



Colorado

Department of Personnel & Administration

John W. Hickenlooper
Governor

Kathy Nesbitt
Executive Director

David McDermott
State Controller

April 30, 2013

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 nine-month period ended March 31, 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 March 31, 2013. Factors that contribute to the General Purpose Revenue Fund \$80.5 million deficit are addressed in the exhibit B discussion below. When four percent of appropriations are reserved, as is required by current law and restrictions related to the Department of Correction's energy performance contract are considered, the General Purpose Revenue Fund unassigned fund balance deficit is \$379.2 million. This compares to an unassigned fund balance deficit of \$1,241.8 million at March 31, 2012.

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 twelve months of public school moneys by the end of the third quarter. Absent the accelerated transfers of \$485.0 million, the unassigned fund balance would have been a positive \$105.8 million.

The cash position of the General Purpose Revenue Fund has improved as compared to March 31, 2012. The State's current General Purpose Revenue Fund cash position (defined here as Cash and Pooled Cash less the State Treasurer's short-term borrowing payable in June 2013, plus investments available for liquidation) is \$408.5 million in deficit. The State's General Purpose Revenue Fund deficit cash position was \$1,169.3 million, and \$1,345.4 million, and \$1,706.8 million at March 31, 2012, 2011, and 2010 respectively. The improved cash position has resulted from an increase in general-purpose revenue. Despite the improvement in revenues (discussed below), it should be noted that the General Purpose Revenue Fund assets comprise tax 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 \$3,951.2 million (\$3,004.9 million at March 31, 2012). However, moving those cash resources to the General Purpose Revenue Fund has been contentious in the past.

The Total Fund Balance of the Capital Construction Fund (\$39.4 million) increased from the March 31, 2012, balance (\$30.6 million). The fund balance increase is due to the increasing transfers-in from the General Purpose Revenue Fund.

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Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance - General Purpose Revenue Fund - Budget and Actual* for the nine-month period ended March 31, 2013. The Current Annual Estimate/Unrestricted 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 restrictions. Actual revenues reported on the March Year-to-Date Revenue Summary Report were more than the estimate by \$93.2 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 \$93.2 million in excess of estimate is reflected in the actual unassigned fund balance deficit.

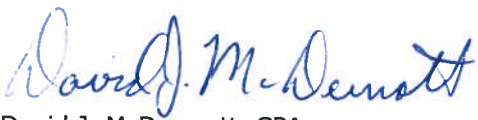
The line item titled Difference Between Recorded and Estimated Appropriations (\$8.5 million) is primarily attributed to timing differences in the recording of budget transactions on the accounting system.

At the end of the third quarter, actual general-purpose revenues were \$5,757.8 million, which is 69.5 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. Departmental expenditures of the General Purpose Revenue Fund at the third quarter of the current fiscal year were 85.6 percent of current appropriations, which compares with the prior year figure of 88.9 percent of appropriations at March 31, 2012. 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 March 31, 2013.

Exhibit C is a *Schedule of Revenues, Expenditures, and Changes in Unassigned Fund Balance - Funded By General Purpose Revenue - Budget and Actual - Capital Construction Fund* for the nine-month period ended March 31, 2012. The estimated expenditures of the Capital Construction Fund do not reflect budget restrictions. The revenues of the fund were \$61.5 million or 99.6 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.

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. 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

BALANCE SHEET
GENERAL PURPOSE REVENUE AND CAPITAL CONSTRUCTION FUNDS
MARCH 31, 2013

(DOLLARS IN THOUSANDS)		GENERAL PURPOSE REVENUE FUND	CAPITAL CONSTRUCTION
ASSETS:			
Cash and Pooled Cash	\$	95,412	\$ 40,710
Taxes Receivable, net		1,197,141	-
Other Receivables, net		36,625	239
Intrafund Receivables		15,672	-
Due From Other Governments		173,475	1,415
Due From Other Funds		7,859	1,768
Inventories		2,469	-
Prepays, Advances, and Deferred Charges		31,977	-
Investments		6,348	-
Other Long-Term Assets		8,867	92
TOTAL ASSETS	\$	1,575,845	\$ 44,224
LIABILITIES:			
Tax Refunds Payable		656,124	-
Accounts Payable and Accrued Liabilities		163,847	4,625
TABOR Refund Fiscal Year 2004-05		706	-
Due To Other Governments		30,602	-
Due To Other Funds		2,648	108
Intrafund Payables		1,745	-
Deferred Revenue		285,930	-
Other Current Liabilities		511,904	-
Deposits Held in Custody for Others		2,795	-
Other Long-Term Liabilities		9	-
TOTAL LIABILITIES		1,656,310	4,733
FUND BALANCES:			
Fund Balances:			
Restricted		526	-
Committed		298,200	39,491
Unassigned		(379,191)	-
TOTAL FUND BALANCE		(80,465)	39,491
TOTAL LIABILITIES AND FUND BALANCE	\$	1,575,845	\$ 44,224

