



STATE OF COLORADO

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To: Members of the Legislative Audit Committee

From: Sally Symanski, CPA
State Auditor

Date: February 6, 2007

Subject: Venture Capital Authority

During the 2004 Legislative Session, the General Assembly created the Venture Capital Authority (Authority) in response to concerns about Colorado's Certified Capital Company Program (CAPCO). As part of the enabling legislation, the Authority is required to "submit a report to the State Auditor on February 1 of each year..." The purpose of the report is to provide information "regarding the results" of the implementation of the Venture Capital Program. The Authority submitted its report for 2006 to our office on January 30, 2007. The report is attached to this memorandum.

Colorado

Venture Capital
Authority

Michael F. Imhoff, Chairman

Laurie G. Jones, Vice Chair

January 4, 2007

Senator Stephanie Takis
Chair, Legislative Audit Committee
c/o the Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203-2211

Dear Senator Takis:

This letter contains the Venture Capital Authority's report on the effects of the results of the implementation of Article 3.5 of Title 10, C.R.S., "the Venture Capital Program Act", and is hereby submitted in accordance with 24-46-206 C.R.S.

As of January 4, 2007, the following results had occurred:

- Board membership appointments were as follows:
 - Laurie Jones was reappointed by Governor Owens.
 - Nick Lepetosos was reappointed by Governor Owens, previously appointed by Senate President John Andrews.
 - Tim Lybarger was appointed by Governor Owens to replace Bill Sisson, as his term had expired.
 - Chris Romer was appointed by Speaker of the House Andrew Romanoff to replace Representative Joe Stengel, as his term had expired.
- Colorado Fund I is the fund in which the Venture Capital Authority is a limited partner. The following Colorado Fund I investments have been made to date:
 - Taligen Therapeutics, Inc. (Taligen) in August 2005. Taligen is located in a distressed urban community (state-designated enterprise zone).
 - Theratogs, Inc. (Theratogs) in March 2006. Theratogs is located in a designated rural county.
 - Surginetics, LLC (Surginetics) in March 2006. Surginetics is located in a statewide location.
 - Smart Care Clinics, Inc. (Smart Care) in March 2006. Smart Care is located in a statewide location.
 - Taligen Therapeutics, Inc. (follow on investment) in June 2006. Taligen is located in a distressed urban community (state-designated enterprise zone).

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Senator Stephanie Takis
January 4, 2007

- Theratogs, Inc. (follow on investment) in September 2006. Theratogs is located in a designated rural county.
- Surginetics, LLC (follow on investment) in October 2006. Surginetics is located in a statewide location.
- EnVysion, Inc. (EnVysion) in December 2006. EnVysion is located in a statewide location.
- The Venture Capital Authority has approved 1 additional business as of December 2006. Colorado Fund I currently has not made an investment in that business. This business is located in a statewide location.
- High Country Venture, LLC is the General Partner of Colorado Fund I. High Country Venture, LLC has submitted 1 additional Colorado business for approval. This business is located in a statewide location. This business is currently under review.
- High Country Venture, LLC has reviewed 230 business plans to date, of which 17 were from businesses located in rural Colorado and 15 from urban distressed communities.
- The implementation of the Venture Capital Authority Program is currently being audited by the Office of the State Auditor (OSA). It is anticipated that the OSA's report to the Legislative Audit Committee will be presented in March 2007.

Please call me at (303) 291-5393 if you have any questions.

Sincerely,



Michael Imhoff
Chairman, Venture Capital Authority

cc: Alice Kotrlík, OEDIT

Table 1
December 2006 General Fund Overview
(Dollars in millions)

