

# **The State Board of the Great Outdoors Colorado Trust Fund**

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**Compliance Audit, Financial Statements, and  
Report of Independent Certified Public Accountants**

**June 30, 2010 and 2009**



**LEGISLATIVE AUDIT COMMITTEE**

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Crystal Dorsey  
*Legislative Auditor*

**Anton Collins Mitchell LLP**  
*Contract Auditors*

September 15, 2010

Members of the Board of Trustees and the Legislative Audit Committee:

We have completed the financial statement audit of The State Board of the Great Outdoors Colorado Trust Fund as of and for the years ended June 30, 2010 and 2009. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of The State Board of the Great Outdoors Colorado Trust Fund. The reports that we have issued as a result of this engagement are set forth in the table of contents, which follows.

# The State Board of the Great Outdoors Colorado Trust Fund

## June 30, 2010 and 2009

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# **The State Board of the Great Outdoors Colorado Trust Fund**

## **Report Summary**

### **Financial and Compliance Audit**

#### **For the Years Ended June 30, 2010 and 2009**

#### **Authority, Purpose and Scope**

The 2010 audit of The State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) was completed under the authority of Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct annual audits of political subdivisions as required by law. The State Auditor has contracted with Anton Collins Mitchell LLP to conduct this audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We performed our audit work during the period from July through September 2010.

The purpose of this audit was (a) to perform a financial and compliance audit of GOCO including a review of internal controls as required by generally accepted auditing standards and *Government Auditing Standards*, (b) to review GOCO’s compliance with appropriate state and federal laws and rules and regulations which could have a material effect on GOCO’s financial statements, (c) to prepare audit findings and recommendations for improvements in internal controls, and (d) to evaluate progress in implementing prior audit findings.

We expressed an unqualified opinion on GOCO’s financial statements for the Fiscal Years Ended June 30, 2010 and 2009. Our opinion letter, dated September 15, 2010, is presented in the Financial Statements section of this report.

#### **Summary of Current Year Findings and Recommendation**

None.

#### **Summary of Progress in Implementing Prior Audit Recommendations**

The audit report for the Fiscal Year Ended June 30, 2009, included three recommendations. The dispositions of these audit recommendations are as follows:

- Recommendation No. 1 – Implemented and ongoing
- Recommendation No. 2 – Implemented
- Recommendation No. 3 – Implemented

# The State Board of the Great Outdoors Colorado Trust Fund

## Description

### Fiscal Years Ended June 30, 2010 and 2009

The Great Outdoors Colorado Trust Fund (“GOCO”) and the State Board that oversees GOCO were created by Article XXVII of the Colorado Constitution. Article XXVII is the result of the passage of the Great Outdoors Colorado Initiative (Amendment 8) during the November 3, 1992 election. Fiscal Year 2010 is the seventeenth year of operations for GOCO. During 2002, House Bill 1250 extended the termination date of the State Lottery from July 1, 2009 to July 1, 2024, thus continuing funding for GOCO through June 30, 2024.

Article XXVII establishes procedures for the distribution of net proceeds from state-supervised Lottery games. The intent of Article XXVII is to use a portion of net Lottery proceeds to provide funding for wildlife, park, river, trail and open space heritage. To help ensure this, Article XXVII allocated part of net Lottery proceeds to GOCO. In turn, GOCO is responsible for funding appropriate programs through designated state and local agencies as well as other qualifying entities.

The State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the Governor; a representative designated by the State Board of Parks and Outdoor Recreation; a representative designated by the Colorado Wildlife Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State. During Fiscal Year 2010, GOCO had a permanent staff of 13 and received \$56.4 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2010.

### Constitutional Requirements for Spending

Article XXVII requires that “amounts expended for each of the [funding] purposes over a period of years be substantially equal.” The four funding purposes are wildlife, parks and outdoor recreation, competitive grants for open space, and competitive matching grants to local governments for open lands and parks.

The following two charts show the cumulative amounts in two different stages of the grants. *Grants Authorized* represents the amount, by purpose, approved by the GOCO Board. This authorization process is used by the GOCO Board to achieve the goal of substantially equal expenditures across the four purposes. *Grants Expended* represents cumulative actual expenditures.

### GOCO Grants Cumulative through Fiscal Year 2010 (in thousands)

Funding Purpose	Grants Authorized (Unaudited)		Grants Expended		Over (Under) 25% Expended
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 177,970	23.5%	\$ 161,050	25.1%	856
Purpose 2 – Parks and outdoor recreation	179,028	23.7%	146,285	22.8%	(13,909)
Purpose 3 – Competitive grants for open space	198,090	26.2%	170,993	26.7%	10,799
Purpose 4 – Competitive matching grants to local governments for open lands and parks	201,031	26.6%	162,449	25.4%	2,255
	756,119	100.0%	640,777	100.0%	
Noncategorized – Discretionary	1,220	NA	1,120	NA	
<b>Total</b>	<b>\$ 757,339</b>	<b>100.0%</b>	<b>\$ 641,897</b>	<b>100.0%</b>	

Source: Data provided by GOCO

# The State Board of the Great Outdoors Colorado Trust Fund

## Description

### Fiscal Years Ended June 30, 2010 and 2009

#### **GOCO Grants Cumulative through Fiscal Year 2009 (in thousands)**

<b>Funding Purpose</b>	<b>Grants Authorized (Unaudited)</b>		<b>Grants Expended</b>		<b>Over (Under) 25% Expended</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	
Purpose 1 – Wildlife	\$ 166,900	24.1%	\$ 150,036	25.5%	\$ 2,739
Purpose 2 – Parks and outdoor recreation	154,353	22.3%	139,123	23.6%	(8,175)
Purpose 3 – Competitive grants for open space	186,341	27.0%	153,660	26.1%	6,363
Purpose 4 – Competitive matching grants to local governments for open lands and parks	183,776	26.6%	146,370	24.8%	(927)
	691,370	100.0%	589,189	100.0%	
Noncategorized – Discretionary	1,220	NA	1,070	NA	
<b>Total</b>	<b>\$ 692,590</b>	<b>100.0%</b>	<b>\$ 590,259</b>	<b>100.0%</b>	

Source: Data provided by GOCO

This next chart compares the cumulative percentages in each category for Fiscal Years 2010 and 2009 expenditures and calculates the variance of the percentages. During Fiscal Year 2010, one *Grants Expended* variance has moved closer to compliance with the constitutional requirement of 25%. Specifically, Purpose 1 expenditures for Wildlife decreased from 25.5% to 25.1%. The other purposes moved further from the 25% requirement.

