

State of Colorado



Bill Owens
Governor

Jeffrey M. Wells
Executive Director

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State Controller

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April 29, 2005

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 nine-month period ended March 31, 2005. 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 March 31, 2005. Factors that contribute to the \$570.8 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 \$803.9 million. This compares to the unreserved fund balance deficit of \$1,010.2 million at March 31, 2004.

The General Fund is normally in deficit at this time of year because of the legal requirement for the Department of Education to transfer twelve months of public school moneys by the end of the third quarter. This transfer caused approximately \$315.0 million of the \$803.9 million unreserved fund balance deficit.

The cash position of the General Fund has improved from March 31, 2004. 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 \$846.1 million in deficit. The state's General Fund deficit cash position was \$992.3 million, \$1,553.3 million and \$1,208.6 million at March 31, 2004, 2003, and 2002, 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 \$1,647.0 million.

Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - General Fund - Budget and Actual* for the nine-month period ended March 31, 2005. The Current Annual Estimate/Restricted Budget column reflects the most recent OSPB estimate of revenues on the modified accrual basis for the fiscal year and appropriations and transfers

currently in law. Actual revenues reported on the March Year-to-Date Revenue Summary Report exceeded the estimate by \$75.8 million. This amount is not reflected in the Current Annual Estimate, and it is therefore not reflected in the projected ending unreserved fund balance. The \$75.8 million is reflected in the actual unreserved fund balance deficit. The Difference Between Recorded and Estimated Appropriations is primarily related to add-ons to the Fiscal Year 2005-06 Long Bill that affect the Fiscal Year 2004-05 appropriations and statutory appropriation adjustments that have not yet been recorded as departmental spending authority.

At the end of the third quarter, actual general-purpose revenues were \$4,271.0 million, which is 72.4 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. Except for Medicaid accruals discussed below, similar expenditure deferral and accelerated transfers existed in Fiscal Year 2003-04. Departmental expenditures of the General Fund for the second quarter of the current fiscal year were 86.5 percent of current appropriations. This compares with the prior year figure of 88.8 percent of appropriations at March 31, 2004. In compliance with statutory requirements to report Medicaid expenditures on the cash basis, the Department of Health Care Policy and Financing did not prepare an accrual of Medicaid costs at March 31, 2005; at March 31, 2004, the department accrued \$163.2 million of Medicaid costs, which increased the percentage of budget expended from 85.9 percent to the 88.8 percent mentioned above.

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 nine-month period ended March 31, 2005. The estimated expenditures of the Capital Construction Fund reflect budget restrictions. Actual expenditures of the Capital Construction Fund in the current year are expected to be less than outstanding appropriations because of the multi-year nature of the appropriations compared to current fiscal year expenditures. The ending unreserved fund balance of \$8.9 million is net of reserve for encumbrances that relate to all types of funding, not just general funded expenditures; this is the primary difference between the estimated and actual unreserved fund balance reported.

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
Website

BALANCE SHEET
GENERAL AND CAPITAL CONSTRUCTION FUNDS
MARCH 31, 2005

(DOLLARS IN THOUSANDS)	UNRESTRICTED GENERAL FUND	CAPITAL CONSTRUCTION
ASSETS:		
Cash and Pooled Cash	\$ -	\$ 83,258
Taxes Receivable, net	777,075	-
Other Receivables, net	44,017	892
Intrafund Receivables	12,723	-
Due From Other Governments	203,262	1,686
Due From Other Funds	1,144	631
Inventories	7,697	-
Prepays, Advances, and Deferred Charges	25,186	5,895
Investments	3,578	-
Other Long-Term Assets	294	164
TOTAL ASSETS	\$ 1,074,976	\$ 92,526
LIABILITIES		
Liability to Pooled Cash	\$ 187,511	\$ -
Tax Refunds Payable	420,471	-
Accounts Payable and Accrued Liabilities	221,736	9,965
Due To Other Governments	40,537	-
Due To Other Funds	225	751
Deferred Revenue	112,024	6,227
Other Current Liabilities	662,172	-
Deposits Held in Custody for Others	1,117	-
Other Long-Term Liabilities	6	-
TOTAL LIABILITIES	1,645,799	16,943
FUND EQUITY:		
Fund Balances:		
Reserved For:		
Encumbrances	-	66,482
Long-Term Assets and Loans Receivable	294	164
Statutory Reserve	232,800	-
Unreserved:		
Designated	-	8,937
Undesignated	(803,917)	-
TOTAL FUND EQUITY	(570,823)	75,583
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,074,976	\$ 92,526

