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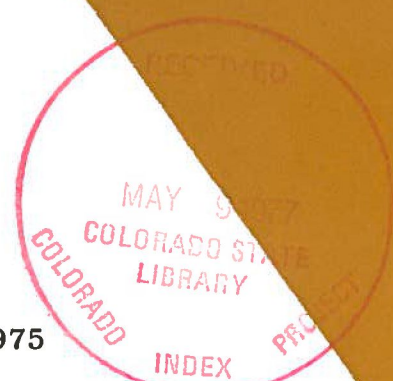


DEPARTMENT OF THE TREASURY

FINANCIAL STATEMENTS

JULY 1, 1974 TO JANUARY 14, 1975

AND YEARS ENDED JUNE 30, 1974 AND 1973



STATE of COLORADO
Denver

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
FINANCIAL STATEMENTS
JULY 1, 1974 TO JANUARY 14, 1975
AND YEARS ENDED JUNE 30, 1974 AND 1973
WITH
REPORT OF STATE AUDITOR

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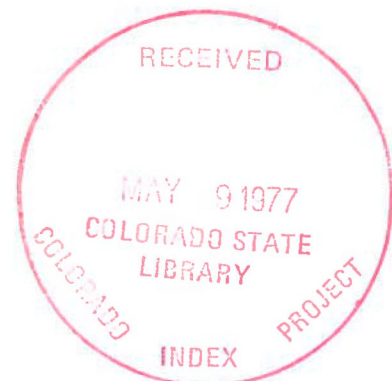
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STATE OF COLORADO
DEPARTMENT OF THE TREASURY
FINANCIAL STATEMENTS
JULY 1, 1974 TO JANUARY 14, 1975
AND YEARS ENDED JUNE 30, 1974 AND 1973
WITH
REPORT OF STATE AUDITOR

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STATE OF COLORADO
DEPARTMENT OF THE TREASURY
PERIOD ENDED JANUARY 14, 1975
AND YEARS ENDED JUNE 30, 1974 AND 1973
AUDITOR'S COMMENTS AND RECOMMENDATIONS

PURPOSE AND SCOPE OF AUDIT

The purpose of this audit was to express an opinion on the financial statements of the Department of the Treasury for the period ended January 14, 1975, and the fiscal years ended June 30, 1974 and 1973. Our examination included reviewing the system of internal control, evaluating compliance with statutory requirements, observing and testing various operating and administrative procedures, and evaluating the implementation of recommendations included in prior audit reports.

FINANCIAL STATEMENT PRESENTATION

Basis of Accounting

The published financial statements of the Department of the Treasury are prepared on the cash basis of accounting and do not reflect approximately 7.0 million dollars of interest receivable on investments at June 30, 1974.

Recommendation

1. Include interest receivable in published financial reports.

AGENCY RESPONSE: Implemented July 1975. See comment page 58.

Fund Structure For Accounting and Reporting Purposes

The Department maintains its internal accounting records on the basis of a fund structure that is different from the fund account groups established by the Division of Accounts and Control. As a result, published financial statement information is not readily comparable between the State Treasurer and the State Controller.

Recommendation

2. Adopt the central accounting system fund structure prescribed by the State Controller.

AGENCY RESPONSE: Implemented July 1975.

Year-End Closing Procedures

The Treasurer follows the practice of closing his books on a daily basis. Because of this procedure, approximately 2 million dollars of unrestricted cash and 1.4 million dollars of outstanding warrants were omitted from the June 30, 1974 financial statements.

Recommendation

3. Establish adequate cut-off procedures at year-end to ensure that accounting transactions are recorded in the proper fiscal period.

AGENCY RESPONSE: Implemented June 1975.

Restricted Checking Accounts

The Department maintains two checking accounts which are used to purchase employee saving bonds and to pay State bond and coupon debt obligations. These account balances are not reported in the Department's balance sheet because the

Treasurer considers such monies non-state assets held in custody and safekeeping.

We do not see any significant difference between these accounts and other accounts included in the Treasury balance sheet.

Recommendation

4. Report restricted checking accounts in the balance sheet.

AGENCY RESPONSE: Rejected. See comment page 58.

Account Overdrafts

Sections 24-75-202 and 24-75-203, C.R.S. 1973 as amended, require the State Treasurer to make cash advances to State agencies upon authorization of the State Controller. These advances are recorded on the Treasurer's books as overdrawn accounts. The Treasurer does not consider these overdrafts to be receivables but nets them against other cash deposit accounts.

Though this practice has merit, the authoratitive basis for such action is unclear.

Recommendation

5. Obtain an attorney general's opinion or other authoritative documentation supporting the practice of netting account overdrafts.

AGENCY RESPONSE: Implemented July 1975.

CASH FORECASTING

One of the most important functions of the State Treasurer is to manage and invest the working cash of the State of Colorado. Accurate projections of cash flow are needed to meet the daily obligations of the State and to maximize the amount of interest earned on investments.

The Treasurer utilizes a non-automated system of cash forecasting which is inflexible and frequently imprecise. Wide variations between estimated and actual cash receipts and disbursements often occur. As a result, the investment manager is not able to take advantage of higher interest yields available on longer term investments.

Factors which appear to contribute to the cash forecasting inaccuracies include the following.

- a) Cash flow projections are not integrated with revenue estimates of the Office of State Planning and Budgeting.
- b) Cash forecasts are made for short-term periods only.
- c) Cash flow analysis is performed by one individual who obtains information about State receipts and disbursements through informal channels.

Recommendation

6. Make a comprehensive review of the Department's cash forecasting requirements and develop an integrated system to meet such needs.

AGENCY RESPONSE: To be implemented 8/1/75. See comments pg. 58

PROPERTY HELD IN CUSTODY

The Treasury Department holds over 900 million dollars of securities in custody and safekeeping for various State agencies. This function within the Treasurer's office is performed by three people in the Investment Division.

Since the number of available personnel is limited, each person performs the duties of receipt, storage, and accounting.

In addition, dual control over the securities vault is not maintained.

Because of the magnitude of State assets held, adequate safeguards must be adopted to provide protection against possible losses.

Recommendations

7. Assess the cost-benefits of transferring the custodial function to a bank or other similar institution.

AGENCY RESPONSE: To be implemented September 1975.

8. If the custodial function is retained in the Treasurer's Office, implement the following recommendations to strengthen controls:

- a) Provide dual control over the vault.
- b) Request the internal auditors with the Office of State Planning and Budgeting to make periodic test counts of vault securities on a surprise basis.
- c) Send out quarterly statements to owning agencies.
- d) Remove office supplies from the securities vault and convert to a working vault.
- e) Change vault combinations on a periodic basis.

AGENCY RESPONSE: Implemented July 1975. See comments page 58

INVESTMENT GAINS OR LOSSES

Under present procedures, gains or losses on the trading of short-term investments are not recognized but are netted with interest income. Gain or loss information could prove helpful in evaluating the performance of the investment manager.

Recommendations

9. Establish an investment gain or loss account and report such information in the financial statements.

AGENCY RESPONSE: Implemented July 1975.

10. On a periodic basis, obtain an independent evaluation of the management performance of the security portfolio.

AGENCY RESPONSE: Deferred. See comments page 58.

BANK PLEDGING

Section 24-36-110, C.R.S 1973 as amended, requires that state monies on deposit in commercial banks be collateralized at 110% of the amount of the deposit.

Certain high volume demand deposit accounts were found to be underpledged at December 31, 1974. For instance, the United Bank of Denver operating account had an average daily bank balance of approximately 17 million dollars during December, 1974. The amount of pledging required for this account was 18.7 million dollars while the collateral actually pledged amounted to 12 million dollars.

The above accounts are underpledged because the Treasurer computes the pledging requirement (1) using the book balance rather than the bank balance and (2) bases the computation upon an average balance which is frequently insufficient to cover high balances.

