the discount rate applied to the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the $225 million direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

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

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

	June 30, 2021		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 6,435,555	$ 4,864,259	$ 3,544,934

H. Pension Plan Fiduciary Net Position

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

NOTE 11 – OTHER RETIREMENT PLANS

Voluntary Investment Program PERAPlus 401(k) Plan

A. Plan Description

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

B. Funding Policy

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

<u>Defined Contribution Retirement Plan (DC Plan)</u>

C. Plan Description

Employees of the Enterprise that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's annual report as referred to above.

D. Funding Policy

All participating employees in the PERA DC Plan and the Enterprise are required to contribute a percentage of the participating employee's PERA-includable salary to the PERA DC Plan. The employee contributions rates for the period July 2020 through June 30, 2021 are summarized in the table below:

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Employee Contribution Rates:		
Employee contribution (All employees except State Troopers)	10.00%	10.00%
State Troopers Only	12.00%	12.00%
Employer Contributions Rates:		
On behalf of all employees except State Troopers	10.15%	10.15%
State Troopers Only	12.85%	12.85%

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

	July 1, 2020 through December 31, 2020	January 1, 2021 through June 30, 2021
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. 24-51-413[1]	0.50%	0.50%
Defined Contribution statutory contribution as specified in C.R.S. 24-51-1505[1]	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S 24-51-415	N/A	0.05
Total Employer Contribution Rate to the SDTF[1]	10.75%	10.80%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $15,753,000 and $12,967,000 for the years ended June 30, 2020 and 2019, respectively, and the Enterprise did not recognize any pension contributions for the PERA DC plan for the years ended June 30, 2021 and 2020.

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

A. OPEB

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

B. Plan Description

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

C. Benefits Provided

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the

DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

D. PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

E. Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Enterprise is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Enterprise were $18,455 for the year ended June 30, 2021 and $16,909 for the year ended June 30, 2020.

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

At June 30, 2021 and 2020, the Enterprise reported a liability of $167,659 and $182,489 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability for the HCTF was measured as of December 31, 2020 and 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Enterprise's proportion of the net OPEB liability was based on Enterprise's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020 the Enterprise's proportion was .018 percent, which was a decrease of .002 percent from its proportion measured as of December 31, 2019.

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

For the years ended June 30, 2021 and 2020, the Enterprise recognized a reduction of OPEB expense of $56,859 and $51,794, respectively. At June 30, 2021, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 445	$ 36,859	$ 606	$ 30,665
Changes of assumptions	1,252	10,281	1,514	-
Net difference between projected and actual earnings on OPEB plan investments	-	6,851	-	3,046
Changes in proportion and differences between Enterprise contributions and proportionate share of contributions	39,661	122,701	31,868	176,881
Enterprise contributions subsequent to the measurement date	9,127	-	8,368	-
Total	$ 50,485	$ 176,692	$ 42,356	$ 210,592

$9,127 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2022	$	(55,411)
2023		(54,453)
2024		(10,821)
2025		(12,975)
Thereafter		(1,674)
	$	(135,334)

G. Actuarial Assumptions

The total OPEB liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial cost method and actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Actuarial cost method	Entry age	Entry age
Price inflation	2.40 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.50 percent	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate	3.50 percent in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent	7.25 percent
Discount rate	7.25 percent	7.25 percent
Health care cost trend rates		
PERA Benefit Structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	8.10% percent in 2020, gradually decreasing to 4.50 percent in 2029	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2020, gradually increasing to 4.50 percent in 2029	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS Benefit Structure:		
Service-based premium subsidy	0.00 percent	0.00 percent
PERACare Medicare plans	N/A	N/A
Medicare Part A premiums	N/A	N/A

In determining the additional liability for PERACare enrollees who are 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019 valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA benefit structure:

	Initial Costs for Members without Medicare Part A		
Medicare Plan	**Monthly Costs**	**Monthly Premium**	**Monthly Cost Adjusted to Age 65**
Medicare Advantage/Self-Insured Prescription	$588	$227	$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2019 Medicare Part A premium is $458 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019 to December 31, 2020.

	Trust Fund
	State Division
Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%

[1] C.R.S. 24-51-101 (46), as amended expanded the definition of "State Troopers" to included certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statement in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Postretirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Postretirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.

The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.

Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.

Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020

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

H. Sensitivity of the Enterprise Proportionate Share of the Net OPEB Liability to Changes in Health Care Cost Trend Rates

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$192,056	$167,659	$146,813

I. Discount Rate

The discount rate used to measure the total OPEB liability for December 31, 2019 and 2018 was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019 measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

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

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

J. Sensitivity of the Enterprise Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$192,056	$167,659	$146,813

K. OPEB Plan Fiduciary Net Position

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

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – TAX, SPENDING AND DEBT LIMITATIONS

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

NOTE 15 – CENTRAL 70 PROJECT

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

NOTE 16 – COVID-19

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

NOTE 17 – SUBSEQUENT EVENT (CENTRAL 70)

In April 2021 the HPTE and the Enterprise Boards authorized the restructuring of KMP's debt for the Central 70 project. Doing so will allow the Central 70 project to generate additional financing proceeds, without increasing project funding from the Enterprise, and to mitigate increases in project costs, delay costs, and future risk to the project.

The refinancing involves the following: (1) a new, upsized TIFIA loan with the USDOT (the 2021 TIFIA Loan) at a lower interest rate the existing 2017 TIFIA Loan; (2) new senior revenue bonds (Series 2021A and Series 2021B) issued via the Enterprise as a conduit issuer; and (3) additional equity investment by KMP, while maintaining the same key financial ratios and the Enterprise funding commitments that were in place at the start of the project.

The new the Enterprise Series 2021A Senior Revenue Bonds were sized to maximize the total refinancing proceeds, payable from the current Performance Payment amounts, without increase. As with the original Colorado Bridge Enterprise Senior Revenue Bonds (Central 70 Project), Series 2017, issued for this project, the Enterprise is issuing the bonds as a conduit issuer. The Series 2021 are not obligations of the Enterprise and are payable solely by KMP from the Trust Estate (as defined in the Trust Indenture, as amended).

The Series 2021B Project Infrastructure Bonds are put into place as a financing bridge due to legal restrictions that prevent repayment of the 2017 TIFIA Loan directly from proceeds of the 2021 TIFIA Loan. The fixed maturity bonds being issued by the Enterprise as a conduit will have interest fully capitalized, meaning KMP has prefunded all interest payments during the time the bonds are outstanding, and will be paid off in full though a draw on the 2021 TIFIA Loan proceeds prior to maturity.

The Enterprise and KMP finalized the 2021 TIFIA Loan and the issuance of the Series 2021A and 2021B Bonds in September 2021.

Required Supplementary Information

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Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Required Supplementary Information
Schedule of the Enterprise's Proportionate Share of the Net Pension Liability
June 30

	2021	2020	2019	2018	2017	2016 *	2015 *
Enterprise's proportion of the net pension liability	0.05%	0.05%	0.05%	0.04%	0.11%	0.12%	0.11%
Enterprise's proportionate share of the net pension liability	$ 4,864,259	$ 4,653,323	$ 5,957,055	$ 8,444,751	$ 19,828,708	$ 12,315,953	$ 10,165,317
Enterprise's covered payroll	$ 1,683,441	$ 1,499,770	$ 1,598,345	$ 1,238,452	$ 3,076,792	$ 3,193,343	$ 3,087,257
Enterprise's proportionate share of the net pension liability as a percentage of its covered payroll	288.95%	310.27%	372.70%	681.88%	644.46%	385.68%	329.27%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	62.24%	55.11%	43.20%	42.60%	56.10%	59.80%

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

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Required Supplementary Information
Schedule of the Enterprise's Pension Contributions
June 30

	2021	2020	2019	2018	2017	2016 *	2015 *
Statutorily required contribution	$ 355,828	$ 361,180	$ 336,026	$ 251,976	$ 365,722	$ 630,061	$ 454,689
Contributions in relation to the statutorily required contribution	355,828	361,180	336,026	251,976	365,722	630,061	454,689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Enterprise's covered payroll	$ 1,809,283	$ 1,657,763	$ 1,553,032	$ 1,317,384	$ 1,957,828	$ 3,544,901	$ 2,853,298
Contributions as a percentage of covered payroll	19.67%	21.79%	21.64%	19.13%	18.68%	17.77%	15.94%

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

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Required Supplementary Information
Schedule of the Enterprise's Proportionate Share of the Net OPEB Liability
June 30