#### **GOCO Grants Cumulative Comparison Fiscal Year 2010 and Fiscal Year 2009**

<b>Funding Purpose</b>	<b>Grants Expended</b>			
	<b>FY2010</b>	<b>FY2009</b>	<b>Nominal Over (Under) 25% Expended FY2010</b>	<b>Nominal Over (Under) 25% Expended FY2009</b>
Purpose 1 – Wildlife	25.1%	25.5%	0.1%	0.5%
Purpose 2 – Parks and outdoor recreation	22.8%	23.6%	(2.2)%	(1.4)%
Purpose 3 – Competitive grants for open space	26.7%	26.1%	1.7%	1.1%
Purpose 4 – Competitive matching grants to local governments for open lands and parks	25.4%	24.8%	0.4%	(0.2)%
	100.00	100.0%		
Noncategorized – Discretionary	NA	N/A		

Source: Data provided by GOCO

No recommendation is made in this area.

# The State Board of the Great Outdoors Colorado Trust Fund

## Description

### Fiscal Years Ended June 30, 2010 and 2009

#### ***Comment Provided by GOCO Management on Constitutional Requirements for Spending***

The GOCO Board continually works toward meeting the substantially equal over time requirement for grant expenditures. The issue is discussed and considered whenever the Board is making a financial decision on allocating funds for new grant awards. The Board has a fiduciary obligation to ensure that adequate controls are in place and the projects are being completed as awarded prior to reimbursement. At times, this fiduciary obligation can be contrary to increasing grant reimbursements. The Board continues to review procedures to evaluate if there are additional ways to encourage more timely requests for reimbursement of awards without affecting the level of internal controls.

The Board takes a different approach within each funding purpose to help keep expenditures substantially equal. Both the Open Space and Local Government purposes provide competitive grant cycles and have many eligible grantees (including all local governments in the state). When expenditures in these purposes are lower than 25%, granting additional awards results in increasing the expenditures in each of these purposes. In addition, strengthening the overdue grant policies positively impacts the timing of reimbursements for both these purposes.

The funding invested through Wildlife and Parks is managed differently as just one agency is eligible for funds from each purpose. The expenditures for these purposes usually are lagging below 25% due to the agency not spending the funds in a timely manner rather than because of a lack of awards; therefore, GOCO works with the agencies to encourage them to complete projects and ask for reimbursement prior to additional capital funding being awarded.

Currently, the Outdoor Recreation expenditures through the Division of Parks and Outdoor Recreation (DPOR) are at 22.8% of total expenditures. During the past several years, GOCO had concerns about the internal controls within the Division and increased its financial scrutiny of DPOR expenditures. In July 2008, a performance audit issued by the State Auditor confirmed that internal control issues existed. In July 2008, the GOCO Board rescinded \$8.6 million in awards to the Division of Parks and Outdoor Recreation. The rescission of these awards is now being reflected in the current year with the lower grant expenditures. With improvements in internal controls and financial planning at the DPOR, over \$20 million in additional capital has been awarded in the last eighteen months to Division of Parks and Outdoor Recreation and should increase this percentage in the coming fiscal years.



# The State Board of the Great Outdoors Colorado Trust Fund

## Disposition of Prior Audit Recommendation

### Fiscal Years Ended June 30, 2010 and 2009

The following audit recommendations are from The State Board of the Great Outdoors Colorado Trust Fund financial and compliance audit for the Fiscal Year Ended June 30, 2009.

Recommendation	Disposition
1. The Board should ensure that <i>grants expended</i> achieve substantial equivalence over a period of years for each of the four funding purposes specified in Article XXVII. To satisfy the constitutional requirement of substantially equivalent expenditures among the four funding purposes, the Board and management should continue their efforts to encourage and assist authorized grantees in completing projects and submitting reimbursement requests in a timely manner, as appropriate.	Implemented and ongoing. GOCO continues to work with authorized grantees in completing projects and submitting timely reimbursement requests.
2. GOCO should negotiate a new MOU/MOA with the Colorado Department of Natural Resources, the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation, defining the process to be used by the State Treasurer when there is a negative balance in the Divisions' cash accounts created due to the time elapsed between the Divisions' expenditures and GOCO's reimbursements. GOCO also should implement procedures to ensure annual reviews of its MOU(s)/MOA(s), and establish procedures to verify that no amounts are being withheld, deducted or expended from its cash account with State Treasury without GOCO's knowledge and approval.	Implemented.
3. GOCO should develop and implement written cutoff procedures relating to the accrual of grant expenditures and revenue events that include a final pre-issuance review of earlier determinations made during its year-end closing process. The pre-issuance review should provide staff the opportunity to re-evaluate their original determinations based on updated information.	Implemented.

***Financial Statements Section***

## Independent Auditors' Report

Members of the Board of Trustees and the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund ("GOCO"), as of and for the years ended June 30, 2010 and 2009, which collectively comprise The State Board of the Great Outdoors Colorado Trust Fund's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of The State Board of the Great Outdoors Colorado Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GOCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund as of June 30, 2010 and 2009, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010 on our consideration of The State Board of the Great Outdoors Colorado Trust Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, on pages 8 through 11, and the major fund budgetary comparison information, on pages 27 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Anton Collins Mitchell LLP*

September 15, 2010

### Accountants & Consultants

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# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2010 and 2009

The State Board of the Great Outdoors Colorado Trust Fund's ("GOCO") discussion and analysis is designed to provide a financial performance overview of GOCO's financial activities for the Fiscal Years Ended June 30, 2010 and 2009. The management's discussion and analysis is intended to be read in conjunction with the GOCO financial statements beginning on page 13.

## Financial Highlights

GOCO receives funding from net Lottery proceeds and makes investments and grants for projects that preserve, protect and enhance Colorado's wildlife, park, river, trail and open space heritage. Investments and grants are provided to four funding purposes: wildlife; parks and outdoor recreation; competitive grants for open space and competitive matching grants to local governments for open lands and parks.

