



**STATE BOARD OF THE
GREAT OUTDOORS COLORADO TRUST FUND**

**Financial and Compliance Audit
For the Years
June 30, 2020 and 2019**

LEGISLATIVE AUDIT COMMITTEE

Representative Lori Saine – Chair

Representative Dafna Michaelson Jenet – Vice-Chair

Representative Rod Bockenfeld

Senator Paul Lundeen

Senator Rhonda Fields

Senator Robert Rodriguez

Representative Tracy Kraft-Tharp

Senator Jim Smallwood

OFFICE OF THE STATE AUDITOR

Dianne E. Ray

State Auditor

Kerri Hunter

Deputy State Auditor

Gina Faulkner

Contract Monitor

Eide Bailly, LLP

Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.COLORADO.GOV/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 2022F WHEN REQUESTING THIS REPORT

**MEMBERS OF THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST
FUND**

2020 MEMBERS

Hollie Velasquez-Horvath– Chair

Jason Brinkley

David Cockrell

Warren Dean

Pamela Denahy

Charles Garcia

Dan Gibbs

Karma Giulianelli

Carrie Besnette Hauser

Mina Liebert

Leticia Martinez

Turk Montepare

Jody Rogers

Mo Siegel

Jahi Simbai

Linda Strand

Julie Thibodeau



November 3, 2020

Members of the State Board of the Great Outdoors Colorado Trust Fund and 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, 2020 and 2019. 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.

Sincerely,

Eide Bailly LLP

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Table of Contents

	<u>Page</u>
Report Summary	1
Recommendation Locator.....	2
Description of the State Board of the Great Outdoors Colorado Trust Fund	3
Auditor’s Findings and Recommendations	6
Independent Auditor’s Report	7
Management’s Discussion and Analysis	9
Basic Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2020	15
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2019	16
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2020.....	17
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2019.....	18
Notes to Financial Statements	19
Required Supplementary Information	
Budgetary Comparison Schedule – For the Year Ended June 30, 2020.....	35
Budgetary Comparison Schedule – For the Year Ended June 30, 2019.....	36
Notes to the Required Supplementary Information	37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Required Communications to the Members of the State Board of Great Outdoors Colorado Trust Fund and the Legislative Audit Committee	40

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Report Summary Financial and Compliance Audit For the Years Ended June 30, 2020 and 2019

AUTHORITY, PURPOSE, AND SCOPE

The Office of the State Auditor, State of Colorado, engaged Eide Bailly LLP to conduct the financial and compliance audit of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) for the Fiscal Years ended June 30, 2020 and 2019.

Eide Bailly LLP conducted the 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. The audit work was performed during the period from May 2020 through October 2020.

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 test GOCO’s compliance with certain rules and regulations governing the expenditures of State funds for the year ended June 30, 2020 (c) to prepare audit findings and recommendations for improvements in internal controls, as applicable; and (d) to evaluate progress in implementing prior audit findings, as applicable.

AUDITOR’S OPINIONS AND REPORTS

An independent auditor’s report on the financial statements of GOCO, dated November 3, 2020, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2020 and 2019, and the change in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A 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*, dated November 3, 2020, has also been issued, which states that the results of the Contract Auditors’ tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

SUMMARY OF AUDIT RECOMMENDATIONS

There were no prior year audit recommendations in fiscal year 2019 and no findings and recommendations reported for fiscal year 2020.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Recommendation Locator
Financial and Compliance Audit
For the Years Ended June 30, 2020 and 2019**

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
----------------------------------	------------------------	-----------------------------------	-----------------	--------------------------------

There are no findings and recommendations reported for the year ended June 30, 2020.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Description of the State Board of the Great Outdoors Colorado Trust Fund For the Years Ended June 30, 2020 and 2019

The Great Outdoors Colorado Trust Fund and the State Board, which 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 2020 was the twenty-seventh year of operations for GOCO.

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 State Lottery (“Lottery”) proceeds to provide funding for wildlife, park, river, trail, and open space heritage. To help ensure this, Article XXVII allocated an amount of net Lottery proceeds to GOCO. The amount is adjusted annually based on the change from the 1992 Denver-Boulder-Greeley Consumer Price Index (“CPI”). In turn, GOCO is responsible for funding appropriate programs through designated state and local agencies as well as other qualifying entities. All of GOCO’s revenues, with the exception of investment earnings and miscellaneous income, are from Lottery proceeds. During 2018, House Bill 18-066 extended the termination date of Lottery to July 1, 2049, thus continuing funding for GOCO through June 30, 2049.