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNASSIGNED FUND BALANCE - GENERAL PURPOSE REVENUE FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

(DOLLARS IN THOUSANDS)	CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
Sales and Use Tax	\$2,421,300	\$1,799,112	
Other Excise Taxes	93,000	70,064	
Individual Income Tax, net	4,927,900	3,352,490	
Corporate Income Tax, net	586,600	349,370	
Estate Tax	-	14	
Insurance Tax	205,000	161,308	
Parimutuel, Courts, and Other	24,700	13,997	
Investment Earnings	14,200	11,409	
Gaming	11,600	-	
TOTAL GENERAL PURPOSE REVENUES	8,284,300	\$5,757,764	69.5%
EXPENDITURES:			
Agriculture	6,864	5,492	
Corrections	655,862	512,672	
Education	3,015,499	3,005,206	
Governor	18,525	13,678	
Health Care Policy and Financing	1,861,542	1,402,442	
Higher Education	628,902	537,125	
Human Services	645,316	496,078	
Judicial Branch	353,412	291,786	
Labor and Employment	-	725	
Law	10,030	9,140	
Legislative Branch	35,963	26,128	
Local Affairs	11,074	8,737	
Military Affairs	6,693	5,002	
Natural Resources	23,768	19,243	
Personnel and Administration	9,016	7,517	
Public Health and Environment	31,143	20,928	
Public Safety	85,750	70,313	
Regulatory Agencies	1,716	1,464	
Revenue	157,859	131,673	
Treasury	127,728	15,831	
SUBTOTAL DEPARTMENTAL EXPENDITURES	7,686,662	6,581,180	85.6%
Difference Between Recorded and Estimated Appropriations	8,454		
TOTAL GENERAL FUNDED EXPENDITURES	7,695,116	6,581,180	
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	589,184	\$(823,416)	
EXCESS AUGMENTING REVENUES		10,194	
TRANSFERS:			
Transfers from the General Fund for the Older Coloradans Act	(8,000)	(8,000)	
Transfers from General Fund to Capital Construction	(61,400)	(60,991)	
Other Net Transfer to/(from) General Fund	(2,500)	(4,560)	
TOTAL TRANSFERS	(71,900)	(73,551)	
NET CHANGE IN GENERAL PURPOSE REVENUE FUND BALANCE RELATED TO BUDGETED OPERATIONS	517,284	(886,773)	
BEGINNING GENERAL PURPOSE REVENUE FUND BALANCE - BUDGET BASIS	514,700	514,727	
Deduct the GAAP Expenditures Not Budgeted		(3,444)	
(Increase)/Decrease - Restricted		3,608	
(Increase)/Decrease - Committed - Statutory 4% Reserve	(17,084)	(17,084)	
(Increase)/Decrease - Committed - Other Purposes		9,755	
(Increase)/Decrease - Assigned		20	
ENDING UNASSIGNED GENERAL PURPOSE REVENUE FUND BALANCE - GAAP BASIS	\$ 1,014,900	\$ (379,191)	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2013**

(DOLLARS IN THOUSANDS)		CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:				
General Fund Transfer-In	\$	61,000	\$ 60,991	
Interest Earnings		700	461	
TOTAL CAPITAL CONSTRUCTION REVENUES		61,700	61,452	99.6%
EXPENDITURES:				
Agriculture		769	104	
Corrections		21,176	17,747	
Education		1,005	171	
Governor		2,522	393	
Higher Education		24,965	11,451	
Human Services		4,126	720	
Labor and Employment		-	15	
Military Affairs		4,678	2,825	
Personnel		9,470	2,447	
Public Safety		80	68	
Revenue		9,665	5,411	
Transportation		500	500	
Treasury		420	-	
Intrafund Transfer-Out		572	577	
NET EXPENDITURES AND AUGMENTING REVENUES		79,948	42,429	53.1%
EXCESS GENERAL REVENUES OVER (UNDER)				
NET CAPITAL CONSTRUCTION EXPENDITURES		(18,248)	19,023	
EXCESS AUGMENTING REVENUES				
			(1,363)	
BEGINNING FUND BALANCE - GAAP BASIS				
			22,889	
Add GAAP Revenue Adjustments			(1,058)	
ENDING FUND BALANCE - GAAP BASIS			\$ 39,491	