Recommendation

11. Revise the method by which the bank pledging requirement is computed for demand deposit accounts to ensure that statutory requirements are met.

AGENCY RESPONSE: To be implemented 1/1/76. See comments pg.59.

CASH

College Clearing Accounts

Receipts collected by various State colleges and universities are deposited daily into a local community bank

account in the name of the State Treasurer. The local banks normally transfer these receipts to the Treasurer once a week.

Our review of the college clearing accounts indicated that:

- a) Local banks are compensated for their services through the use of cash deposits for investment purposes (including week-end investments). We were unable to determine whether the services provided equaled the banks' investment value of monies on deposit.
- b) In most cases, written instructions had not been issued regarding the procedures to be followed by the local banks.
- c) No one within the Treasury Department had been assigned specific responsibility to monitor the clearing accounts.
- d) Deposits in the clearing accounts are not recorded on the Treasurer's books until received. As a result, 1.3 million dollars of cash in such accounts at June 30, 1974, was not included in the financial statements.

Recommendations

12. Evaluate the services provided by college clearing banks and provide compensation equal to such services.

AGENCY RESPONSE: Deferred. See comments page 59.

13. Issue written instructions to college clearing banks and monitor the accounts to determine that all monies are properly transferred.

AGENCY RESPONSE: To be implemented 1/1/76. See comments pg 59.

14. Record college clearing accounts in the general ledger and reconcile bank statements on a monthly basis.

AGENCY RESPONSE: Implemented July 1975.

DEPOSITS RECEIVED BY MAIL

Certain receipts received by mail are sent to various administrative personnel prior to their deposit with the Cashier.

Recommendation

15. Deposit all mail receipts directly with the Cashier.

AGENCY RESPONSE: Rejected. See comments page 59.

ORGANIZATION STRUCTURE

The Treasury Department is made up of four divisions - Administrative, Cashier, Investment, and Accounting. The following activities are performed by personnel who normally should not handle such functions:

- a) A clerk in the Administrative Division performs the accounting duties for the Department's appropriation account.
- b) The Accounting Division handles receipt and disbursement functions for the Escheat Fund and the savings bond account in addition to its regular accounting duties.
- c) The Cashier Division maintains certain accounting documentation which is not forwarded to the Accounting Division to substantiate short-term investment security transactions.

Recommendations

16. Transfer accounting responsibility for the appropriation account to the Accounting Division.

AGENCY RESPONSE: Deferred. See comments page 59.

17. Remove the receipt and disbursement functions for the Escheat Fund and savings bond account from the Accounting Division.

AGENCY RESPONSE: Deferred. See comments page 59.

18. Have the Investment Division notify the Accounting Division of short-term investment security transactions.

AGENCY RESPONSE: Implemented July 1975.

ACCOUNTING REPORTS AND RECONCILIATIONS

Cash Receipts Journal

The Treasury Accounting Division receives a daily computer printout of cash receipts processed by the central accounting system. These receipts, however, are not computer totaled on a monthly and annual basis.

Recommendation

19. Initiate a computer program change to total receipts on a monthly and year-to-date basis.

AGENCY RESPONSE: Implemented July 1975.

Accounts and Control Reconciliation

The Treasury Accounting Division does not reconcile total cash and outstanding warrant balances at year-end to balances per the Division of Accounts and Control final trial balance. This reconciliation is necessary to assure proper recording of all financial activity.

Recommendation

20. Reconcile total cash and outstanding warrant balances per the Treasurer's books to the Division of Accounts and Control final trial balance.

AGENCY RESPONSE: Implemented July 1975.

SAVINGS BOND ACCOUNT

State employees who have accumulated less than the amount required to purchase a savings bond, may request a refund of their account. The Treasurer does not always obtain written authorization prior to issuing the refund.

Recommendation

21. Obtain written authorization from either the employee or State agency prior to issuing a savings bond refund.

AGENCY RESPONSE: To be implemented. See comments page 60.

APPROPRIATION AND FIXED ASSET ACCOUNTS

The appropriation account is used to record the general operating expenditures of the Department. Our review of this account disclosed that:

- a) A manual set of records is maintained which duplicates accounting information provided by the Division of Accounts and Control.
- b) Vouchers submitted for payment of expenditures did not contain signature approvals other than that of the preparer.
- c) Fixed asset inventory listings at June 30, 1974 and 1973, were not available for review.

d) Personnel, payroll and voucher files were generally disorganized and poorly maintained. Documentation supporting rates of pay, voluntary payroll deductions, and other expenditures was in some cases insufficient or not available in Treasury Department files.

e) Division of Purchasing approval was not always obtained for equipment and supply purchases or lease contract agreements.

Recommendations

22. Eliminate the manual set of records for the appropriation account and use accounting reports produced by the central accounting system.

AGENCY RESPONSE: Implemented July 1975.

23. Assign someone other than the preparer to review and approve vouchers for accuracy and completeness.

AGENCY RESPONSE: Implemented July 1975.

24. Take a physical inventory of fixed assets and retain the inventory listings for audit purposes. Record fixed asset balances and transactions on the State Controller's central accounting records.

AGENCY RESPONSE: To be implemented 9/75. See comments pg.60.

25. Maintain sufficient documentation in Treasury Department files to support all departmental expenditures.

AGENCY RESPONSE: Implemented July 1975.

26. Comply with State fiscal rules for procurement activities and the maintenance of contractual agreements.

AGENCY RESPONSE: Implemented July 1975.

APPORTIONMENTS

U.S. Mineral Leasing Act

Section 34-63-102, C.R.S. 1973 as amended, provides for bonus payments to counties having new oil field developments. Such counties shall:

- a) be eligible for a bonus payment if their normal apportionment has been restricted to a \$200,000 limitation.
- b) receive bonus payments of two-thirds of the State's share of moneys received from the new oil field royalties for the first three years of the fields' development.

Contrary to these statutory provisions, the Treasurer has made bonus payments to counties who have not been restricted to the \$200,000 apportionment limitation. Bonus payments have also been limited to the first year of the new fields' development.

Recommendation

27. Allow bonus payments to only those counties who qualify under Section 34-63-102, C.R.S. 1973 as amended. Qualifying counties should receive bonus payments for the first three years of the new fields' development.

AGENCY RESPONSE: Implemented July 1975.

Firemen's Pension Fund

The Firemen's Pension Fund is apportioned based upon estimates provided by local funds of future pension fund contributions. The Treasurer, accordingly, makes adjustments the following year for deviations from the estimates provided.

This procedure does not appear to comply with Section 31-30-404, C.R.S. 1973 as amended, which directs

that the apportionment be based upon prior year actual contributions.

Recommendation

28. Change the apportionment basis of the Firemen's Pension Fund by using final contribution balances of the preceding fiscal period rather than estimated contributions for the current fiscal year.

AGENCY RESPONSE: Implemented July 1975.

Highway Users Tax Fund

The Treasurer distributes approximately 10 million dollars each month of Highway Users Tax Fund revenues. Our review of this function indicated the following:

- a) Transfers of Highway Users Tax Fund monies to other State departments and agencies are to be made only upon specific legislative authority. We found instances where disbursements were made without such authority.
- b) The Treasurer prepares monthly accounting reports of the Highway Users Tax Fund. Because the six sources of revenue are combined into one account, timely information of the receipt sources is not available from the central accounting system. Consequently considerable time is spent manually compiling needed information.
- c) The statute (Section 43-4-208, C.R.S. 1973 as amended) governing the apportionment of the Highway Users Tax Fund was apparently revised from the 1963 statute (Article 120-12, C.R.S. 1963 as amended) in error. As presently worded, the cities and towns would receive only 9% of the amount intended for them by the 1963 statute.

Recommendations

29. Transfer only those monies from the Highway Users Tax Fund that have specific legislative approval.

AGENCY RESPONSE: Deferred. See comments page 60.

