

State of Colorado



Bill Owens
Governor

Jeffrey M. Wells
Executive Director

Paul Farley
Deputy Executive Director

Richard Pennington
Division Director

Leslie M. Shenefelt
State Controller

DPA

Department of Personnel
& Administration

Division of Finance and Procurement
State Controller's Office
1525 Sherman St., Suite 250
Denver, Colorado 80203
Phone (303) 866-3281
Fax (303) 866-4233
www.colorado.gov/dpa

October 31, 2004

The Honorable Bill Owens
Governor
136 State Capitol Building
Denver, Colorado 80203

Dear Governor Owens:

I am submitting a Quarterly Financial Report on the status of the state's financial condition for the three-month period ended September 30, 2004. This Quarterly Financial Report summarizes activity in the General Fund and the Capital Construction Fund.

The attached Exhibit A provides a *Balance Sheet* for the Unrestricted General Fund and Capital Construction Fund at September 30, 2004. Factors that contribute to the \$537.5 million deficit Total Fund Equity are addressed in the Exhibit B discussion below. When four percent of appropriations are reserved, as is required by current law, the General Fund unreserved fund balance deficit is \$769.7 million. This compares to the unreserved fund balance deficit of \$761.1 million at September 30, 2003.

The General Fund is normally in deficit at this time of year because of the legal requirement for the Department of Education to transfer six months of public school moneys by the end of the first quarter. This transfer caused approximated \$682.2 million of the \$769.7 million unreserved deficit. The deficit is also affected by the requirement to pay the \$661.5 million shown as Other Current Liabilities before fiscal year end; this liability is primarily related to short term borrowing by the State Treasurer in anticipation of tax revenues to be received.

The cash position of the General Fund is largely unchanged from September 30, 2003. The state's current General Fund cash position (defined here as the Liability to Pooled Cash plus the State Treasurer's short-term borrowing payable in June 2005, reduced by investments available for liquidation) is \$750.2 million in deficit. The state's General Fund deficit cash position was \$732.7 million, \$1,153.1 million and \$978.1 million at September 30, 2003, 2002, and 2001, respectively. The General Fund has access to various cash funds' cash balances, and therefore, the state's overall cash position is best considered using the definition of borrowable resources, which currently shows resources in excess of \$2.0 billion.

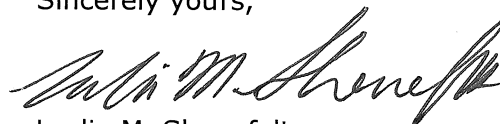
Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - General Fund - Budget and Actual* for the three-month period ended September 30, 2004. The Current Annual Estimate/Restricted Budget column reflects the most recent OSPB estimate of revenues on the modified accrual basis for the fiscal year, appropriations and transfers currently in law, and an estimate of the Fiscal Year 2004-05 TABOR refund. Actual revenues reported on the September Year-to-Date Revenue Summary Report exceeded the estimate by \$33.4 million. This amount is not reflected in the Current Annual Estimate, and it is therefore not reflected in the anticipated \$13.9 million ending unreserved fund balance. The \$33.4 million is reflected in the actual unreserved fund balance deficit.

At the end of the first quarter, actual general-purpose revenues were \$1,497.6 million, which is 25.1 percent of the annual estimated revenue. Due to the deferral of payroll expenditures and Medicaid costs from Fiscal Year 2003-04 into Fiscal Year 2004-05 and the accelerated transfers to the Public School fund, it is not practicable to assess whether departmental spending rates are consistent with a quarterly allocation of appropriations. However, similar expenditure deferral and accelerated transfers existed in Fiscal Year 2003-04. Departmental expenditures of the General Fund for the first quarter of the current fiscal year were 41.1 percent of current appropriations. This compares with the prior year figure of 37.9 percent of appropriations at September 30, 2003.

Exhibit C is a *Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balance - Funded By General Purpose Revenue - Budget and Actual - Capital Construction Fund* for the three-month period ended September 30, 2004. The estimated expenditures of the Capital Construction Fund reflect budget restrictions. Actual expenditures of the Capital Construction Fund are expected to be less than outstanding appropriations because of the multi-year nature of the appropriations compared to current fiscal year expenditures. The \$39.4 million deficit unreserved fund balance reflects the fact that departments have encumbered projects for which they have legal commitments but for which the cash funded revenue has not yet been earned.

Based on a review of the attached financial reports and agency comments, I have presented the financial issues that I believe are significant to the state. Questions concerning this report should be directed to my office.

