

State of Colorado



Bill Owens

Governor

Jeffrey M. Wells

Executive Director

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State Controller

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October 31, 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 three-month period ended September 30, 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 September 30, 2005. Factors that contribute to the \$620.8 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 \$868.1 million. This compares to the unreserved fund balance deficit of \$769.7 million at September 30, 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 six months of public school moneys by the end of the first quarter. This transfer caused approximately \$708.6 million of the \$868.1 million unreserved fund balance deficit.

The cash position of the General Fund has declined marginally from September 30, 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 2006, reduced by investments available for liquidation) is \$786.6 million in deficit. The state's General Fund deficit cash position was \$750.2 million, \$732.7 million, and \$1,153.1 million at September 30, 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 \$1,925.9 million.

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, 2005. The Current Annual Estimate/Unrestricted 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 September Year-to-Date Revenue Summary Report exceeded the estimate by \$10.2 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 \$10.2 million is reflected in the actual unreserved fund balance deficit. The

line item titled Difference Between Recorded and Estimated Appropriations is primarily related to estimates of statutorily authorized expenditures that are greater than the Long Bill spending authority recorded for the Department of Revenue. Based on statutory authorization, the Department of Revenue's spending authority will be increased if actual expenditures exceed the Long Bill spending authority recorded.

At the end of the first quarter, actual general-purpose revenues were \$1,599.3 million, which is 24.8 percent of the annual estimated revenue. Due to the deferral of payroll expenditures and Medicaid costs from Fiscal Year 2004-05 into Fiscal Year 2005-06 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 2004-05. Departmental expenditures of the General Fund for the first quarter of the current fiscal year were 36.6 percent of current appropriations. This compares with the prior year figure of 41.1 percent of appropriations at September 30, 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 September 30, 2005; at September 30, 2004, the department accrued \$171.0 million of Medicaid costs, which increased the percentage of budget expended from 38.2 percent to the 41.1 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 three-month period ended September 30, 2005. The estimated expenditures of the Capital Construction Fund do not 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 \$7.0 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. The ending unreserved fund balance deficit of \$7.0 million is net of a reserve for encumbrances that relates 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
SEPTEMBER 30, 2005

(DOLLARS IN THOUSANDS)	UNRESTRICTED GENERAL FUND	CAPITAL CONSTRUCTION
ASSETS:		
Cash and Pooled Cash	\$ -	\$ 101,091
Taxes Receivable, net	785,571	-
Other Receivables, net	37,418	1,193
Intrafund Receivables	14,608	560
Due From Other Governments	167,453	598
Due From Other Funds	13,282	2,281
Inventories	9,223	-
Prepays, Advances, and Deferred Charges	31,218	5,838
Investments	4,009	-
Property, Plant and Equipment, net	-	-
Rights Under Deferred Compensation	-	-
Other Long-Term Assets	225	156
TOTAL ASSETS	\$ 1,063,007	\$ 111,717
LIABILITIES		
Liability to Pooled Cash	\$ 82,705	\$ -
Tax Refunds Payable	461,428	-
Accounts Payable and Accrued Liabilities	162,285	11,834
TABOR Refund Fiscal Year 2004-05	44,690	-
Due To Other Governments	32,391	-
Due To Other Funds	58,092	164
Intrafund Payables	650	-
Deferred Revenue	131,812	5,317
Obligations Under Reverse Repurchase Agreements	-	-
Other Current Liabilities	709,604	3
Deposits Held in Custody for Others	118	-
Capital Lease Obligations	-	-
Notes and Bonds Payable	-	-
Accrued Compensated Absences	-	-
Obligations Under Deferred Compensation	-	-
Other Long-Term Liabilities	7	-
TOTAL LIABILITIES	1,683,782	17,318
FUND EQUITY:		
Fund Balances:		
Reserved For:		
Encumbrances	-	100,223
Other Specific Purposes	-	1,040
Long-Term Assets and Loans Receivable	225	156
Statutory Reserve	247,100	-
Unreserved:		
Designated	-	(7,020)
Undesignated	(868,100)	-
TOTAL FUND EQUITY	(620,775)	94,399
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,063,007	\$ 111,717