As of June 30, 2020, the State Board that oversees GOCO consists of a total of seventeen members: two members of the public from each of the seven congressional districts, appointed by the Governor; a representative for outdoor recreation issues designated by the Colorado Parks and Wildlife Commission (the “Commission”); a representative for wildlife issues, also designated by the 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 of Colorado (“State”). During Fiscal Year 2020, GOCO had a permanent staff of 17 and received \$70.4 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2020. During Fiscal Year 2019, GOCO had a permanent staff of 17 and received \$68.5 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2019.

CONSTITUTIONAL REQUIREMENTS FOR SPENDING

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

GOCO created a policy in Fiscal Year 2018 to define “substantially equal” and “a period of years,” to measure performance and establish a process for addressing issues of non-compliance. This policy sets tolerance thresholds of the percentage variance from 25% (exactly equal among four categories), with different timeframes for authorizations and expenditures. The policy states:

- For grant authorizations, substantially equal means a range of tolerance of +/- 1.25% of 25% per funding category, to be measured cumulatively from the organization’s inception to the forecasted end of a board-adopted multi-year spending plan.
- For grant expenditures, substantially equal means a range of tolerance of +/-2.5% of 25% per funding category, measured cumulatively from the organization’s inception to the end of the most recently closed fiscal year, as established via the annual financial audit of the organization.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Description of the State Board of the Great Outdoors Colorado Trust Fund
For the Years Ended June 30, 2020 and 2019**

As shown in the tables below and on the following page, GOCO complied with the above policy on expended grants as of Fiscal Year 2020. Authorized grants are measured for compliance as forecasted at the end of the multi-year spending plan (Fiscal Year 2020). However, the ratio of grant authorizations for the Local Government Purpose is outside of the 1.25% threshold at 2020. GOCO’s policy for board action if the defined threshold for substantially equal is out of compliance is as follows:

- a. determine what circumstances are affecting its ability to maintain its cash balance as a percentage of outstanding grants, grant authorizations, or grant expenditures within established ranges; and,
- b. determine what actions it will take to bring cash balance, grant authorizations or grant expenditures within established ranges; and,
- c. determine a timeframe by which it will seek to return its cash balance as a percentage of outstanding grants, grant authorizations or grant expenditures back within established ranges.

In order to comply with policy, the Board passed a resolution on June 14, 2018 to bring local government authorizations back within substantially equal tolerance on authorizations no later than Fiscal Year 2023. This includes reducing local government spending in the Local Government Purpose in GOCO’s 2021 – 2025 spending plan.

The following chart shows the cumulative grants expended and authorized since GOCO’s inception in 1993. *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 by purpose and is the measurement used for substantially equal.

GOCO Grants Cumulative through Fiscal Year 2020 (in thousands)

Funding Purpose	Grants Authorized		Grants Expended		Cumulative Difference
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 336,042	24.6%	\$ 299,572	24.6%	\$ 36,470
Purpose 2 – Parks and outdoor recreation	334,485	24.5	289,965	23.8	44,520
Purpose 3 – Competitive grants for open space	331,741	24.3	308,389	25.3	23,352
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>364,417</u>	<u>26.6</u>	<u>320,300</u>	<u>26.3</u>	<u>44,117</u>
Total	<u>\$ 1,366,685</u>	<u>100.0%</u>	<u>\$1,218,226</u>	<u>100.0%</u>	<u>\$ 148,459</u>

Source: Data provided by GOCO

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Description of the State Board of the Great Outdoors Colorado Trust Fund
For the Years Ended June 30, 2020 and 2019**

The next two charts show the trend over the last five years of cumulative grants authorized by GOCO and grants expended by purpose.

GOCO Grants Authorized Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Authorized %					Five-Year Change
	2016	2017	2018	2019	2020	
Purpose 1 - Wildlife	24.6%	24.2%	23.9%	24.5%	24.6%	0%
Purpose 2 - Parks and outdoor recreation	23.7	23.5	23.4	24.0	24.5	0.8%
Purpose 3 - Competitive grants for open space	26.0	26.0	25.3	24.6	24.3	(1.7)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>25.7</u>	<u>26.3</u>	<u>27.4</u>	<u>26.9</u>	<u>26.6</u>	0.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Data provided by GOCO

GOCO Grants Expended Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Expended %					Five-Year Change
	2016	2017	2018	2019	2020	
Purpose 1 - Wildlife	25.4%	25.3%	24.6%	24.4%	24.6%	(0.8)%
Purpose 2 - Parks and outdoor recreation	22.9	23.0	22.6	22.9	23.8	0.9%
Purpose 3 - Competitive grants for open space	25.7	25.5	26.7	26.1	25.3	(0.4)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.0</u>	<u>26.2</u>	<u>26.1</u>	<u>26.6</u>	<u>26.3</u>	0.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Data provided by GOCO

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Auditor's Findings and Recommendations
Financial and Compliance Audit
For the Years Ended June 30, 2020 and 2019**

There are no findings and recommendations reported for the years ended June 30, 2020 or June 30, 2019.