30. Obtain from the Division of Accounts and Control necessary account changes to eliminate the manual compilation of accounting information.

AGENCY RESPONSE: Implemented July 1975.

31. Initiate a correction of the apparent wording error in Section 43-4-208, C.R.S. 1973 as amended.

AGENCY RESPONSE: Requires legislative action.

PUBLIC SCHOOL FUND

Accounting Duties

Section 22-41-108, C.R.S. 1973 as amended, transferred the investment records for the Public School Fund from the Land Board to the Department of the Treasury. The statutes, however, did not specify accounting and reporting responsibility for the entire Public School Fund. Consequently the Land Board and State Treasurer reported separate segments of the Public School Fund as of June 30, 1974.

We feel the Land Board should assume responsibility for issuing financial statements for the entire Public School Fund.

Recommendation

32. Provide the Land Board with necessary investment information for their preparation of financial statements for the Public School Fund.

AGENCY RESPONSE: Implemented July 1975.

Computerized Subsidiary Ledgers

Public School investment transactions are recorded manually in a subsidiary ledger. Since this information is also on the computer, a program change could produce the subsidiary ledgers.

Recommendation

33. Consider replacing the manual subsidiary ledgers for Public School investments with computer generated ledgers.

AGENCY RESPONSE: Implemented July 1975. See comments pg 60.

Discounts on Investments

We believe that Section 22-41-105, C.R.S. 1973 as amended, improperly restricts a legitimate source of income for distribution to the public schools through the Public School Income Funds. This statute states that "any gain realized upon the sale or maturity of an investment, other than in the case of United States treasury bills, shall be deemed principal and not interest". Consequently discounts are treated as principal and as such are unavailable for distribution to the public schools.

The investment fund currently includes about \$130,000 of discounts which will be lost to the Income Fund over the next 20 years because the discounts will be treated as principal rather than interest.

Recommendation

34. Seek amendatory legislation to treat all Public School Fund investment discounts as interest.

AGENCY RESPONSE: Requires legislative action.

Exchange of Low Yield Investments

We analyzed the State Treasurer's exchange of \$5,590,000 par value municipal bonds for \$5,590,000 par value corporate and federal government bonds completed during fiscal 1974. The Public School Fund benefited from the exchange in the following ways:

- a) Interest income from the exchange securities increased about 60%.
- b) Corporate and federal bonds obtained are of a higher quality than the municipal bonds previously held.
- c) Cash flow was improved since 51% of the securities received were Government National Mortgage Association certificates which have monthly principal and interest payments.

Recommendation

35. Consider exchanging some of the low yield mortgages currently held in the Public School Fund investment portfolio for higher quality securities.

AGENCY RESPONSE: Implemented June 1975.

Losses

Section 22-41-102, C.R.S. 1973 as amended, states that the Treasurer shall securely and profitably invest the Public School Fund assets and that the State shall reimburse all losses that may occur. It appears that an appropriation would have to be obtained to cover any losses that could occur in the trading of the Public School investments. Such a prohibition limits the performance and flexibility of the investment manager.

Recommendation

36. Seek a statutory revision to permit the taking of losses without a legislative appropriation.

AGENCY RESPONSE: Requires legislative action.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
AUDITOR'S COMMENTS

DISPOSITION OF PRIOR RECOMMENDATIONS

Following is a summary of prior audit recommendations and their disposition at January 14, 1975.

<u>RECOMMENDATIONS</u>	<u>DISPOSITION</u>
All bonds not perforated when received from the bank should be perforated by the Department.	Recommendation was implemented.
The Treasurer's reports of apportionments of the Highway Users' Tax Fund should be reconciled to the Accounts and Control reports.	Recommendation was implemented.
The statutory authority for all appropriations from the Highway Users' Tax Fund should be reviewed, and Article 120-12, C.R.S 1963 as amended, should be amended if other State agencies are to be funded from this source.	Recommendation was implemented. Article X to the Constitution and Article 39-27-112 permit payment of administrative costs to State agencies.
All changes in securities held in safekeeping should be evidenced by purchase/sale documents, copies of which should be forwarded to the accounting Division.	Recommendation was implemented.
The Accounting Division should account for all prenumbered purchase/sale order documents.	Recommendation was implemented.
The Treasurer should request that agencies report directly to him any exceptions in the security inventory statements which are mailed semi-annually.	Recommendation was not implemented. See current comments, page 4.
Treasury personnel, other than those directly responsible for safekeeping, should periodically count or test securities held in the vault.	Recommendation was not implemented. See current comments, page 4.

RECOMMENDATIONS

At least at year-end, the Treasurer should reclassify such overdrawn accounts as a receivable in the financial statements.

All bank accounts in the Denver area should be consolidated, unless otherwise required by law. The balance in the consolidated account could be reduced, thereby offering additional funds for short term investments. Service charges incurred in excess of the bank's computed value of the account could be paid by the Department.

The Treasurer and State Legislature should continue their efforts to eliminate the publishing requirement of warrants from the State Constitution.

DISPOSITION

Recommendation was not implemented. See current comments, page 3.

Recommendation is being implemented. All Denver area bank accounts are in process of being bid and will be consolidated as possible. Bank service charges will continue to be paid through compensating bank balances.

Recommendation was implemented.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
JANUARY 14, 1975
ORGANIZATION AND FUNCTIONS

The Department of the Treasury, one of the departments of the executive branch of State government, operates under the direction of the State Treasurer.

The principal functions of the Department are to: (1) receive and deposit all State moneys collected by any officer, department, institution, or agency of State government, (2) pay all warrants drawn upon the State Treasurer, (3) manage and invest the working cash of the State, (4) invest the permanent Public School Fund, and (5) act as official custodian of all securities belonging to State agencies, other than the University of Colorado. The Department has no tax collection or enforcement functions.

Disbursements of State moneys are made by warrants drawn by the State Controller upon the State Treasurer. Such warrants pass through regular banking channels and clear with one designated bank. The warrants presented are paid by a check drawn upon one of the Treasurer's bank accounts.

The Department is organized into four divisions.

1. Administrative Division determines general policy, directs office procedures and activities, administers the time deposit investment program, and prepares the Department's budget.

2. Cashier Division receives all State moneys, issues receipts, and makes deposits to bank accounts in the name of the State Treasurer. The Division analyzes cash flow and provides the Investment Division with cash flow projections.
3. Accounting Division records all receipts and disbursements and coordinates accounting procedures with the Division of Accounts and Control. The Division apportions various funds, such as Highway Users' Tax Fund, Firemen's and Policemen's Pension Funds, etc., to various political subdivisions of the State, and maintains records of all escheats.
4. Investment Division directs the short term investment program, maintains custody of securities belonging to various State agencies, and manages the permanent Public School Fund investments.

The Department operates under the provisions of Article 24-36, C.R.S. 1973 as amended, although the State Constitution and various other statutes assign specific duties and responsibilities to the Department and to the State Treasurer.

STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

May 9, 1975

Legislative Audit Committee
1660 Lincoln St., Suite 2410
Denver, Colorado 80203

Gentlemen:

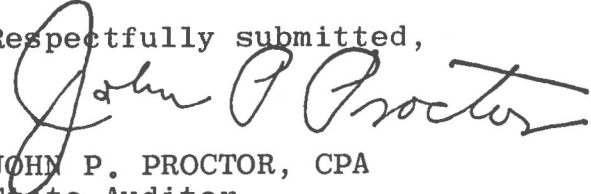
We have examined the accompanying balance sheet of the Department of the Treasury at January 14, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statement presents fairly the financial position of the Department of the Treasury at January 14, 1975, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the method of recording interest receivable as described in Note 1 to the financial statement.

The accompanying schedule of cash receipts, disbursements, and cash balances for the fiscal period from July 1, 1974 to January 14, 1975 is presented as supplementary information. This information has been subjected to the tests and other auditing procedures applied in the examination of the balance

sheet and is, in our opinion, fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "John P. Proctor". The signature is written in dark ink and is positioned above the typed name.

JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
BALANCE SHEET
JANUARY 14, 1975

Assets

Cash and cash items.....		\$ 81,028
Cash in bank.....		27,320,191
Time deposits		
Savings and Loan.....	\$ 4,600,000	
Certificates of Deposit.....	<u>136,340,680</u>	
		140,940,680
Investment securities (Note 4)		
United States Treasury obligations	34,722,325	
Commercial paper.....	20,215,083	
Federal agency obligations.....	135,223,611	
State agency anticipation warrants	33,304	
Other securities.....	<u>2,488,042</u>	
		192,682,365
Accrued interest receivable.....		<u>6,474,467</u>
Total.....		<u>\$367,498,731</u>

Liabilities

Outstanding warrants.....		\$ 30,396,763
Due to State General Fund.....		6,184,303
Due to Revenue Sharing Trust Fund..		290,164
State agency cash deposits.....		<u>330,627,501</u>
Total.....		<u>\$367,498,731</u>

See notes to financial statement.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
PERIOD FROM JULY 1, 1974 TO JANUARY 14, 1975

NOTES TO FINANCIAL STATEMENT

1. ACCOUNTING POLICIES

The accounting policies followed by the Department of the Treasury which materially affect financial presentation are summarized below:

Basis of Accounting

The balance sheet of the Department has been prepared on the accrual basis of accounting.

Investment Securities

Investment securities are stated at cost (specific identification method) including accrued interest purchased. The cost of securities is not adjusted for accretion of discounts, and premiums are fully amortized as interest payments are received.

Gains or losses on the sale of securities are included in interest received in the statement of cash receipts and disbursements.

Accrued Interest Receivable

In prior years, financial statements were prepared on the cash basis of accounting, and accrued interest receivable was not recorded. Accrued interest receivable is being recorded for the first time at January 14, 1975, in the amount of \$6,474,467. Accrued interest receivable amounted to \$6,960,312; \$4,408,733; and \$2,210,284 at June 30, 1974, 1973 and 1972 respectively.

Outstanding Warrants

Outstanding warrants represent warrants drawn by the State Controller upon the State Treasurer that have not cleared through banking channels.

Other Property Held In Custody And Safekeeping

Property (other than cash deposits) held by the Department in fiduciary capacity for State agencies is not included in the balance sheet since such items are not assets of the Department.

2. ACCOUNT OVERDRAFTS

As authorized by statute, the State Treasurer makes cash advances to various State agencies for operating purposes. These advances have resulted in certain agency cash deposit accounts being overdrawn. The approximate amount of the overdrawn account balances at January 14, 1975, that are netted with other cash deposit accounts, was \$16,000,000.

3. INTEREST INCOME

The State Treasurer invests excess cash in time deposits and marketable securities. Earnings from these investments are deposited to the General Fund or to the Revenue Sharing Trust Fund as provided by law. Interest income earned during the period ended January 14, 1975 amounted to:

	Period From July 1, 1974 To January 14, 1975	
	<u>General Fund</u>	<u>Revenue Sharing Trust Fund</u>
Interest received.....	\$13,029,987	\$1,000,846
Add: Accrued interest re- ceivable - January 14, 1975..	6,184,303	390,164
Deduct: Accrued interest re- ceivable - June 30, 1974.....	6,136,888	823,424
Interest income.....	<u>\$13,077,402</u>	<u>\$ 467,586</u>

4. MARKET VALUE OF SECURITIES

Quoted market values of the investment security portfolio are shown below:

	January 14, 1975	
	<u>Book Value</u>	<u>Market</u>
United States Treasury obli- gations.....	\$ 34,722,325	\$ 34,577,496
Commercial paper.....	20,215,083	20,227,197
Federal agency obligations..	135,223,611	135,996,147
State agency anticipation warrants.....	33,304	31,972
Other securities.....	2,488,042	2,491,458
- 25 -	<u>\$192,682,365</u>	<u>\$193,324,270</u>

5. HIGHWAY RETAINAGE TRUST ACCOUNT

As of February 28, 1974, the State Treasurer began maintaining a trust account of retainage moneys from Colorado highway contracts deposited by the Department of Highways. At January 14, 1975, the balance in this account amounted to \$5,077,011. The following is the interest income earned by the State Treasurer from the investment of moneys in this trust account.

	Period From June 30, 1974 <u>To January 14, 1975</u>
Interest received.....	\$266,614
Deduct:	
Interest paid to contractors.....	78,249
Accrued interest receivable June 30, 1974.....	19,708
Interest income.....	<u>\$168,657</u>

The State Attorney General has recently determined that retainage moneys are State funds and interest of \$78,249 was erroneously paid to contractors.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
PERIOD FROM JULY 1, 1974 TO JANUARY 14, 1975

Cash balance and outstanding warrants - July 1, 1974.....	\$ 390,081,804
Adjustment to beginning balance - Highway Retainage Trust Account.....	<u>3,704,137</u>
Adjusted cash balance and outstanding warrants - July 1, 1974.....	393,785,941
Receipts:	
State agency deposits.....	1,058,495,233
Interest received on Treasury Depart- ment investments (Note 3).....	<u>14,030,833</u>
	1,072,526,066
Disbursements:	
State agency disbursements.....	<u>1,105,287,743</u>
Excess of disbursements over receipts.....	<u>32,761,677</u>
Cash balance and outstanding warrants - January 14, 1975.....	361,024,264
Less: Outstanding warrants.....	<u>30,396,763</u>
State agency cash deposits - January 14, 1975.....	<u>\$ 330,627,501</u>

STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

May 9, 1975

Legislative Audit Committee
1660 Lincoln St., Suite 2410
Denver, Colorado 80203

Gentlemen:

We have examined the accompanying balance sheet of the Department of the Treasury at June 30, 1974 and 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statement present fairly the financial position of the Department of the Treasury at June 30, 1974 and 1973, in conformity with generally accepted accounting principles applied on a consistent basis.

The accompanying schedule of cash receipts, disbursements, and cash balances for the years ended June 30, 1974 and 1973 are presented as supplementary information. This information has been subjected to the tests and other auditing procedures applied in the examination of the balance sheet and is, in our opinion, fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

John P. Proctor
JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
BALANCE SHEET
JUNE 30, 1974 AND 1973

	June 30	
	1974	1973
<u>Assets</u>		
Cash and cash items.....	\$ 528,282	\$ 412,611
Cash in bank (Note 2).....	18,388,131	16,242,093
Time deposits		
Savings and Loan.....\$ 920,000		\$ 920,000
Certificates of Deposit..... <u>120,495,000</u>	121,415,000	<u>100,744,500</u>
Investment securities (Notes 2, 5 and 6)		
United States Treasury obligations. 40,728,036		38,308,312
Commercial paper..... 44,773,871		54,551,499
Federal agency obligations..... 156,190,180		117,108,293
State agency anticipation warrants. 58,304		158,304
Other securities..... <u>8,000,000</u>		<u>29,068,326</u>
	<u>249,750,391</u>	<u>239,194,734</u>
Total.....	<u>\$390,081,804</u>	<u>\$357,513,938</u>
<u>Liabilities</u>		
Outstanding warrants (Note 2).....	\$ 68,444,677	\$ 64,254,262
State agency cash deposits.....	<u>321,637,127</u>	<u>293,259,676</u>
Total.....	<u>\$390,081,804</u>	<u>\$357,513,938</u>

See notes to financial statement.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
YEARS ENDED JUNE 30, 1974 AND 1973

NOTES TO FINANCIAL STATEMENT

1. ACCOUNTING POLICIES

The accounting policies followed by the Department of the Treasury which materially affect financial presentation are summarized below:

Basis of Accounting

The balance sheet of the Department has been prepared on the cash basis of accounting and does not give effect to interest receivable. Interest receivable is disclosed in Note 2.