In Fiscal Year 2009, GOCO's fiscal year 2008 financial statements were restated to account for an increase in investment revenue and a offsetting increase in grant expenditures. This restatement was due to interest expense being charged directly to GOCO on outstanding balances for both State Agencies. The following table highlights significant variances between Fiscal Year 2010, Fiscal Year 2009 and Fiscal Year 2008.

	<b>Fiscal Year Ended June 30,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008 (Restated)</b>	<b>2010/2009 Variance</b>	<b>2009/2008 Variance (Restated)</b>
Lottery revenues	\$ 56,382,233	\$ 54,267,191	\$ 53,104,374	\$2,115,042	\$ 1,162,817
Grant expenditures	\$ 51,637,986	\$ 59,634,478	\$52,408,072	(\$7,996,492)	\$ 7,226,406

### 2010

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$56.4 million, per the Constitutional cap. This represents a \$2.1 million increase over Fiscal Year 2009 in Lottery proceeds to GOCO.
- Grant expenditures decreased by \$8 million from Fiscal Year 2009. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year.

### 2009

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$54.3 million, per the Constitutional cap. This represents a \$1.2 million increase over Fiscal Year 2008 in Lottery proceeds to GOCO.
- Grant expenditures increased by \$7.2 million from Fiscal Year 2008. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year. The higher expenditures in Fiscal Year 2009 can be attributed to several larger than anticipated wildlife and open space purposes expenditures.

## Overview of the Financial Statements

GOCO's only source of income, other than investment income, is the Colorado Lottery. Net Lottery proceeds are distributed as follows:

- 40% to the Conservation Trust Fund,
- 10% to the Division of Parks & Outdoor Recreation,

# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2010 and 2009

- The remaining 50% to GOCO up to the Constitutional limit.

GOCO's funding is capped at \$35 million using the base year of 1992 adjusted annually for inflation (\$56.4 million and \$54.3 million in Fiscal Year 2010 and Fiscal Year 2009, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Lottery Proceeds Contingency Reserve Fund for Fiscal Year 2009 and to the Public School Capital Construction Assistance Fund for Fiscal Year 2010.

## Government-wide Statement

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2010, 2009, and 2008.

<i>June 30,</i>	<b>2010</b>	<b>2009</b>	<b>2008 (Restated)</b>
Current and other assets	\$ 57,064,830	\$ 48,885,924	\$ 54,610,798
Capital assets, net	31,793	39,093	59,834
Total assets	57,096,623	48,925,017	54,670,632
Current liabilities	11,482,452	7,575,232	7,772,840
Net assets			
Invested in capital assets	31,793	39,093	59,834
Unrestricted	45,582,378	41,310,692	46,837,958
Total net assets	\$ 45,614,171	\$ 41,349,785	\$ 46,897,792

### 2010

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash increased by approximately \$1.7 million during Fiscal Year 2010. Lottery proceeds receivable increased to \$15.0 million at June 30, 2010 from \$8.5 million at June 30, 2009. The increase in the receivable is due to the timing of when the Constitutional cap is reached. The maximum was received in both years and the Constitutional amount was reached in May for Fiscal Year 2009 and June for Fiscal Year 2010.

As of June 30, 2010 current liabilities increased by \$4.0 million from June 30, 2009. The liabilities outstanding at year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife. The amount includes the last quarter of bills from the Colorado Division of Wildlife and the March through June bills for the Colorado Division of Parks and Outdoor Recreation.

### 2009

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash decreased by approximately \$8.7 million during Fiscal Year 2009. The decrease in cash is primarily attributable to the additional \$7.2 million in grant expenditures that occurred in Fiscal Year 2009 over 2008. Lottery proceeds receivable increased to \$8.5 million at June 30, 2009 from \$5.5 million at June 30, 2008. The increase in the receivable is due to the timing of when the Constitutional cap is reached. The maximum was received in both years and the Constitutional amount was reached in May for both years.

As of June 30, 2009 current liabilities decreased by \$0.2 million from June 30, 2008. The liabilities outstanding at year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife. The amount includes the last quarter of bills

# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2010 and 2009

from the Colorado Division of Parks and Outdoor Recreation and the June bill for the Colorado Division of Wildlife.

#### **Statement of Activities**

The following table reflects the condensed statement of activities for the Fiscal Years Ended June 30, 2010, 2009, and 2008.

<i>June 30,</i>	<b>2010</b>	<b>2009</b>	<b>2008 (Restated)</b>
<b>Revenue</b>			
Lottery revenue	\$ 56,382,233	\$ 54,267,191	\$ 53,104,374
Miscellaneous income and investment earnings	1,236,906	1,484,696	2,400,059
<b>Total revenue</b>	<b>57,619,139</b>	<b>55,751,887</b>	<b>55,504,433</b>
<b>Program expenses</b>			
Grants expended	51,637,986	59,634,478	52,408,072
Personnel services and benefits	1,194,715	1,102,689	1,151,989
Operating	522,052	562,727	619,783
<b>Total expenses</b>	<b>53,354,753</b>	<b>61,299,894</b>	<b>54,179,844</b>
Change in net assets	4,264,386	(5,548,007)	1,324,589
Beginning net assets	41,349,785	46,897,792	45,573,203
<b>Ending net assets</b>	<b>\$ 45,614,171</b>	<b>\$ 41,349,785</b>	<b>\$ 46,897,792</b>

#### **2010**

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings decreased in Fiscal Year 2010. Investment earnings in Fiscal Year 2010 decreased by \$267,000, due to lower interest rates. Unrealized gains recorded on GOCO's investment account in Fiscal Year 2010 increased by \$152,000. Grant expenditures in Fiscal Year 2010 decreased by \$8.0 million from Fiscal Year 2009. Grant expenditures are made on a reimbursement basis.

#### **2009**

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings decreased substantially in Fiscal Year 2009. Investment earnings in Fiscal Year 2009 decreased by \$0.8 million, due to lower interest rates and reduced cash balances. Unrealized gains recorded on GOCO's investment account in Fiscal Year 2009 decreased by \$0.2 million. Grant expenditures in Fiscal Year 2009 increased by \$7.2 million from Fiscal Year 2008. Grant expenditures are made on a reimbursement basis.