| | Actual FY 2005-06 | Estimate FY 2006-07 | Estimate FY 2007-08 | Estimate FY 2008-09 | Estimate FY 2009-10 | Estimate FY 2010-11 |
|--|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| 1 Beginning Reserve | \$335.4 | \$688.6 | \$436.5 | \$466.9 | \$509.4 | \$509.3 |
| 2 General Fund Nonexempt Revenue | 5,848.5 | 6,263.6 | 6,568.7 | 6,976.7 | 7,590.3 | 8,113.7 |
| 3 General Fund Exempt Revenue | 1,116.1 | 1,127.7 | 1,190.5 | 1,226.9 | 1,080.2 | 1,043.7 |
| 4 Senate Bill 97-1 Diversion to the HUTF | -220.4 | -231.3 | -241.1 | -252.4 | -265.1 | -277.8 |
| 5 Paybacks to Other Funds | -67.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6 Transfers from Other Funds | 227.8 | 24.4 | 34.6 | 34.0 | 33.3 | 32.5 |
| 7 Diversion of Sales Taxes to Older Coloradans Fund | -2.0 | -3.0 | -3.0 | -3.0 | -3.0 | -3.0 |
| 8 Sales Taxes to Old Age Supplemental Medical Care Fund | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 |
| 9 TABOR Surplus Liability (refunded in following year) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 10 Total Funds Available | \$7,237.6 | \$7,869.2 | \$7,985.4 | \$8,448.5 | \$8,944.4 | \$9,417.8 |
| APPROPRIATIONS AND OBLIGATIONS: | | | | | | |
| 11 Allowable General Fund Appropriations * | \$6,292.7 | \$6,675.6 | \$7,082.3 | \$7,507.2 | \$7,957.6 | \$8,435.1 |
| 12 Exceptions From the Appropriations Limit | 5.0 | 5.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| 13 Rebates and Expenditures | 153.4 | 165.4 | 163.2 | 169.2 | 175.7 | 185.8 |
| 14 Reimbursement for Senior and Disabled Veterans Property Tax Cut | 0.0 | 68.9 | 70.9 | 72.0 | 71.9 | 72.6 |
| 15 Funds in Prior Year Excess Reserve to HUTF | 65.3 | 291.2 | 113.0 | 122.4 | 139.4 | 127.4 |
| 16 Funds in Prior Year Excess Reserve to Capital Construction | 32.7 | 145.6 | 56.5 | 61.2 | 69.7 | 63.7 |
| 17 Capital Construction Transfer | 10.1 | 80.1 | 32.8 | 7.1 | 20.7 | 20.8 |
| 18 Accounting Adjustments | -10.1 | NE | NE | NE | NE | NE |
| 19 Total Obligations | \$6,549.0 | \$7,432.7 | \$7,518.6 | \$7,939.0 | \$8,435.1 | \$8,905.3 |
| 20 YEAR-END GENERAL FUND RESERVE | \$688.6 | \$436.5 | \$466.9 | \$509.4 | \$509.3 | \$512.4 |
| 21 STATUTORY RESERVE: 4.0% OF APPROPRIATIONS | 251.7 | 267.0 | 283.3 | 300.3 | 318.3 | 337.4 |
| 22 GENERAL FUND EXCESS RESERVE | \$436.8 | \$169.5 | \$183.6 | \$209.1 | \$191.0 | \$175.0 |
| TABOR RESERVE REQUIREMENT: | | | | | | |
| 23 General & Cash Fund Emergency Reserve Requirement | \$274.8 | \$283.6 | \$298.2 | \$313.2 | \$323.2 | \$337.2 |
| 24 Appropriations Growth | \$361.2 | \$383.7 | \$400.9 | \$424.9 | \$450.4 | \$477.5 |
| 25 Appropriations Growth Rate | 6.08% | 6.09% | 6.00% | 6.00% | 6.00% | 6.00% |
| 26 Addendum: Amount Directed to State Education Fund | \$357.2 | \$383.3 | \$403.4 | \$429.2 | \$455.6 | \$482.9 |

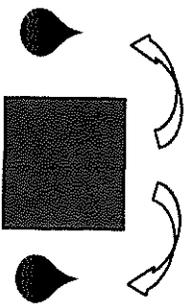
Totals may not sum due to rounding.
 * FY 2006-07 Appropriations are currently \$6,669.2 million. The GA could still appropriate up to the figure in the table, \$6,675.5 million.

FISCAL YEAR 2006-07

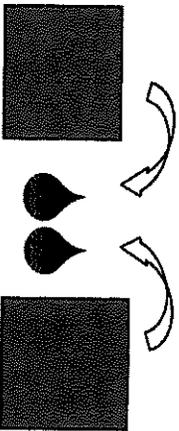


General Fund Revenue

General Fund Obligations
(Outside 6% Limit,
\$324.1 million)

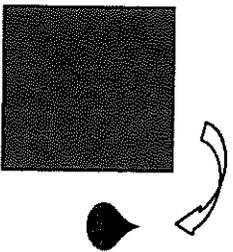


General Fund 4%
Reserve (\$267.0 million)



General Fund 6%
Appropriations
(\$6,675.6 million)

SB 97-1 Diversion to
HUTF (\$231.3 million)



General Fund Excess Reserve
(1/3 to Capital Construction - \$56.5 million,
2/3 to Transportation - \$113.0 million)