Investment Securities

Investment securities are stated at cost (specific identification method) including accrued interest purchased. The cost of securities is not adjusted for accretion of discounts, and premiums are fully amortized as interest payments are received.

Gains or losses on the sale of securities are included in interest received in the statement of cash receipts and disbursements.

Outstanding Warrants

Outstanding warrants represent warrants drawn by the State Controller upon the State Treasurer that have not cleared through banking channels.

Other Property Held in Custody And Safekeeping

Property (other than cash deposits) held by the Department in fiduciary capacity for State agencies is not included in the balance sheet since such items are not assets of the Department.

2. UNRECORDED ASSETS AND LIABILITIES

The following items are Treasury assets and liabilities not included in the balance sheet.

	<u>June 30, 1974</u>	<u>June 30, 1973</u>
<u>Cash</u>		
Unrestricted checking accounts.....	\$ 662,612	\$ 611,863
Restricted checking accounts.....	1,098,015	1,097,389
College clearing accounts.....	1,319,668	487,447
Highway retainage trust account...	191,040	0
Total.....	<u>\$3,271,335</u>	<u>\$2,196,699</u>
<u>Securities</u>		
Highway retainage trust account investments.....	<u>\$3,513,097</u>	<u>\$ 0</u>
Accrued Interest Receivable.....	<u>\$6,960,312</u>	<u>\$4,408,733</u>
Outstanding Warrants.....	<u>\$1,395,137</u>	<u>\$ 0</u>

3. ACCOUNT OVERDRAFTS

As authorized by statute, the State Treasurer makes cash advances to various State agencies for operating purposes. These advances have resulted in certain agency cash deposit accounts being overdrawn at year-end. The balances reported in the financial statements at June 30, 1974 and 1973 include the following:

	<u>1974</u>	<u>1973</u>
Agency cash accounts not overdrawn.....	\$340,825,897	\$333,369,556
Agency cash accounts overdrawn..	<u>19,188,770</u>	<u>40,109,880</u>
Net State agency cash deposits..	<u>\$321,637,127</u>	<u>\$293,259,676</u>

4. INTEREST INCOME

The State Treasurer invests excess cash in time deposits and marketable securities. Earnings from these investments are deposited to the General Fund or to the Revenue Sharing Trust Fund as provided by law. Interest income earned during fiscal 1974 and 1973 amounted to:

	Year Ended June 30, 1974		Year Ended June 30, 1973	
	General Fund	Revenue Sharing Trust Fund	General Fund	Revenue Sharing Trust Fund
Interest received.....	\$21,457,701	\$1,823,948	\$11,880,255	\$ 49,600
Add: Ending accrued interest receivable....	6,136,888	823,424	3,862,541	546,192
Deduct: Beginning accrued interest receivable....	3,862,541	546,192	2,210,284	0
Interest income.....	<u>\$23,732,048</u>	<u>\$2,101,180</u>	<u>\$13,532,512</u>	<u>\$595,792</u>

5. MARKET VALUE OF SECURITIES

Quoted market values of the investment security portfolio are shown below:

	June 30, 1974		June 30, 1973	
	Book Value	Market	Book Value	Market
United States Treasury obligations.....	\$ 40,728,036	\$ 39,500,745	\$ 38,308,312	\$ 37,521,139
Commercial paper.....	44,773,871	44,888,872	54,551,499	54,833,090
Federal agency obligations	156,190,180	153,334,785	117,108,293	115,037,251
State agency anticipation warrants.....	58,304	56,139	158,304	153,473
Other securities.....	8,000,000	8,000,000	29,068,326	29,204,476
Total.....	<u>\$249,750,391</u>	<u>\$245,780,541</u>	<u>\$239,194,734</u>	<u>\$236,749,429</u>

6. HIGHWAY RETAINAGE TRUST ACCOUNT

As of February 28, 1974, the State Treasurer began maintaining a trust account of retainage moneys from Colorado highway contracts deposited by the Department of Highways. The following is the interest income earned by the State Treasurer from the investment of moneys in this trust account.

	Period From February 28, 1974 To June 30, 1974
Interest received.....	\$84,969
Add: Accrued interest receivable June 30, 1974.....	19,708
Deduct: Interest paid to contractors.....	9,873
Interest income.....	<u>\$94,804</u>

The State Attorney General has recently determined that retainage moneys are State funds and interest of \$9,873 was erroneously paid to contractors.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
YEARS ENDED JUNE 30, 1974 AND 1973

	Year Ended June 30	
	1974	1973
Beginning cash balance and outstanding warrants	\$ 357,513,938	\$ 227,867,782
Receipts:		
State agency deposits	1,745,132,601	1,691,878,721
Interest received on Treasury Department investments (Note 4)	23,281,649	11,929,855
	1,768,414,250	1,703,808,576
Disbursements:		
State agency disbursements	1,735,846,384	1,574,162,420
Excess of receipts over dis- bursements	32,567,866	129,646,156
Ending cash balance and out- standing warrants	390,081,804	357,513,938
Less: Outstanding warrants	68,444,677	64,254,262
State agency cash deposits	\$ 321,637,127	\$ 293,259,676

STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

May 9, 1975

Legislative Audit Committee
1660 Lincoln Street, Suite 2410
Denver, Colorado 80203

Gentlemen:

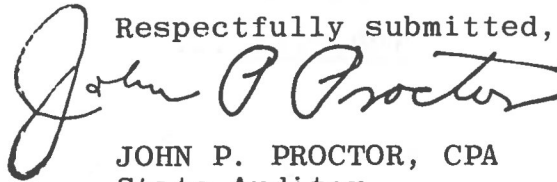
We have examined the accompanying balance sheets of the Appropriation Account and General Fixed Assets of the Department of the Treasury of the State of Colorado at January 14, 1975, and the related statements of expenditures compared with appropriations and changes in general fixed assets for the period from July 1, 1974 to January 14, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as set forth in the following paragraph.

Adequate records have not been maintained with respect to general fixed assets. We were unable to satisfy ourselves as to fixed asset costs through alternative auditing procedures.

Since the scope of our work was not sufficient to enable us to express an opinion on general fixed assets, as noted in

the preceding paragraph, we do not express an opinion on the balance sheet of the General Fixed Assets at January 14, 1975, or the statement of changes in general fixed assets for the period then ended. However, in our opinion, the financial statements present fairly the financial position of the Appropriation Account at January 14, 1975, and the expenditures compared with appropriations for the period from July 1, 1974, to January 14, 1975, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

A handwritten signature in cursive script that reads "John P. Proctor". The signature is written in dark ink and is positioned to the left of the typed name.

JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF THE TREASURY

BALANCE SHEET

JANUARY 14, 1975

<u>ASSETS</u>	<u>APPROPRIATION ACCOUNT</u>	<u>GENERAL FIXED ASSETS</u>
Petty cash	\$ 25	
Spending authority with State of Colorado	124,982	
Office supply inventory	1,000	
Office furniture and equipment	_____	\$ 40,835
Total	<u>\$126,007</u>	<u>\$ 40,835</u>

LIABILITIES, RESERVES,
AND FUND BALANCE

Salaries payable	\$ 8,665	
Reserve for petty cash	25	
Reserve for office supplies	1,000	
Unencumbered balance of appropriated funds	116,317	
Investment in general fixed assets	_____	\$ 40,835
Total	<u>\$126,007</u>	<u>\$ 40,835</u>

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
APPROPRIATION ACCOUNT
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
PERIOD FROM JULY 1, 1974 TO JANUARY 14, 1975

	<u>APPROPRI- ATION AFTER REVISION</u>	<u>EXPENDI- TURES</u>	<u>UNENCUM- BERED BALANCE</u>
Period From July 1, 1974 to January 14, 1975			
Personal services	\$187,891	\$110,269	\$ 77,622
Operating expenses	47,694	13,715	33,979
Travel	1,650	0	1,650
Capital outlay	<u>3,500</u>	<u>434</u>	<u>3,066</u>
Total	<u>\$240,735</u>	<u>\$124,418</u>	<u>\$116,317</u>

See notes to financial statements

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
PERIOD FROM JULY 1, 1974 TO JANUARY 14, 1975

Period From
July 1, 1974
To January 14, 1975

Balance, July 1, 1974 \$40,401

Add:

Capital asset acquisitions from
General Fund appropriation account 434

Balance, January 14, 1975 \$40,835

See notes to financial statements

STATE OF COLORADO

DEPARTMENT OF THE TREASURY

PERIOD FROM JULY 1, 1974 TO JANUARY 14, 1975

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies of the Department of the Treasury conform to generally accepted accounting principles applicable to governmental units. The policies which materially affect financial presentation are summarized below.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Appropriation Account

The appropriation account is used to record general operating expenditures of the Department.