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Management's Discussion and Analysis**  
**June 30, 2010 and 2009**

**Economic Factors and Next Year's Budget**

GOCO's projections for Lottery proceeds that will be available to GOCO are equal to the Colorado Lottery's projections. Next year, GOCO is projecting \$56.0 million in revenue from the Lottery, which is equal to the Constitutional Cap projection for Fiscal Year 2011. Also, GOCO is budgeting \$1,829,000 for operating expenditures. This amount is classified as follows:

Salaries and benefits	\$ 1,251,234
Operating expenses	569,266
Capital expenditures	8,500
	<u>\$ 1,829,000</u>

***Basic Financial Statements***



**The State Board of the Great Outdoors Colorado Trust Fund**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**June 30, 2010**

	<b>General Fund</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>			
Cash and investments	\$ 40,988,161	\$ -	\$ 40,988,161
Lottery proceeds receivable	15,038,589	-	15,038,589
Note receivable	1,000,000	-	1,000,000
Other assets	38,080	-	38,080
Capital assets, net of accumulated depreciation	-	31,793	31,793
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 57,064,830</u>	<u>\$ 31,793</u>	<u>\$ 57,096,623</u>
<b>Liabilities</b>			
Grants payable	11,413,806	-	11,413,806
Accounts payable	21,936	-	21,936
Compensated absences payable	46,710	-	46,710
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>11,482,452</u>	<u>-</u>	<u>11,482,452</u>
<b>Fund Balances/Net Assets</b>			
Fund balances			
Unreserved and undesignated	<u>45,582,378</u>	<u>(45,582,378)</u>	<u>-</u>
Total fund balances	<u>45,582,378</u>	<u>(45,582,378)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 57,064,830</u>		
Net assets			
Invested in capital assets		31,793	31,793
Unrestricted		<u>45,582,378</u>	<u>45,582,378</u>
Total net assets		<u>\$ 45,614,171</u>	<u>\$ 45,614,171</u>

*See accompanying notes to the financial statements.*

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**June 30, 2009**

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<b>Assets</b>			
Cash and investments	\$ 39,335,992	\$ -	\$ 39,335,992
Lottery proceeds receivable	8,510,377	-	8,510,377
Note receivable	1,000,000	-	1,000,000
Other assets	39,555	-	39,555
Capital assets, net of accumulated depreciation	-	39,093	39,093
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 48,885,924</u>	<u>\$ 39,093</u>	<u>\$ 48,925,017</u>
<b>Liabilities</b>			
Grants payable	7,410,740	-	7,410,740
Accounts payable	123,719	-	123,719
Compensated absences payable	40,773	-	40,773
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>7,575,232</u>	<u>-</u>	<u>7,575,232</u>
<b>Fund Balances/Net Assets</b>			
Fund balances			
Designated for subsequent year's expenditures	796,903	(796,903)	-
Unreserved and undesignated	40,513,789	(40,513,789)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>41,310,692</u>	<u>(41,310,692)</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 48,885,924</u>	<u>-</u>	<u>-</u>
Net assets			
Invested in capital assets	-	39,093	39,093
Unrestricted	-	41,310,692	41,310,692
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>-</u>	<u>\$ 41,349,785</u>	<u>\$ 41,349,785</u>

*See accompanying notes to the financial statements.*

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Statement of Activities and Governmental Fund Revenues, Expenditures, and**  
**Changes In Fund Balance**  
**For the Year Ended June 30, 2010**

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 51,637,986	\$ -	\$ 51,637,986
Personnel services and benefits	1,194,715	-	1,194,715
Operating	502,824	19,228	522,052
Capital outlay	11,928	(11,928)	-
Total expenditures/expenses	<u>53,347,453</u>	<u>7,300</u>	<u>53,354,753</u>
Program revenues - State lottery proceeds	<u>56,382,233</u>	<u>-</u>	<u>56,382,233</u>
Net program revenues (expenses)			3,027,480
General revenues			
Investment earnings	<u>1,236,906</u>	<u>-</u>	<u>1,236,906</u>
Total general revenues	<u>1,236,906</u>	<u>-</u>	<u>1,236,906</u>
Excess of revenues over expenditures	4,271,686	(4,271,686)	-
Change in net assets	<u>-</u>	<u>4,264,386</u>	<u>4,264,386</u>
Fund balance/net assets - beginning of the year	<u>41,310,692</u>	<u>39,093</u>	<u>41,349,785</u>
Fund balance/net assets - end of the year	<u>\$ 45,582,378</u>	<u>\$ 31,793</u>	<u>\$ 45,614,171</u>

*See accompanying notes to the financial statements.*

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Statement of Activities and Governmental Fund Revenues, Expenditures, and**  
**Changes In Fund Balance**  
**For the Year Ended June 30, 2009**

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 59,634,478	\$ -	\$ 59,634,478
Personnel services and benefits	1,102,689	-	1,102,689
Operating	534,435	28,292	562,727
Capital outlay	7,551	(7,551)	-
	<u>61,279,153</u>	<u>20,741</u>	<u>61,299,894</u>
Total expenditures/expenses			
Program revenues - State lottery proceeds	<u>54,267,191</u>	<u>-</u>	<u>54,267,191</u>
Net program revenues (expenses)			(7,032,703)
General revenues			
Miscellaneous income	132,505	-	132,505
Investment earnings	1,352,191	-	1,352,191
	<u>1,484,696</u>	<u>-</u>	<u>1,484,696</u>
Total general revenues			
Excess of expenditures over revenues	(5,527,266)	5,527,266	-
Change in net assets	<u>-</u>	<u>(5,548,007)</u>	<u>(5,548,007)</u>
Fund balance/net assets - beginning of the year	<u>46,837,958</u>	<u>59,834</u>	<u>46,897,792</u>
Fund balance/net assets - end of the year	<u>\$ 41,310,692</u>	<u>\$ 39,093</u>	<u>\$ 41,349,785</u>

*See accompanying notes to the financial statements.*

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

#### Note 1: Definition of Reporting Entity

The State Board of the Great Outdoors Colorado Trust Fund (“GOCO”), a political subdivision of the State of Colorado, was established at the 1992 General Election through the electorate’s adoption of Amendment 8, which resulted in Article XXVII of the Colorado Constitution. Article XXVII established the Great Outdoors Colorado Trust Fund and the State Board as the trustee of the trust fund and allocates certain net proceeds of the Colorado Lottery to GOCO in trust. Article XXVII authorizes GOCO to use these funds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space and natural areas by making strategic investments, fostering partnerships among diverse interests, and supporting education about the outdoor environment of the State of Colorado.

