

# State of Colorado



**John W. Hickenlooper**  
Governor

**Kathy Nesbitt**  
Executive Director

**Jennifer Okes**  
Deputy Executive Director

**David J. McDermott**  
State Controller

## DPA

Department of Personnel  
& Administration

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October 29, 2012

The Honorable John W. Hickenlooper  
Governor  
136 State Capitol Building  
Denver, Colorado 80203

Dear Governor Hickenlooper:

I am submitting a Quarterly Financial Report on the status of the State's financial condition for the three-month period ended September 30, 2012. This Quarterly Financial Report summarizes activity in the General Purpose Revenue Fund and the Capital Construction Fund.

The attached Exhibit A provides a *Balance Sheet* for the General Purpose Revenue Fund and Capital Construction Fund at September 30, 2012. Factors that contribute to the General Purpose Revenue Fund \$313.4 million deficit are addressed in the Exhibit B discussion below. When four percent of appropriations are set aside as is required by current law and restrictions related to the Department of Correction's are considered, the General Purpose Revenue Fund unassigned fund balance deficit is \$611.7 million. This compares to the unassigned fund balance deficit of \$1,280.9 million at September 30, 2011.

The General Purpose Revenue Fund is normally in deficit at this time of year because income taxes are disproportionately recorded in the final quarter of the fiscal year and 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. Without this transfer of \$713.1 million, there would have been a positive unassigned fund balance of \$101.4 million.

The cash position of the General Purpose Revenue Fund has improved as compared to September 30, 2011. The state's current General Purpose Revenue Fund cash position (defined here as the Liability to Pooled Cash plus any State Treasurer short-term borrowing, reduced by investments available for liquidation) is \$541.4 million in deficit. The State's General Purpose Revenue Fund deficit cash position was \$891.1 million, \$1,120.5 million, and \$1,413.9 million at September 30, 2011, 2010, and 2009 respectively. The improved cash position has resulted from an increase in general-purpose revenue along with larger collections of taxes receivable. Despite the improvement in revenues it should be noted that the General Purpose Revenue Fund assets comprise taxes and other receivables of unpredictable liquidity. The General Purpose Revenue Fund has access to the cash balance of various cash funds, and therefore, the

State's overall cash position should also be assessed using the definition of borrowable resources, which currently shows available cash resources in excess of \$4,102.1 million (\$3,365.4 million at September 30, 2011). Moving those cash resources to the General Purpose Revenue Fund has been contentious in the past.

The Total Fund Equity of the Capital Construction Fund (\$79.4 million) increased from the September 30, 2011, balance (\$65.6 million). The balance increased due to higher transfers-in from the General Purpose Revenue Fund as compared to the prior year. Although the balance has increased, there is a downward trend over time in project funding as a result of the constraints on general-purpose revenue resources.

Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance - General Fund - Budget and Actual* for the three-month period ended September 30, 2012. The Current Annual Estimate Budget column reflects the most recently published OSPB estimate of revenues on the modified accrual basis for the fiscal year and estimated appropriations and transfers without consideration of budget restrictions. Actual revenues reported on the September Year-to-Date Revenue Summary Report were more than the estimate by \$51.3 million. This amount is not reflected in the Current Annual Estimate, and it is therefore not reflected in the projected ending unassigned fund balance. However, the \$51.3 million in excess of estimate is reflected in the actual unassigned fund balance deficit.

The line item titled Difference Between Recorded and Estimated Appropriations (\$10.5 million) is primarily attributed to legislatively authorized rollforwards of \$9.7 million, along with small timing differences in the recording of budget transactions on the accounting system.

At the end of the first quarter, actual general-purpose revenues were \$1,948.0 million, which is 24.5 percent of the annual estimated revenue. Due to the deferral of payroll expenditures and Medicaid costs from Fiscal Year 2011-12 into Fiscal Year 2012-13 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 deferrals and accelerated transfers existed in Fiscal Year 2011-12, with the exception of the Department of Law. As of September 30, 2012, the Department had not recorded approximately \$6.9 million in cash revenue sources resulting in a temporary overuse of general purpose revenue. Departmental expenditures of the General Fund at the first quarter of the current fiscal year were 39.4 percent of current appropriations, which compares with the prior year figure of 41.3 percent of appropriations at September 30, 2011. In compliance with statutory requirements to report Medicaid expenditures on a modified cash basis, the Department of Health Care Policy and Financing is not required to record an accrual of Medicaid costs at September 30, 2012.