Spending Authority

Spending authority represents the portion of the State General Fund appropriation available for expenditure through June 30, 1975.

Inventory

The inventory of consumable supplies is shown as an asset for information purposes only. The cost of consumable supplies is recorded as an expenditure at time of purchase.

A physical inventory was not taken at January 14, 1975. The inventory value at this date was determined to be the same as the inventory value on hand in March, 1975.

General Fixed Assets

Fixed assets are recorded as capital outlay expenditures at time of purchase. Depreciation on general fixed assets is not recorded.

NOTES TO FINANCIAL STATEMENTS

Page 2

2. REVISIONS TO APPROPRIATION

The original legislative appropriation has been increased as indicated below:

	<u>Period From July 1, 1974 to January 14, 1975</u>
Original appropriation per Long Bill	\$238,235
Supplemental appropriation	<u>2,500</u>
Revised appropriation	<u>\$240,735</u>

STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

May 9, 1975

Legislative Audit Committee
1660 Lincoln Street, Suite 2410
Denver, Colorado 80203

Gentlemen:

We have examined the accompanying balance sheets of the Appropriation Account and General Fixed Assets of the Department of the Treasury of the State of Colorado at June 30, 1974 and 1973, and the related statements of expenditures compared with appropriations and changes in general fixed assets for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as set forth in the following paragraphs.

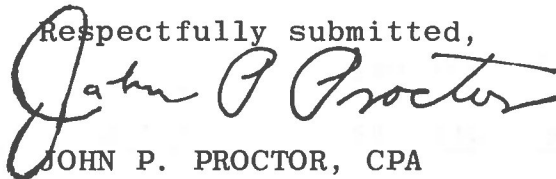
Adequate records have not been maintained with respect to general fixed assets. In addition, physical inventories of consumable supplies stated at \$1,000, were not taken at June 30, 1974 and 1973 (see Note 1 to the financial statements).

Since we did not observe inventories at June 30, 1974 and

1973, and were unable to satisfy ourselves through alternative auditing procedures of inventory quantities and fixed asset costs, we do not express an opinion on the balance sheets of the Appropriation Account and the General Fixed Assets at June 30, 1974 and 1973, or the statement of changes in general fixed assets for the years then ended.

In our opinion, the statements of expenditures compared with appropriations present fairly the information contained therein for the years ended June 30, 1974 and 1973, in accordance with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script that reads "John P. Proctor". The signature is written in dark ink and is positioned above the printed name and title.

JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
BALANCE SHEET
JUNE 30, 1974 AND 1973

	<u>APPROPRIATION ACCOUNT</u>		<u>GENERAL FIXED ASSETS</u>	
	<u>JUNE 30</u>		<u>JUNE 30</u>	
<u>ASSETS</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>
Petty cash.....\$	25	\$ 25		
Spending authority with State of Colorado.....		475		
Office supply inventory.	1,000	1,000		
Office furniture and equipment.....			\$40,401	\$30,664
Total.....	<u>\$ 1,025</u>	<u>\$ 1,500</u>	<u>\$40,401</u>	<u>\$30,664</u>
<u>LIABILITIES, RESERVES</u>				
<u>AND FUND BALANCE</u>				
Accounts payable		\$ 475		
Reserve for petty cash .	\$ 25	25		
Reserve for office supplies	1,000	1,000		
Investment in general fixed assets			\$40,401	\$30,664
Total	<u>\$ 1,025</u>	<u>\$ 1,500</u>	<u>\$40,401</u>	<u>\$30,664</u>

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
APPROPRIATION ACCOUNT
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
YEARS ENDED JUNE 30, 1974 AND 1973

	<u>APPROPRI- ATION AFTER REVISION</u>	<u>EXPENDI- TURES</u>	<u>UNENCUM- BERED BALANCE</u>
<u>Year Ended June 30, 1974</u>			
Personal services	\$183,047	\$183,047	\$ 0
Operating expenses	40,340	33,916	6,424
Travel	1,620	1,546	74
Capital outlay	<u>10,985</u>	<u>9,733</u>	<u>1,252</u>
Total	<u>\$235,992</u>	<u>\$228,242</u>	<u>\$ 7,750</u>
 <u>Year Ended June 30, 1973</u>			
Personal Services	\$177,791	\$169,492	\$ 8,299
Operating Expenses	36,440	35,747	693
Travel	1,041	904	137
Capital outlay	<u>2,693</u>	<u>2,333</u>	<u>360</u>
Total	<u>\$217,965</u>	<u>\$208,476</u>	<u>\$ 9,489</u>

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEARS ENDED JUNE 30, 1974 AND 1973

	<u>YEAR ENDED JUNE 30</u>	
	<u>1974</u>	<u>1973</u>
Balance, beginning of period	\$30,664	\$41,389
Add:		
Capital asset acquisitions from General Fund appropriation account	9,737	2,680
Deduct:		
Capital assets sold or traded	<u>-0-</u>	<u>13,405</u>
Balance, end of period	<u>\$40,401</u>	<u>\$30,664</u>

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
YEARS ENDED JUNE 30, 1974 AND 1973

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies of the Department of the Treasury conform to generally accepted accounting principles applicable to governmental units. The policies which materially affect financial presentation are summarized below.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Appropriation Account

The appropriation account is used to record general operating expenditures of the Department. Unencumbered appropriation balances revert to the State General Fund at June 30th.

Inventory

The inventory of consumable supplies is shown as an asset for information purposes only. The cost of consumable supplies is recorded as an expenditure at time of purchase.

Inventories values were estimated during March 1975. These values were used to record inventory at June 30, 1974 and 1973.

General Fixed Assets

Fixed assets are recorded as capital outlay expenditures at time of purchase. Depreciation on general fixed assets is not recorded.

2. REVISIONS TO APPROPRIATION

The original legislative appropriations have been increased as indicated below:

	<u>YEAR ENDED</u>	
	1974	1973
Original appropriation per Long Bill..	\$215,105	\$209,790
Supplemental appropriation.....	7,635	8,175
Salary Adjustment Act.....	13,252	
Revised appropriation.....	\$235,992	\$217,965

STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

May 9, 1975

Legislative Audit Committee
1660 Lincoln Street, Suite 2410
Denver, Colorado 80203

Gentlemen:

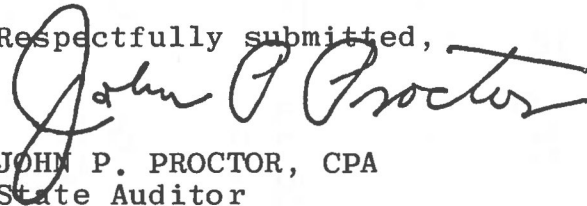
We have examined the accompanying statements of cash receipts, disbursements and cash balances of the Apportionment Funds and the Escheat Fund for the years ended June 30, 1974 and 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as stated in the following paragraph.