GOCO follows the Governmental Accounting Standards Board (“GASB”) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, potential for the organization to provide specific financial benefits or burdens and fiscal dependency. GOCO does not have any component units.

GOCO is a separate political subdivision of the State of Colorado as stated in Article XXVII. GOCO is not considered to be a component unit of the State for the purpose of the State’s annual financial reporting.

#### Note 2: Summary of Significant Accounting Policies

The significant accounting policies of GOCO are described as follows:

##### ***Government-wide and fund financial statements***

Because GOCO is a special-purpose government engaged in a single governmental program, it has presented its government-wide financial statements and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of GOCO.

Both of the government-wide financial statements are designed to distinguish functions of GOCO that are principally supported by intergovernmental revenues and operating grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The primary governmental activities of GOCO include the distribution of funds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space and natural areas. GOCO has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants, contributions, and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or programs are reported separately as general revenues.

Since GOCO does not operate any enterprise fund or internal service fund activities, there are no proprietary funds to include in this report. The general fund, because it is considered to be a major governmental fund and is GOCO’s only fund, is reported as a separate column in the fund financial statements.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

***Measurement focus, basis of accounting and financial statement presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as expenditures when all of the eligibility and reimbursement requirements of the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, GOCO considers revenues to be available if they are collectible within approximately sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the modified accrual basis of accounting, as used in the governmental fund financial statements, acquisition costs of capital assets are recorded as expenditures at the time of purchase and depreciation is not recognized on these capital assets.

GOCO reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all general operating financial resources of GOCO. There are no resources required to be accounted for in any other fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

***Budgets***

GOCO's budget is adopted by the Board of Trustees.

***Capital Assets***

The capital assets of GOCO consist primarily of furniture and fixtures, computer hardware and software, equipment and leasehold improvements used in the routine operation of GOCO. Durable items with a useful life greater than one year and a cost greater than \$2,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets of GOCO are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Type</b>	<b>Years</b>
Furniture and fixtures	10
Computer hardware and software	3 - 10
Equipment	5 - 7

Leasehold improvements are amortized over the life of the lease or expected useful life, whichever is less.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

#### ***Accrual for compensated absences***

GOCO has a policy that allows permanent employees to accumulate unused vacation benefits up to a maximum of 240 hours. Sick leave is forfeited upon termination of employment with GOCO and therefore is not accrued on GOCO's financial statements. A liability has been recorded for compensated absences in the financial statements.

#### ***State Lottery proceeds***

State Lottery proceeds are a distribution from the Colorado State Lottery based on the calculation of net proceeds and allocations established in Article XXVII. The calculation of net proceeds incorporates Lottery revenue, operation expenses, prize payments, and certain reserves. Article XXVII provides for net proceeds to be distributed not less than quarterly to the Conservation Trust Fund and Division of Parks and Outdoor Recreation in amounts allocable by statute as amended as of January 1, 1992; to certain debt service payments through November 1998; and to GOCO.

GOCO's share is limited by Article XXVII to \$35 million annually, adjusted for changes in the Denver/Boulder Consumer Price Index compounded annually based on 1992. GOCO's share for Fiscal Years 2010 and 2009 was approximately \$56.4 million and \$54.3 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$56.0 million, the maximum allowable, for Fiscal Year 2011.

#### ***Fund equity***

Designations of unreserved fund balances indicate GOCO's intention for future utilization of such funds and are subject to change by GOCO. The designated fund balance in the General Fund in the amount of \$0 and \$796,903 as of June 30, 2010 and 2009, respectively, represents the amount of budgeted subsequent year expenditures in excess of revenues.

### **Note 3: Reconciliation of Government-wide and Fund Financial Statements**

#### **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The statement of net assets and governmental fund balance sheet includes an adjustment between fund balance total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The only element of that adjustment pertains to capital assets. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The \$31,793 and \$39,093 adjustments to capital assets as of June 30, 2010 and 2009, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

#### **Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities**

The statement of activities and governmental fund revenues, expenditures, and changes in fund balance includes an adjustment between net changes in fund balance - total governmental fund and change in net assets of governmental activities as reported in the government-wide statement of activities. The only element of that adjustment pertains to capital assets.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This adjustment represents the amount by which depreciation expense exceeded capital outlays (capital outlays exceeded depreciation expense) in the periods presented. The details of this adjustment are as follows:

<i>Year Ended June 30,</i>	<b>2010</b>	<b>2009</b>
Loss on disposal	\$ -	\$ 105
Capital outlay	(11,928)	(7,551)
Depreciation expense	19,228	28,187
Net adjustment to decrease net changes in fund balances – total governmental fund to arrive at change in net assets of governmental activities	\$ 7,300	\$ 20,741

#### **Note 4 Cash Deposits and Investments**

##### ***Cash Deposits***

The Colorado Public Deposit Protection Act (“PDPA”) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of June 30, 2010, GOCO’s cash deposits had bank and carrying balances as follows:

<i>June 30, 2010</i>	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash on hand	\$ -	\$ 272
Insured deposits	68,455	11,225
	\$ 68,455	\$ 11,497

As of June 30, 2009, GOCO’s cash deposits had bank and carrying balances as follows:

<i>June 30, 2009</i>	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash on hand	\$ -	\$ 314
Insured deposits	110,220	36,459
	\$ 110,220	\$ 36,773

Because GOCO’s deposits are either FDIC insured or collateralized under PDPA in single institution pools, none are deemed to be exposed to custodial credit risk under GASB 40 (“GASB 40”), *Deposit and Investment Risk Disclosures*.



# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

#### **Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which a political subdivision may invest, which include:

- Obligations of the United States and certain US. Government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

#### **State Treasurer's Cash Pool**

GOCO invests its net Lottery proceeds with the State Treasurer. The State Treasurer has invested the monies held in the Trust Fund in the State Treasurer's cash pool. A detailed composition of the cash and investments is available in the annual State Treasurers' Report that also provides GASB 40 disclosures regarding investment risk for GOCO's investments held by the State Treasurer.

#### **Summary**

Total cash deposits and investments are as follows:

<i>June 30,</i>	<b>2010</b>	<b>2009</b>
Cash deposits	\$ 11,497	\$ 36,773
Investments	40,976,664	39,299,219
	<b>\$ 40,988,161</b>	<b>\$ 39,335,992</b>

#### **Investment Earnings**

Investment earnings are composed of the following:

<i>Year Ended June 30,</i>	<b>2010</b>	<b>2009</b>
Investment income	\$ 891,909	\$ 1,159,333
Net unrealized gains on investments held by the State	344,997	192,858
	<b>\$ 1,236,906</b>	<b>\$ 1,352,191</b>

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

#### Note 5: Lottery Proceeds Receivable

As of June 30, 2010 and 2009, GOCO had distributions owed from the Colorado State Lottery amounting to \$15,038,589 and \$8,510,377, respectively. For the receivable as of June 30, 2010, this represents GOCO's allocation of net proceeds from the Colorado State Lottery for the months of April, May, and June 2010, the month in which GOCO reached the Constitutional cap (Note 2). For the receivables as of June 30, 2009, it represented GOCO's allocation of net proceeds from the Colorado State Lottery for the months of April and May 2009 when GOCO reached the Constitutional Cap for 2009. These revenues are both measurable and available to finance expenditures of the fiscal period. No allowance for doubtful accounts is considered necessary as management believes the receivables are fully collectible.

#### Note 6: Notes Receivable

On June 9, 2006, GOCO entered into a zero interest promissory note (with annually renewable one year terms) with the City of Colorado Springs, Colorado (the "City") in the amount of \$1,000,000 for the acquisition of Red Rock Canyon property in El Paso County, Colorado. Because the City utilized Certificates of Participation ("COPs") to purchase the property, an easement on the property cannot be recorded until the COPs are paid in full. Accordingly, the easement has been placed in escrow and will remain there until the COPs have been paid in full by the City, estimated to be in 2018. Upon the due date of the note, the note will be considered paid in full without the transfer of any principal or interest to GOCO provided that: 1) the COPs have been redeemed, 2) all other terms (relating to items such as project scope, loan/grant conditions, budget, timeline, etc.) of the loan agreement have been satisfied and 3) there is no event of default. Under GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the note is considered an advance until these requirements are met. At the time the requirements are met, GOCO will reclassify the note to grant expense.

#### Note 7: Capital Assets

An analysis of the changes in capital assets for the Year Ended June 30, 2010, follows:

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010
Equipment	\$ 78,882	\$ 11,928	\$ (11,547)	\$ 79,263
Software	107,255	-	-	107,255
Furniture	31,194	-	-	31,194
Leasehold improvements	81,018	-	-	81,018
	298,349	11,928	(11,547)	298,730
Less: accumulated depreciation	(259,256)	(19,228)	11,547	(266,937)
Total capital assets, net	\$ 39,093	\$ (7,300)	\$ -	\$ 31,793

An analysis of the changes in capital assets for the Year Ended June 30, 2009, follows:

	Balance at July 1, 2008	Additions	Retirements	Balance at June 30, 2009
Equipment	\$ 74,034	\$ 7,551	\$ (2,703)	\$ 78,882
Software	110,388	-	(3,133)	107,255
Furniture	31,194	-	-	31,194
Leasehold improvements	81,018	-	-	81,018
	296,634	7,551	(5,836)	298,349
Less: accumulated depreciation	(236,800)	(28,187)	5,731	(259,256)
Total capital assets, net	\$ 59,834	\$ (20,636)	\$ (105)	\$ 39,093

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 8: Authorized Grants and Expended Grants**

The following is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2010 and June 30, 2009:

**Grants Authorized (Unaudited)**

<b>Funding Purpose</b>	<b>Cumulative Authorized Grants at June 30, 2009</b>	<b>Transfers/ Additions</b>	<b>Transfers/ Deletions</b>	<b>Cumulative Authorized Grants at June 30, 2010</b>
Wildlife	\$ 166,900,065	\$ 12,760,818	\$ (1,690,531)	\$ 177,970,352
Parks and outdoor recreation	154,352,847	26,288,231	(1,612,901)	179,028,177
Competitive grants for open space	186,340,974	17,333,095	(5,584,630)	198,089,439
Competitive matching grants to local governments for open land and parks	183,775,884	20,199,570	(2,944,180)	201,031,274
Noncategorized – Discretionary	1,220,174	-	-	1,220,174
	<b>\$ 692,589,944</b>	<b>\$ 76,581,714</b>	<b>\$ (11,832,242)</b>	<b>\$ 757,339,416</b>

<b>Funding Purpose</b>	<b>Cumulative Authorized Grants at June 30, 2008</b>	<b>Transfers/ Additions</b>	<b>Transfers/ Deletions</b>	<b>Cumulative Authorized Grants at June 30, 2009</b>
Wildlife	\$ 158,374,716	\$ 8,587,000	\$ (61,651)	\$ 166,900,065
Parks and outdoor recreation	145,045,897	10,563,836	(1,256,886)	154,352,847
Competitive grants for open space	179,384,704	8,061,629	(1,105,359)	186,340,974
Competitive matching grants to local governments for open land and parks	172,643,927	12,041,499	(909,542)	183,775,884
Noncategorized – Discretionary	1,070,174	150,000	-	1,220,174
	<b>\$ 656,519,418</b>	<b>\$ 39,403,964</b>	<b>\$ (3,333,438)</b>	<b>\$ 692,589,944</b>