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE NINE MONTHS ENDED MARCH 31, 2005**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
Sales and Use Tax	\$ 1,991,800	\$ 1,497,143	
Other Excise Taxes	94,900	72,262	
Individual Income Tax, net	3,203,100	2,335,645	
Corporate Income Tax, net	289,300	153,073	
Estate Tax	20,300	17,692	
Insurance Tax	169,600	144,878	
Parimutuel, Courts, and Other	66,300	42,888	
Investment Earnings	21,100	7,397	
Gaming	40,900	-	
TOTAL GENERAL PURPOSE REVENUES	5,897,300	4,270,978	72.4%
EXPENDITURES:			
Agriculture	4,192	3,424	
Corrections	496,830	393,820	
Education	2,539,558	2,528,486	
Governor	15,891	11,751	
Health Care Policy and Financing	1,257,598	933,245	
Higher Education	588,068	454,272	
Human Services	473,736	366,727	
Judicial Branch	219,368	179,309	
Law	7,205	4,994	
Legislative Branch	28,644	19,772	
Local Affairs	8,675	7,257	
Military Affairs	3,885	3,214	
Natural Resources	22,483	21,032	
Personnel and Administration	7,850	6,579	
Public Health and Environment	13,106	10,163	
Public Safety	56,509	43,253	
Regulatory Agencies	1,030	880	
Revenue	163,557	122,185	
Treasury	759	296	
SUBTOTAL DEPARTMENTAL EXPENDITURES	5,908,944	5,110,659	86.5%
Appropriation to Capital Construction Fund	200	153	
Difference Between Recorded and Estimated Appropriations	33,656	-	
TOTAL GENERAL FUNDED EXPENDITURES	5,942,800	5,110,812	
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(45,500)	(839,834)	
EXCESS AUGMENTING REVENUES	-	16,909	
TRANSFERS:			
Transfer from Tobacco Settlement to General Fund	59,700	26,160	
Transfer of Excess Beginning Reserve to Highways and Capital Construction	(122,300)	(121,818)	
TOTAL TRANSFERS	(62,600)	(95,658)	
NET CHANGE IN UNRESERVED FUND BALANCE RELATED TO BUDGETED OPERATIONS	(108,100)	(918,583)	
BEGINNING UNRESERVED FUND BALANCE - BUDGET BASIS	122,300	121,818	
Deduct the GAAP Expenditures Not Budgeted	-	(1,567)	
Add GAAP Revenue Adjustments	-	1,467	
(Additions) Deductions to Reserve for Encumbrance	-	2,106	
(Additions) Deductions to the Long-Term Loan Reserve	-	6	
(Additions) Deductions to the Statutory Four Percent Reserve	(8,800)	(9,164)	
ENDING UNRESERVED FUND BALANCE - BUDGET BASIS	\$ 5,400	\$ (803,917)	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2005**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ RESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
General Fund Transfer-In	\$ 200	\$ 153	
Beginning General Fund Excess Reserve Transfer	40,800	40,606	
Interest Earnings	2,000	1,510	
TOTAL CAPITAL CONSTRUCTION REVENUES	43,000	42,269	98.3%
EXPENDITURES:			
Corrections	1,887	840	
Governor	314	4	
Health Care Policy and Financing	543	424	
Higher Education	7,021	3,651	
Human Services	1,914	561	
Military Affairs	9	-	
Natural Resources	723	725	
Personnel	6,831	4,423	
Public Health and Environment	982	338	
Public Safety	1,817	1,817	
Revenue	957	680	
Intrafund Transfer-Out	439	439	
NET EXPENDITURES AND AUGMENTING REVENUES	23,437	13,902	59.3%
EXCESS GENERAL REVENUES OVER (UNDER) NET CAPITAL CONSTRUCTION EXPENDITURES	19,563	28,367	
EXCESS AUGMENTING REVENUES		15,916	
BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS	(39,986)	(39,986)	
(Additions) Deductions to Reserve for Encumbrances - All Funding Sources	63,640	(2,842)	
(Additions) Deductions to Reserve for Other Specific Purposes	-	7,223	
(Additions) Deductions to the Reserve for Long-Term Assets	-	259	
ENDING UNRESERVED FUND BALANCE - GAAP BASIS	\$ 43,217	\$ 8,937	