Exhibit C is a *Schedule of Revenues, Expenditures, and Changes in Fund Balance - Funded By General Purpose Revenue - Budget and Actual - Capital Construction Fund* for the three-month period ended September 30, 2012. The estimated expenditures of the Capital Construction Fund do not reflect budget restrictions. Estimated expenditures exceed current year budgeted revenues due to outstanding prior year appropriations. The prior year outstanding appropriations will be covered by fund balance from prior year transfers-in from the General Fund. The Legislature plans to expend all available resources resulting in a zero ending budgeted fund balance. The revenues of the fund were \$61.2 million or 99.1 percent of the estimate. Actual expenditures of the Capital Construction Fund in each year are expected to be significantly less than outstanding appropriations because of the multi-year nature of the appropriations as compared to current fiscal year expenditures.

Governor John W. Hickenlooper  
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October 29, 2012

Based on a review of the attached financial reports and State agency comments, I have presented the financial issues that I believe are significant to the State. These quarterly financial statements are provided for informational purposes only and do not meet the filing requirements contained in the Information Coordination Act enacted in Senate Bill 12-152. As a result, the distribution of these quarterly financial statements will continue in the same manner as in the past. Questions concerning this report should be directed to my office.

Sincerely yours,



David J. McDermott, CPA  
Colorado State Controller

Attachments

cc: Kathy Nesbitt, DPA  
Henry Sobanet, OSPB  
John Ziegler, JBC  
Website

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**BALANCE SHEET**  
**GENERAL PURPOSE REVENUE AND CAPITAL CONSTRUCTION FUNDS**  
**SEPTEMBER 30, 2012**