**Grants Expended**

<b>Funding Purpose</b>	<b>Cumulative Expended Grants at June 30, 2009</b>	<b>Transfers/ Additions</b>	<b>Cumulative Expended Grants at June 30, 2010</b>
Wildlife	\$ 150,035,695	\$ 11,014,366	\$ 161,050,061
Parks and outdoor recreation	139,123,681	7,161,390	146,285,071
Competitive grants for open space	153,659,763	17,332,807	170,992,570
Competitive matching grants to local governments for open land and parks	146,370,132	16,079,423	162,449,555
Noncategorized – Discretionary	1,070,174	50,000	1,120,174
	<b>\$ 590,259,445</b>	<b>\$ 51,637,986</b>	<b>\$ 641,897,431</b>

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

<b>Funding Purpose</b>	<b>Cumulative Expended Grants at June 30, 2008</b>	<b>Transfers/ Additions</b>	<b>Cumulative Expended Grants at June 30, 2009</b>
Wildlife	\$ 131,955,001	\$ 18,080,694	\$ 150,035,695
Parks and outdoor recreation	133,589,290	5,534,391	139,123,681
Competitive grants for open space	135,288,214	18,371,549	153,659,763
Competitive matching grants to local governments for open land and parks	128,722,288	17,647,844	146,370,132
Noncategorized – Discretionary	1,070,174	-	1,070,174
	<b>\$ 530,624,967</b>	<b>\$ 59,634,478</b>	<b>\$ 590,259,445</b>

#### **Note 9: Commitments and Contingencies**

##### ***Operating Lease***

GOCO leases facilities, copy machines, and vehicles under operating leases that expire in April 2011, June 2012, and August 2011 respectively. Additionally, GOCO leases a postage meter under an operating lease that does not have an expiration date. Total facilities and equipment rental lease expense for the Years Ended June 30, 2010 and 2009 was \$127,427 and \$130,227, respectively. Future minimum lease payments under the leases are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2011	\$ 114,175
2012	7,497
2013	918
2014	918
2015	918
<b>Total</b>	<b>\$ 124,426</b>

#### **Note 10: Pension Plans**

As a political subdivision of the State, GOCO has elected not to use the Public Employees' Retirement Association of Colorado ("PERA"). GOCO has established a retirement plan that consists of an employer funded Defined Contribution Pension Plan and an employee funded Deferred Compensation Plan.

##### ***Defined Contribution Pension Plan***

As of July 1, 2002, GOCO amended and restated the State Board of the Great Outdoors Colorado Trust Fund Pension Plan. Unified Trust Company administers this plan at the direction of each employee for his/her own account.

There are no age or service requirements determining eligibility, and participation is mandatory. Employer contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus performance awards). Assets of the plan are held in trust for the exclusive benefit of participating employees. Therefore, the plan assets are not reflected as an asset of GOCO.

GOCO contributed \$95,533 and \$88,143 to the plan for the Years Ended June 30, 2010 and 2009, respectively, which approximates the required contribution.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2010 and 2009

#### ***Deferred Compensation Plan***

GOCO has a State Board of the Great Outdoors Colorado Trust Fund Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Unified Trust Company at the direction of each employee for his/her own account. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

Contributions to the plan are made by GOCO's employees through a pre-tax payroll deduction. Contributions to the plan are mandatory for all permanent employees with a minimum required contribution of 6.2% of each employee's gross salary. Contributions above 6.2% are allowed on a voluntary basis not to exceed a maximum permissible amount. Assets of the plan are held in trust for the exclusive benefit of participating employees. Therefore, the plan assets are not reflected as an asset of GOCO.

#### **Note 11: Related Parties — State Agencies**

##### ***Board Composition and Approval of Grants***

The Board of GOCO is composed of seventeen members, fourteen of whom are public members (two from each congressional district) appointed by the Governor, subject to the consent of the Senate. The three ex-officio members include the Executive Director of the Colorado Department of Natural Resources; a representative designated by the State Board of Parks and Outdoor Recreation; and a representative designated by the Colorado Wildlife Commission. The State Board of Parks and Outdoor Recreation and the Colorado Wildlife Commission are the governing bodies of the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife, respectively. These State agencies are under the administrative direction of the Colorado Department of Natural Resources.

Under the Colorado Constitution, the Board of GOCO is responsible for ensuring that expenditures are made for purposes stipulated, including investing in wildlife resources through the Colorado Division of Wildlife and investing in outdoor recreation resources through the Colorado Division of Parks and Outdoor Recreation. In addition, the Colorado Division of Wildlife and the Colorado Division of Parks and Outdoor Recreation are eligible to apply for competitive grants for open space and natural areas of statewide significance, along with local governmental entities and nonprofit land conservation organizations.

#### **Note 12: Risk Management**

GOCO is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. GOCO carries commercial insurance coverage for all risks of loss including workers compensation and employee health and accident insurance. GOCO has settled one claim since inception, which did not exceed commercial coverage.

#### **Note 13: Tax, Spending and Debt Limitations**

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and all local governments. In the same general election, Amendment 8 was passed creating GOCO. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments. The General Assembly determined, in Section 24-77-102(17)(b)(ix) C.R.S., that the net proceeds from the Colorado Lottery that are deposited in GOCO are excluded from the scope of "state fiscal year spending" for purposes of TABOR. The Colorado Supreme Court, in response to an interrogatory from the General Assembly, approved that determination.

TABOR is complex and subject to further legislative and judicial interpretation. GOCO believes it is in compliance with both of these constitutional amendments.