The Apportionment Funds primarily function as cash clearing accounts. Statements of assets and liabilities and changes in fund balance for the Apportionments Funds and the Escheat Fund are not presented as they were not considered necessary for adequate financial disclosure.

In our opinion, the aforementioned financial statements of the Apportionment Funds and the Escheat Fund present fairly the

cash balances of those funds at June 30, 1974 and 1973, and the cash receipts and disbursements during the years then ended, on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script that reads "John P. Proctor". The signature is written in black ink and is positioned above the typed name.

JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
APPORTIONMENT FUNDS
YEARS ENDED JUNE 30, 1974 AND 1973

	U. S. Mineral Leasing Act	Policemen's Pension Fund	Fireman's Pension Fund	Highway Users Tax Fund	Specific Ownership Taxes	(Note 4) Other Funds
Cash, July 1, 1972	\$ 901,967	\$ 0	\$ 0	\$ 3,506,803	\$1,965,762	\$ 9,200
Receipts:						
Federal Government	4,040,535					892,220
Transfers in from other State funds - net		1,000,000	1,550,443	128,515,701		
Other					2,556,846	1,351
	<u>4,040,535</u>	<u>1,000,000</u>	<u>1,550,443</u>	<u>128,515,701</u>	<u>2,556,846</u>	<u>893,571</u>
Disbursements:						
Apportionments:						
Counties, cities, and towns or districts	1,215,007	1,000,000	1,550,443	36,856,725	3,306,098	902,771
Transfers out to other State funds ..	2,480,077			91,226,226		
	<u>3,695,084</u>	<u>1,000,000</u>	<u>1,550,443</u>	<u>128,082,951</u>	<u>3,306,098</u>	<u>902,771</u>
Excess (deficit) of receipts over disbursements	345,451	0	0	432,750	(749,252)	(9,200)
Cash, June 30, 1973	1,247,418	0	0	3,939,553	1,216,510	0
Receipts:						
Federal Government	4,780,073					947,943
Transfers in from other State funds - net		1,300,000	1,850,000	131,235,389		
Other					1,717,059	2,127
	<u>4,780,073</u>	<u>1,300,000</u>	<u>1,850,000</u>	<u>131,235,389</u>	<u>1,717,059</u>	<u>950,070</u>
Disbursements:						
Apportionments:						
Counties, cities, and towns or districts	1,180,583	1,300,000	1,850,000	38,175,353	1,494,512	950,070
Transfers out to other State funds ..	3,181,349			94,921,852		
	<u>4,361,932</u>	<u>1,300,000</u>	<u>1,850,000</u>	<u>133,097,205</u>	<u>1,494,512</u>	<u>950,070</u>
Excess (deficit) of receipts over disbursements	418,141	0	0	(1,861,816)	222,547	0
Cash, June 30, 1974	<u>\$1,665,559</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,077,737</u>	<u>\$1,439,057</u>	<u>\$ 0</u>
See notes to financial statements.						

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
ESCHEAT FUND
YEARS ENDED JUNE 30, 1974 AND 1973

	<u>ESCHEAT FUND</u>
CASH, JULY 1, 1972	\$1,726,773
RECEIPTS:	
Estates	81,984
Corporations	11,537
	<u>93,521</u>
DISBURSEMENTS:	
Estates	60,746
Corporations	12,977
Transfers to Public School Fund	18,283
Transfers to General Fund	4,459
	<u>96,465</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	<u>(2,944)</u>
CASH, JUNE 30, 1973	<u>1,723,829</u>
RECEIPTS:	
Estates	174,878
Corporations	6,838
	<u>181,716</u>
DISBURSEMENTS:	
Estates	110,168
Corporations	76,686
Transfers to Public School Fund	31,119
	<u>217,973</u>
EXCESS OF DISBURSEMENTS OVER RECEIPTS	<u>(36,257)</u>
CASH, JUNE 30, 1974	<u>\$1,687,572</u>

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF THE TREASURY
YEARS ENDED JUNE 30, 1974 AND 1973

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of Apportionment Funds and the Escheat Fund have been prepared on the cash basis of accounting.

Statutory Provisions

The Colorado Revised Statutes set forth the basis and manner in which the State Treasurer disburses Apportionment and Escheat Fund monies.

2. EARNED APPORTIONMENT REVENUE

The following amounts of apportionment revenue were earned during fiscal years ended June 30, 1974 and 1973, but were not received and disbursed until the following fiscal year.

	<u>YEARS ENDED JUNE 30</u>	
	<u>1974</u>	<u>1973</u>
U. S. Mineral Leasing Act.....	\$5,397,597	\$2,281,735
<u>Other Funds</u>		
Forest Reserve Act.....	1,227,425	866,230
Flood Controls Land Act.....	23,372	15,832
Federal Land and Materials Act.....	4,254	4,425
Taylor Grazing Act.....	70,117	61,446
Colorado State Forest Fund.....	2,127	1,344
Total.....	<u>\$6,724,892</u>	<u>\$3,231,012</u>

3. SPECIFIC OWNERSHIP TAXES

Specific Ownership Taxes apportioned by the Treasurer were class "A" and "F" taxes during fiscal 1973, and class "A" tax during fiscal 1974.

The Treasurer assumed the function of apportioning the class "A" tax after January, 1973. The cash balance of Specific Ownership Taxes per the financial statements at July 1, 1972, has been

restated to include the cash balance of the class "A" tax at that date.

4. OTHER APPORTIONMENT FUNDS

Other funds in the Statement of Cash Receipts, Disbursements and Cash Balances of the Apportionment Funds consist of the Forest Reserve Act, the Flood Controls Land Act, the Federal Land and Materials Act, the Taylor Grazing Act, and the Colorado State Forest Fund.

Report Page Ref.		Recommendations	(*Include Date)		(**If checked-explain in commen			
No.		DEPARTMENT OF THE TREASURY	See Comments	Requires Legislative Action	Imple-mented*	To Be Imple-mented*	Deferred **	Rej
1		Include interest receivable in published financial reports.	X		7/1/75			
2		Adopt the central accounting system fund structure prescribed by the State Controller.			7/1/75			
3		Establish adequate cut-off procedures at year-end to ensure that accounting transactions are recorded in the proper fiscal period.			6/30/75			
4		Report restricted checking accounts in the balance sheet.	X					X
5		Obtain an attorney general's opinion or other authoritative documentation supporting the practice of netting account overdrafts.			7/28/75			
6		Make a comprehensive review of the Department's cash forecasting requirements and develop an integrated system to meet such needs.	X			8/1/75		
7		Assess the cost-benefits of transferring the custodial function to a bank or other similar institution.				9-1-75		
8		If the custodial function is retained in the Treasurer's Office, implement the following recommendations to strengthen controls:	X		7/1/75			
		a) Provide dual control over the vault.	X			7/28/75		
		b) Request the internal auditors with the Office of State Planning and Budgeting to make periodic test counts of vault securities on a surprise basis.						