<b>(DOLLARS IN THOUSANDS)</b>	<b>GENERAL PURPOSE REVENUE FUND</b>	<b>CAPITAL CONSTRUCTION</b>
<b>ASSETS:</b>		
Cash and Pooled Cash	\$ -	\$ 82,227
Taxes Receivable, net	1,198,668	-
Other Receivables, net	34,776	182
Intrafund Receivables	18,481	-
Due From Other Governments	182,000	399
Due From Other Funds	13,774	5,853
Inventories	2,421	-
Prepays, Advances, and Deferred Charges	51,270	-
Investments	6,797	-
Other Long-Term Assets	8	92
<b>TOTAL ASSETS</b>	<b>\$ 1,508,195</b>	<b>\$ 88,753</b>
<b>LIABILITIES:</b>		
Liability to Pooled Cash	\$ 37,977	\$ -
Tax Refunds Payable	656,125	-
Accounts Payable and Accrued Liabilities	212,937	9,042
TABOR Refund Fiscal Year 2004-05	706	-
Due To Other Governments	52,452	-
Due To Other Funds	66,150	106
Intrafund Payables	1,757	-
Deferred Revenue	281,953	225
Other Current Liabilities	511,386	-
Deposits Held in Custody for Others	180	-
Other Long-Term Liabilities	9	-
<b>TOTAL LIABILITIES</b>	<b>1,821,632</b>	<b>9,373</b>
<b>FUND BALANCES:</b>		
Fund Balances:		
Nonspendable		
Restricted	723	-
Committed	297,500	79,380
Unassigned	(611,660)	
<b>TOTAL FUND BALANCE</b>	<b>(313,437)</b>	<b>79,380</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,508,195</b>	<b>\$ 88,753</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
UNASSIGNED FUND BALANCE - GENERAL PURPOSE REVENUE FUND  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
<b>REVENUES:</b>			
Sales and Use Tax	\$2,340,300	\$617,329	
Other Excise Taxes	92,800	24,138	
Individual Income Tax, net	4,709,300	1,102,626	
Corporate Income Tax, net	506,200	149,735	
Estate Tax	45,000	-	
Insurance Tax	204,700	45,289	
Parimutuel, Courts, and Other	23,200	4,740	
Investment Earnings	13,800	4,134	
Gaming	20,400	-	
<b>TOTAL GENERAL PURPOSE REVENUES</b>	<b>7,955,700</b>	<b>\$1,947,991</b>	<b>24.5%</b>
<b>EXPENDITURES:</b>			
Agriculture	6,860	2,236	
Corrections	652,511	203,435	
Education	3,015,494	1,702,205	
Governor	18,321	11,640	
Health Care Policy and Financing	1,858,819	459,072	
Higher Education	619,594	205,753	
Human Services	645,995	176,900	
Judicial Branch	352,087	123,692	
Labor and Employment	-	497	
Law	9,990	10,934	
Legislative Branch	35,960	9,691	
Local Affairs	11,098	1,066	
Military Affairs	6,681	2,025	
Natural Resources	23,740	8,043	
Personnel and Administration	6,608	2,017	
Public Health and Environment	30,725	5,526	
Public Safety	84,630	34,791	
Regulatory Agencies	1,714	627	
Revenue	157,838	45,066	
Treasury	124,736	13,726	
<b>SUBTOTAL DEPARTMENTAL EXPENDITURES</b>	<b>7,663,401</b>	<b>3,018,942</b>	<b>39.4%</b>
Difference Between Recorded and Estimated Appropriations	10,515		
<b>TOTAL GENERAL FUNDED EXPENDITURES</b>	<b>7,673,916</b>	<b>3,018,942</b>	
<b>EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES</b>	<b>281,784</b>	<b>\$(1,070,951)</b>	
<b>EXCESS AUGMENTING REVENUES</b>		<b>12,207</b>	
<b>TRANSFERS:</b>			
Transfer from General Fund to Cash Funds	(2,500)	(1,560)	
Net Transfers from the General Fund for the Older Coloradans Act	(8,000)	(8,000)	
Transfers from General Fund to Capital Construction	(61,000)	(60,991)	
<b>TOTAL TRANSFERS</b>	<b>(71,500)</b>	<b>(70,551)</b>	
<b>NET CHANGE IN GENERAL PURPOSE REVENUE FUND BALANCE RELATED TO BUDGETED OPERATIONS</b>	<b>210,284</b>	<b>(1,129,295)</b>	
<b>BEGINNING GENERAL PURPOSE REVENUE FUND BALANCE - BUDGET BASIS</b>	<b>523,300</b>	<b>523,261</b>	
Add Budgeted Non-GAAP Expenditures		442	
Deduct the GAAP Expenditures Not Budgeted		(914)	
(Increase)/Decrease - Restricted		1,495	
(Increase)/Decrease - Committed - Statutory 4% Reserve	(16,384)	(16,384)	
(Increase)/Decrease - Committed - Other Purposes		9,715	
(Increase)/Decrease - Assigned		20	
<b>ENDING UNASSIGNED GENERAL PURPOSE REVENUE FUND BALANCE - GAAP BASIS</b>	<b>\$ 717,200</b>	<b>\$ (611,660)</b>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE  
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012**

<b>(DOLLARS IN THOUSANDS)</b>	<b>CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET</b>	<b>ACTUAL</b>	<b>PERCENT OF ESTIMATE</b>
<b>REVENUES:</b>			
General Fund Transfer-In	\$ 61,000	\$ 60,991	
Interest Earnings	700	166	
<b>TOTAL CAPITAL CONSTRUCTION REVENUES</b>	<b>61,700</b>	<b>61,157</b>	<b>99.1%</b>
<b>EXPENDITURES:</b>			
Agriculture	769	46	
Corrections	21,176	1,801	
Education	1,005	143	
Governor	2,522	6	
Higher Education	24,380	2,006	
Human Services	4,127	269	
Military Affairs	4,678	463	
Personnel	9,472	537	
Public Safety	1,595	1,595	
Revenue	9,665	369	
Transportation	500	500	
Intrafund Transfer-Out	572	572	
<b>NET EXPENDITURES AND AUGMENTING REVENUES</b>	<b>80,461</b>	<b>8,307</b>	<b>10.3%</b>
<b>EXCESS GENERAL REVENUES OVER (UNDER) NET CAPITAL CONSTRUCTION EXPENDITURES</b>	<b>(18,761)</b>	<b>52,850</b>	
<b>EXCESS AUGMENTING REVENUES</b>		<b>640</b>	
<b>BEGINNING FUND BALANCE - GAAP BASIS</b>		<b>26,949</b>	
Add GAAP Revenue Adjustments		(1,059)	
<b>ENDING FUND BALANCE - GAAP BASIS</b>		<b>\$ 79,380</b>	