Sincerely yours,



Leslie M. Shenefelt
State Controller

Attachments

cc: Jeffrey M. Wells, DPA
Henry Sobanet, OSPB
John Ziegler, JBC

**BALANCE SHEET
GENERAL AND CAPITAL CONSTRUCTION FUNDS
SEPTEMBER 30, 2004**

(DOLLARS IN THOUSANDS)	UNRESTRICTED GENERAL FUND	CAPITAL CONSTRUCTION
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 52,999
Taxes Receivable, net	777,004	-
Other Receivables, net	44,281	498
Intrafund Receivables	18,228	-
Due From Other Governments	268,655	2,345
Due From Other Funds	1,812	1,421
Inventories	6,354	-
Prepays, Advances, and Deferred Charges	28,660	6,547
Investments	5,258	-
Other Long-Term Assets	352	164
TOTAL ASSETS	\$ 1,150,604	\$ 63,974
LIABILITIES		
Liability to Pooled Cash	\$ 93,935	\$ -
Tax Refunds Payable	420,504	-
Accounts Payable and Accrued Liabilities	367,306	10,146
Due To Other Governments	35,323	-
Due To Other Funds	122	329
Intrafund Payables	591	-
Deferred Revenue	108,870	4,948
Other Current Liabilities	661,486	538
Deposits Held in Custody for Others	10	-
Other Long-Term Liabilities	6	-
TOTAL LIABILITIES	1,688,153	15,961
FUND EQUITY:		
Fund Balances:		
Reserved For:		
Encumbrances	-	80,012
Other Specific Purposes	-	7,223
Long-Term Assets and Loans Receivable	352	164
Statutory Reserve	231,800	-
Unreserved:		
Designated	-	(39,386)
Undesignated	(769,701)	-
TOTAL FUND EQUITY	(537,549)	48,013
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,150,604	\$ 63,974

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
Sales and Use Tax	\$ 1,995,200	\$ 514,629	
Other Excise Taxes	96,900	25,749	
Individual Income Tax, net	3,340,800	814,686	
Corporate Income Tax, net	233,300	81,675	
Estate Tax	12,200	8,785	
Insurance Tax	177,100	38,657	
Parimutuel, Courts, and Other	62,700	9,182	
Investment Earnings	11,200	4,190	
Gaming	39,700	-	
TOTAL GENERAL PURPOSE REVENUES	5,969,100	1,497,553	25.1%
EXPENDITURES:			
Agriculture	4,228	1,780	
Corrections	500,200	148,270	
Education	2,539,580	1,423,075	
Governor	15,838	6,253	
Health Care Policy and Financing	1,250,606	392,194	
Higher Education	587,973	171,313	
Human Services	467,808	131,034	
Judicial Branch	219,577	68,522	
Law	6,853	1,582	
Legislative Branch	28,541	7,680	
Local Affairs	4,916	1,150	
Military Affairs	3,872	1,385	
Natural Resources	22,353	8,809	
Personnel and Administration	8,237	3,101	
Public Health and Environment	13,015	3,304	
Public Safety	56,810	11,756	
Regulatory Agencies	1,029	351	
Revenue	165,477	42,685	
Treasury	4,526	-	
SUBTOTAL DEPARTMENTAL EXPENDITURES	5,901,439	2,424,244	41.1%
Fiscal Year 2004-05 TABOR Refund	53,100	-	
Appropriation to Capital Construction Fund	200	153	
Difference Between Recorded and Estimated Appropriations	18,461	-	
TOTAL GENERAL FUNDED EXPENDITURES	5,973,200	2,424,397	
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(4,100)	(926,844)	
EXCESS AUGMENTING REVENUES	-	17,273	
TRANSFERS:			
Transfer from Tobacco Settlement to General Fund	26,200	26,160	
Transfer of Excess Beginning Reserve to Highways and Capital Construction	(122,700)	-	
TOTAL TRANSFERS	(96,500)	26,160	
BEGINNING UNRESERVED FUND BALANCE - BUDGET BASIS	122,700	122,049	
Deduct the GAAP Expenditures Not Budgeted	-	(87)	
(Additions) Deductions to the Long-Term Loan Reserve	-	(52)	
(Additions) Deductions to the Statutory Four Percent Reserve	(8,200)	(8,200)	
ENDING UNRESERVED FUND BALANCE - BUDGET BASIS	\$ 13,900	\$ (769,701)	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
General Fund Transfer-In	\$ 153	\$ 153	
Beginning General Fund Excess Reserve Transfer	40,900	-	
Interest Earnings	1,400	296	
TOTAL CAPITAL CONSTRUCTION REVENUES	42,453	449	1.1%
EXPENDITURES:			
Corrections	1,887	349	
Governor	314	1	
Health Care Policy and Financing	515	228	
Higher Education	6,993	1,070	
Human Services	1,764	457	
Military Affairs	9	-	
Natural Resources	723	733	
Personnel	6,865	67	
Public Health and Environment	982	126	
Public Safety	1,817	1,722	
Revenue	957	502	
Intrafund Transfer-Out	439	439	
NET EXPENDITURES AND AUGMENTING REVENUES	23,265	5,694	24.5%
EXCESS GENERAL REVENUES OVER (UNDER) NET CAPITAL CONSTRUCTION EXPENDITURES	19,188	(5,245)	
EXCESS AUGMENTING REVENUES		21,958	
BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS	(39,986)	(39,986)	
(Additions) Deductions to Reserve for Encumbrances - All Funding Sources	63,640	(16,372)	
(Additions) Deductions to the Reserve for Long-Term Assets	-	259	
ENDING UNRESERVED FUND BALANCE - GAAP BASIS	\$ 42,842	\$ (39,386)	