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
Sales and Use Tax	\$2,086,900	\$ 543,037	
Other Excise Taxes	91,200	24,798	
Individual Income Tax, net	3,672,300	861,462	
Corporate Income Tax, net	273,900	104,935	
Estate Tax	4,000	3,568	
Insurance Tax	197,100	36,319	
Parimutuel, Courts, and Other	56,100	15,945	
Investment Earnings	14,000	9,239	
Gaming	41,400	-	
TOTAL GENERAL PURPOSE REVENUES	6,436,900	1,599,303	24.8%
EXPENDITURES:			
Agriculture	4,345	1,863	
Corrections	533,312	161,646	
Education	2,698,322	1,479,755	
Governor	16,066	6,350	
Health Care Policy and Financing	1,383,581	321,808	
Higher Education	598,163	196,142	
Human Services	504,526	136,294	
Judicial Branch	236,744	76,725	
Law	7,499	2,014	
Legislative Branch	29,861	7,519	
Local Affairs	8,607	1,170	
Military Affairs	4,138	1,300	
Natural Resources	22,926	9,322	
Personnel and Administration	8,574	3,069	
Public Health and Environment	15,312	4,781	
Public Safety	59,449	15,981	
Regulatory Agencies	1,096	427	
Revenue	158,002	50,150	
Treasury	26,071	-	
Fiscal Year 2005-06 TABOR Refund	440,400	-	
SUBTOTAL DEPARTMENTAL EXPENDITURES	6,756,994	2,476,316	36.6%
Appropriation to Capital Construction Fund	100	76	
Difference Between Recorded and Estimated Appropriations	20,006	-	
TOTAL GENERAL FUNDED EXPENDITURES	6,777,100	2,476,392	
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	(340,200)	(877,089)	
EXCESS AUGMENTING REVENUES		7,935	
TRANSFERS:			
Transfer from Controlled Maintenance Trust (et. al.) to General Fund	232,800	-	
Transfers from General Fund to Repay Cash Funds			
Transfer of Excess Beginning Reserve to Highways and Capital Construction	(94,000)	(87,000)	
TOTAL TRANSFERS	138,800	(87,000)	
NET CHANGE IN UNRESERVED FUND BALANCE RELATED TO BUDGETED OPERATIONS	(201,400)	(956,154)	
BEGINNING UNRESERVED FUND BALANCE - BUDGET BASIS	94,000	94,298	
Deduct the GAAP Expenditures Not Budgeted		(12)	
(Additions) Deductions to Reserve for Encumbrance		3,490	
(Additions) Deductions to the Long-Term Loan Reserve		(33)	
(Additions) Deductions to the Statutory Four Percent Reserve	(9,700)	(9,692)	
Prior Period Adjustment		-	
ENDING UNRESERVED FUND BALANCE - BUDGET BASIS	\$(117,100)	\$ (868,100)	

**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 SEPTEMBER 30, 2005**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET		PERCENT OF ESTIMATE
		ACTUAL	
REVENUES:			
General Fund Transfer-In	\$ 100	\$ 76	
Beginning General Fund Excess Reserve Transfer	31,300	29,000	
Interest Earnings	3,800	644	
TOTAL CAPITAL CONSTRUCTION REVENUES	35,200	29,720	84.4%
EXPENDITURES:			
Agriculture	750	-	
Corrections	3,983	27	
Education	425	-	
Governor	310	26	
Health Care Policy and Financing	112	-	
Higher Education	36,431	940	
Human Services	5,570	532	
Judicial Branch	258	2	
Military Affairs	1,441	129	
Natural Resources	4,204	4,204	
Personnel	8,108	2,649	
Public Health and Environment	489	111	
Public Safety	506	506	
Regulatory Agencies	5	5	
Revenue	610	356	
Intrafund Transfer-Out	76	76	
NET EXPENDITURES AND AUGMENTING REVENUES	63,278	9,563	15.1%
EXCESS GENERAL REVENUES OVER (UNDER)			
NET CAPITAL CONSTRUCTION EXPENDITURES	(28,078)	20,157	
EXCESS AUGMENTING REVENUES		15,210	
BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS	(12,535)	(12,535)	
(Additions) Deductions to Reserve for Encumbrances - All Funding Sources	64,645	(35,578)	
ENDING UNRESERVED FUND BALANCE - GAAP BASIS	\$ 24,032	\$ (7,020)	