Report Page Ref.		Recommendations	(*Include Date)		(**If checked-explain in comments)			
No.			See Comments	Requires Legislative Action	Imple-mented*	To Be Imple-mented*	Deferred **	Reject **
16		Transfer accounting responsibility for the appropriation account to the Accounting Division.	X				X	
17		Remove the receipt and disbursement functions for the Escheat Fund and savings bond account from the Accounting Division.	X				X	
18		Have the Investment Division notify the Accounting Division of short-term investment security transactions			7-1-75			
19		Initiate a computer program change to total receipts on a monthly and year-to-date basis.			7-1-75			
20		Reconcile total cash and outstanding warrant balances per the Treasurer's books to the Division of Accounts and Control final trial balance.			7-1-75			
21		Obtain written authorization from either the employee or State agency prior to issuing a savings bond refund.	X			9-3-75		
22		Eliminate the manual set of records for the appropriation account and use accounting reports produced by the central accounting system.			7-1-75			

Recommendations

(*Include Date)

(**If checked-explain in comment

Report Page Ref.	No.	DEPARTMENT OF THE TREASURY	See Comments	Requires Legislative Action	Implemented*	To Be Implemented*	Deferred **	Reje
	8	c) Send out quarterly statements to owning agencies. d) Remove office supplies from the securities vault and convert to a working vault. e) Change vault combinations on a periodic basis.			7/1/75			
	9	Establish an investment gain or loss account and report such information in the financial statements.			5/1/75			
	10	On a periodic basis, obtain an independent evaluation of the management performance of the security portfolio.	X		1/14/75			
	11	Revise the method by which the bank pledging requirement is computed for demand deposit accounts to ensure that statutory requirements are met.	X		7/1/75			
	12	Evaluate the services provided by college clearing banks and provide compensation equal to such services.	X			1/1/76		
	13	Issue written instructions to college clearing banks and monitor the accounts to determine that all monies are properly transferred.	X		Partial 6/1/75	Completed 1/1/76		
	14	Record college clearing accounts in the general ledger and reconcile bank statements on a monthly basis.			7/1/75			
	15	Deposit all mail receipts directly with the Cashier.	X					X

Report Page Ref.		Recommendations	Check Appropriate Boxes (*Include Date) (**If checked-explain in comments)					
No.		DEPARTMENT OF THE TREASURY	See Comments	Requires Legislative Action	Implemented*	To Be Implemented*	Deferred **	Reje *
23		Assign someone other than the preparer to review and approve vouchers for accuracy and completeness.			7-1-75			
24		Take a physical inventory of fixed assets and retain the inventory listings for audit purposes. Record fixed asset balances and transactions on the State Controller's central accounting records.	X			9/75		
25		Maintain sufficient documentation in Treasury Department files to support all departmental expenditures.			7-1-75			
26		Comply with State fiscal rules for procurement activities and the maintenance of contractual agreements.			7-1-75			
27		Allow bonus payments to only those counties who qualify under Section 34-63-102, C.R.S. 1973 as amended. Qualifying counties should receive bonus payments for the first three years of the new fields' development.			7-1-75			
28		Change the apportionment basis of the Firemen's Pension Fund by using final contribution balances of the preceding fiscal period rather than estimated contributions for the current fiscal year.			7-1-75			
29		Transfer only those monies from the Highway Users Tax Fund that have specific legislative approval.	X				X	

Report Page Ref.	Recommendations		(*Include Date) (**If checked-explain in comments)					
	No.	DEPARTMENT OF THE TREASURY	See Comments	Requires Legislative Action **	Imple- mented*	To Be Imple- mented*	Deferred **	Rejecte **
	30	Obtain from the Division of Accounts and Control necessary account changes to eliminate the manual compilation of accounting information.			7-1-75			
	31	Initiate a correction of the apparent wording error in Section 43-4-208, C.R.S. 1973 as amended.		X				
	32	Provide the Land Board with necessary investment information for their preparation of financial statements for the Public School Fund.			7-1-75			
	33	Consider replacing the manual subsidiary ledgers for Public School investments with computer generated ledgers.	X		7-1-75			
	34	Seek amendatory legislation to treat all Public School Fund investment discounts as interest.		X				
	35	Consider exchanging some of the low yield mortgages currently held in the Public School Fund investment portfolio for higher quality securities.			6-1-75			
	36	Seek a statutory revision to permit the taking of losses without a legislative appropriation.		X				



SAM BROWN
STATE TREASURER
SUSAN T. CRONIN
DEPUTY TREASURER

State of Colorado
DEPARTMENT OF THE TREASURY
140 STATE CAPITOL
DENVER, COLORADO 80203

ADDRESS COMMUNICATIONS TO
STATE TREASURY DEPARTMENT

July 28, 1975

MEMORANDUM:

TO: John P. Proctor, CPA
State Auditor

FROM: Sam Brown, State Treasurer *Sam Brown*

SUBJECT: Comments on Auditor's Recommendations

Recommendation No. 1: The June 30, 1975, Year-end statement will reflect the interest receivable.

Recommendation No. 4: This function is a custodial responsibility only and does not involve an asset of the Treasury. If we were to show the restricted checking accounts in the balance sheet, we would have to create an account to offset the balance. They are accurately and fully reported as safekeeping items.

Recommendation No. 6: The State Treasurer is undertaking a bid process to review the Treasurer's Cash forecasting requirements and we expect to fully implement this recommendation during this Fiscal Year.

Recommendation No. 8: It is our anticipation that the custodial function will be retained in the Treasurer's Office.

a) Due to inadequate budget provisions for the State Treasurer's Office, it is impossible to supervise each entry into the vault and transaction involving securities. (See 8b)).

Recommendation No. 10: It is the judgment of the Department of the Treasury that any analysis done by individuals who do business with the Treasurer's Office in another capacity, such as a brokerage firm, is not truly independent. Additionally, it is our view that the analysis ought to be done by someone competent in the field of security analysis and with adequate capacity to compare the performance with other states. We have, up to this point, not been able to find any one who simultaneously meets both of these criteria. If we were to find such a firm, the cost of such an analysis would undoubtedly be substantial and is not now possible with the budget available to the Office of the State Treasurer.

Recommendation No. 11: House Bills 1659 and 1695 both change the requirements for collateralization and move the responsibility for collateral adequacy to the Office of the Bank Commissioner. Consequently, after the first of the year, this comment would be better directed to the Office of the Bank Commissioner.

Recommendation No. 12: We see no basis in the audit function for this recommendation from the State Auditor. The Cash Flow study to be undertaken may touch on these accounts.

Recommendation No. 13: Completion of implementation is projected for January 1, 1976. Colleges were informed of our current requirement for transfer of college clearing account funds at year-end and all college clearing banks complied with the requirement on June 30, 1975. Additional requirements may be formulated by the Treasurer's Office; and, as they are formulated, college clearing banks will be informed.

Recommendation No. 15: Some information, particularly interest earnings on certificates of deposit and earnings on custodial accounts must be verified, and receipted by other persons. This requires routing the mail initially to the persons responsible for verification and receipting.

ORGANIZATION STRUCTURE:

Although the Treasury Department is made up of four divisions for purposes of administration, there is no basis for these divisions under the law. The small size of the staff in the Treasurer's Office frequently requires that some people perform functions which fall partially in one division and partially in another. Without substantial additional staff, it is impossible to have both adequate cross-training and to fulfill the legislative requirements of the office unless some sharing of personnel takes place. As a consequence, although the distinctions are maintained, some personnel will necessarily continue to be assigned to several divisions.

Recommendation No. 16: The Treasury Department is applying for job reclassification from the clerk series to the accounting series for the person who is currently handling the appropriation account. However, this position will probably be placed in the Administrative Division.

Recommendation No. 17: There are no other trained individuals in the Treasurer's Office to perform this function, nor does it fit any better in any other division than it now does in the Accounting Division. Resolution of this issue is dependent upon resolution of Recommendation #16.

MEMORANDUM: John P. Proctor, State Auditor
July 28, 1975

Recommendation No. 21: Computerization of the Savings Bond program will be completed during September 1975. Then, Savings Bonds and refunds on savings bonds accounts will be issued by Accounts and Control.

Recommendation 24: This will be done as soon as someone has time to perform the inventory.

Recommendation No. 29: Currently the State Treasurer's Office assumes that Accounts and Controls has checked the statutory authority before issuing instructions to the Treasurer for transfer of funds from Highway Users Funds. If statutory authority for such transfers is to be required, it should be required from Accounts and Controls. If in the past disbursements were made which were not justified under the law, it was on instruction and assurance of authority from Accounts and Control.

Recommendation No. 33: After consideration, determination was made that the volume of information does not justify computerization.