	2021	2020	2019	2018
Enterprise's proportion of the net OPEB liability	0.018%	0.016%	0.018%	0.015%
Enterprise's proportionate share of the net OPEB liability	$ 167,659	$ 182,489	$ 250,452	$ 193,163
Enterprise's covered payroll	$ 1,683,441	$ 1,499,770	$ 1,598,345	$ 1,238,452
Enterprise's proportionate share of the net OPEB liability as a percentage of its covered payroll	9.96%	12.17%	15.67%	15.60%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Required Supplementary Information
Schedule of the Enterprise's OPEB Contributions
June 30

	2021	2020	2019	2018
Statutorily required contribution	$ 18,455	$ 16,909	$ 15,841	$ 13,437
Contributions in relation to the statutorily required contribution	18,455	16,909	15,841	13,437
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Enterprise's covered payroll	$ 1,809,283	$ 1,657,763	$ 1,553,031	$ 1,317,384
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

Statewide Bridge and Tunnel Enterprise
(Formerly Colorado Bridge Enterprise)
Notes to Required Supplementary Information
June 30, 2021 and 2020

NOTE 1 – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUAL INFORMATION

A. Defined Benefit Pension Plan

2020 Changes in Assumptions or Other Inputs Since 2019

- House Bill (HB) 20-1379, enacted on June 29, 2020, suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.

- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.

- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.

- The postretirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:

    - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
    - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 Changes in Assumptions or Other Inputs Since 2018:

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

2018 Changes in Assumptions or Other Inputs Since 2017:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

2017 Changes in Assumptions or Other Inputs Since 2016:

- The discount rate was lowered from 5.26% to 4.72%.

2016 Changes in Assumptions or Other Inputs Since 2015:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 Changes in Assumptions or Other Inputs Since 2014:

- There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

2014 Changes in Assumptions or Other Inputs Since 2013:

- There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

2013 Changes in Assumptions or Other Inputs Since 2012:

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

- The wage inflation assumption was lowered from 4.25 percent to 3.90 percent.

B. Defined Benefit Other Postemployment Benefit Plan

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

NOTE 2 – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.

- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.

- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.

- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.

- The postretirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:

    - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
    - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 Changes in Assumptions or Other Inputs Since 2018:

- There were no changes in terms or assumptions for the December 31, 2019 measurement period for pension compared to the prior year.

2018 Changes in Assumptions or Other Inputs Since 2017:

- There were no changes in terms or assumptions for the December 31, 2018 measurement period for pension compared to the prior year.

2017 Changes in Assumptions or Other Inputs Since 2016:

- There were no changes in terms or assumptions for the December 31, 2017 measurement period for pension compared to the prior year.

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

Independent Auditor's Report

Members of the Legislative Audit Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Statewide Bridge and Tunnel Enterprise (formerly Colorado Bridge Enterprise (the Enterprise)), an enterprise fund of the State of Colorado, Department of Transportation, which comprise the statement of net position as of June 30, 2021 and the related statements of revenues, expenses, changes in net position and cash flows for the year then ended and the related notes to the financial statements which collectively comprise the Enterprise's basic financial statements, and have issued our report thereon dated January 13, 2022 which contained an emphasis of matter paragraph regarding the financial statements of the Enterprise.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Management's Response to Finding

Management's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

BKD, LLP

Denver, Colorado
January 13, 2022

BKD
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Members of the Legislative Audit Committee

As part of our audit of the financial statements and compliance of the Statewide Bridge and Tunnel Enterprise (the Enterprise) as of and for the year ended June 30, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

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

- No matters are reportable

Management Judgments and Accounting Estimates

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

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

Financial Statement Disclosures

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

- Revenue recognition
- Defined benefit pension plan
- OPEB plan

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Proposed Audit Adjustments Recorded
- No matters are reportable

Proposed Audit Adjustments Not Recorded
- No matters are reportable

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:

- No matters are reportable

Disagreements with Management

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

- No matters are reportable

Consultation with Other Accountants

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

- Matters related to Central 70 and debt refinancing

Significant Issues Discussed with Management

Prior to Retention

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

- No matters are reportable

During the Audit Process

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

- No matters are reportable

Difficulties Encountered in Performing the Audit

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

- No matters are reportable

Other Material Communications

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

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

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

BKD, LLP

Denver, Colorado
January 13, 2022