***Required Supplementary Information***

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Variance– Favorable (Unfavorable)
Revenues				
State lottery proceeds	\$ 56,382,233	\$ 56,382,233	\$ 56,382,233	\$ -
Investment earnings	600,000	600,000	1,236,906	636,906
Total revenues	<u>56,982,233</u>	<u>56,982,233</u>	<u>57,619,139</u>	<u>636,906</u>
Expenditures				
Grants expended	56,000,000	56,000,000	51,637,986	4,362,014
Personnel services and benefits	1,246,466	1,246,466	1,194,715	51,751
Operating expenditures	524,170	544,170	502,824	41,346
Capital outlay	8,500	8,500	11,928	(3,428)
Total expenditures	<u>57,779,136</u>	<u>57,799,136</u>	<u>53,347,453</u>	<u>4,451,683</u>
Excess (deficiency) of revenues over expenditures	(796,903)	(816,903)	4,271,686	5,088,589
Fund balance – beginning of year	<u>10,530,450</u>	<u>10,530,450</u>	<u>41,310,692</u>	<u>30,780,242</u>
Fund balance – end of year	<u><u>\$ 9,733,547</u></u>	<u><u>\$ 9,713,547</u></u>	<u><u>\$ 45,582,378</u></u>	<u><u>\$ 35,868,831</u></u>

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2009**

	Original and Final Budget	Actual	Variance– Favorable (Unfavorable)
<b>Revenues</b>			
State lottery proceeds	\$ 54,800,000	\$ 54,267,191	\$ (532,809)
Miscellaneous income and investment earnings	850,000	1,484,696	634,696
Total revenues	<u>55,650,000</u>	<u>55,751,887</u>	<u>101,887</u>
<b>Expenditures</b>			
Grants expended	48,000,000	59,634,478	(11,634,478)
Personnel services and benefits	1,232,126	1,102,689	129,437
Operating expenditures	547,196	534,435	12,761
Capital outlay	20,500	7,551	12,949
Total expenditures	<u>49,799,822</u>	<u>61,279,153</u>	<u>(11,479,331)</u>
Excess (deficiency) of revenues over expenditures	5,850,178	(5,527,266)	(11,377,444)
Fund balance – beginning of year	<u>4,680,272</u>	<u>46,837,958</u>	<u>42,157,686</u>
Fund balance – end of year	<u><u>\$ 10,530,450</u></u>	<u><u>\$ 41,310,692</u></u>	<u><u>\$ 30,780,242</u></u>





## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Trustees and the Legislative Audit Committee:

We have audited the financial statements of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund ("GOCO") as of and for the year ended June 30, 2010, which collectively comprise The State Board of Great Outdoors Colorado Trust Fund's basic financial statements and have issued our report thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered GOCO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GOCO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GOCO's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether GOCO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted one matter that we reported to GOCO's Board of Trustees and the Members of the Legislative Audit Committee in the Findings and Recommendations section as listed in the foregoing Table of Contents.

This report is intended solely for the information and use of management, Members of GOCO's Board of Trustees, the State of Colorado's Legislative Audit Committee and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a matter of public record and its distribution is not limited.

*Anton Collins Mitchell LLP*

September 15, 2010

Accountants & Consultants

17th & Grant Building • 303 East 17th Avenue, Suite 600 • Denver, Colorado 80203  
303.830.1120 • Fax 303.830.8130



## Required Communications to Members of the Board of Trustees and the Legislative Audit Committee

Professional standards require us to advise you of the following matters relating to our recently completed audit. The matters discussed herein are those that we have noted as of September 15, 2010 and we have not updated our procedures regarding these matters since that date to the current date.

### Our Responsibility Under Generally Accepted Auditing Standards

As stated in our contract dated April 20, 2010, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable – not absolute – assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of GOCO's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### Required Communications – Internal Control Over Financial Reporting

In conjunction with our audit of the financial statements of GOCO, we considered GOCO's internal control over financial reporting ("ICFR") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GOCO's ICFR. Accordingly, we do not express an opinion on the effectiveness of GOCO's ICFR. However, we are required to communicate, in writing, to those charged with corporate governance all material weaknesses and significant deficiencies that have been identified during our audit. The definitions of material weakness, significant deficiency, and deficiency in internal control follow.

**Material Weakness**                      A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**Significant Deficiency**                A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Deficiency in Internal Control**        A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

We noted no material weaknesses during the performance of our audit of the year ended June 30, 2010.

### Qualitative aspects of the Organization's accounting policies, estimates and financial statement disclosures

In accordance with applicable auditing standards, a discussion was held with those charged with governance regarding the quality of financial reporting, which included GOCO's significant accounting practices, estimates and financial statement disclosures.

### Critical and significant accounting policies

We have reviewed the accounting policies that management has identified to be the most critical, and concur with management's assessment. These include revenue recognition, review and approval of grant expenditures in compliance with applicable guidelines and procedures, recording grants payable, and the constitutional requirement for substantially equal distributions of grant expenditures over time for the four funding categories specified in Article XXVII.

### Accountants & Consultants

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Required Communications

The State Board of the Great Outdoors Colorado Trust Fund and the Legislative Audit Committee

Adoption of a change in accounting principles

There were no situations involving the adoption of, or a change in, accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on GOCO's financial statements.

Material, corrected misstatements brought to the attention of management by the auditor

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by GOCO because they are not material to the current financial statements but might be potentially material to future financial statements.

We noted no material corrected misstatements during our audit.

Unrecorded misstatements, other than those the auditor believes to be trivial

We noted no unrecorded misstatements during our audit.

Other information in documents containing the Organization's audited financial statements

Our responsibility for other information in documents containing GOCO's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information.

Disagreements with Management

There were no disagreements with management on financial accounting and/or reporting matters and auditing procedures that, if not satisfactorily resolved, would cause a modification of our auditors' reports.

Consultation with Other Accountants

We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.

Major issues discussed with management prior to our retention

Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit. All records and information requested by Anton Collins Mitchell LLP were freely available for inspection. Management and other personnel provided full cooperation.

Material alternative accounting treatments discussed with management

There was no discussion with management concerning alternative accounting treatments.

Management Representations

We requested certain representations from management that are included in the management representation letter dated September 15, 2010.



Required Communications

The State Board of the Great Outdoors Colorado Trust Fund and the Legislative Audit Committee

Other issues arising from the audit the auditor considers significant and relevant to those charged with governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.



Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is intended solely for the information and use of the members of the Board of Trustees and management of the State Board of the Great Outdoors Colorado Trust Fund, members of the Legislative Audit Committee, and the Office of the State Auditor, and should not be used for any other purpose. However, its distribution is not limited.

Very truly yours,

*Anton Collins Mitchell LLP*

Certified Public Accountants  
September 15, 2010

The electronic version of this report is available on the Web site of the  
Office of the State Auditor  
[www.state.co.us/auditor](http://www.state.co.us/auditor)

A bound report may be obtained by calling the  
Office of the State Auditor  
303.869.2800

Please refer to the Report Control Number below when requesting this report.

**Report Control Number 2112**