Independent Auditor's Report

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

Report on the Financial Statements

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 GOCO as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 14 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of GOCO'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 solely 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 effectiveness of GOCO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GOCO's internal control over financial reporting and compliance.



Denver, Colorado
November 3, 2020

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management’s Discussion and Analysis
June 30, 2020 and 2019

The State Board of the Great Outdoors Colorado Trust Fund’s (“GOCO”) management discussion and analysis is designed to provide a financial performance overview of GOCO’s financial activities for the Fiscal years ended June 30, 2020 and 2019. The management’s discussion and analysis is intended to be read in conjunction with GOCO’s financial statements beginning on page 15.

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 for four funding purposes: 1) wildlife, 2) outdoor recreation, 3) competitive grants for open space, and 4) competitive matching grants to local governments for open lands and parks.

The following table highlights significant variances between Fiscal Year 2020, Fiscal Year 2019, and Fiscal Year 2018.

	Fiscal Year Ended June 30,			2020/2019		2019/2018	
	2020	2019	2018	\$ Variance	%	\$ Variance	%
Lottery revenues	\$70,364,774	\$68,494,436	\$66,250,998	\$1,870,338	2.7%	\$2,243,438	3.4%
Grant expenditures	\$75,040,053	\$63,872,334	\$66,377,373	\$11,167,719	17.5%	\$(2,505,039)	(3.8%)

2020

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$70.4 million, per the constitutional cap. This represents a \$1.9 million increase over Fiscal Year 2019 in Lottery proceeds to GOCO due to an increase in the Denver-Boulder-Greeley Consumer Price Index (“CPI”). Per Article XXVII, Section 3 of the Colorado Constitution, GOCO’s proceeds received from Lottery is capped at \$35 million using the base year of 1992, adjusted annually for inflation.

Grant expenditures increased by \$11.2 million from Fiscal Year 2019. Grant expenditures fluctuate year to year due to timing differences of project completions. In Fiscal Year 2020, GOCO funded the acquisition and development of the new Fishers Peak State Park near Trinidad, Colorado through Colorado Parks and Wildlife, which increased expenditures from Fiscal Year 2019. Wildlife expenditures also increased due to an increase in the completion of capital projects.

2019

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$68.5 million, per the constitutional cap. This represents a \$2.2 million increase over Fiscal Year 2018 in Lottery proceeds to GOCO due to an increase in the Denver-Boulder-Greeley Consumer Price Index (“CPI”). Per Article XXVII, Section 3 of the Colorado Constitution, GOCO’s proceeds received from Lottery is capped at \$35 million using the base year of 1992, adjusted annually for inflation.

Grant expenditures decreased by \$2.5 million from Fiscal Year 2018. Grant expenditures fluctuate year

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management’s Discussion and Analysis
June 30, 2020 and 2019

to year due to timing differences of project completions. In Fiscal Year 2018, GOCO’s open space competitive program had a high amount of grant reimbursements, which decreased in Fiscal Year 2019.

Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of GOCO:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about GOCO’s overall financial status.
- The governmental fund statements tell how operations were financed in the short term as well as what remains for future spending.

GOCO’s primary source of income is the State Lottery. Net Lottery proceeds are distributed as follows:

- 40% to the Conservation Trust Fund,
- 10% to the Colorado Parks and Wildlife (“CPW”),
- 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 (\$70.4 million and \$68.5 million in Fiscal Year 2020 and Fiscal Year 2019, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Public School Capital Construction Assistance Fund for Fiscal Year 2020 and Fiscal Year 2019.

Government-Wide Statements

Statement of Net Position

The following table reflects the condensed statement of net position as of June 30, 2020, 2019, and 2018.

	June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 103,699,911	\$ 102,293,049	\$ 94,091,500
Capital assets, net	98,037	84,573	105,292
Total assets	<u>103,797,948</u>	<u>102,377,622</u>	<u>94,196,792</u>
Liabilities	<u>20,035,595</u>	<u>13,426,075</u>	<u>10,537,698</u>
Net position			
Invested in capital assets	98,037	84,573	105,292
Unrestricted	<u>83,664,316</u>	<u>88,866,974</u>	<u>83,553,802</u>
Total net position	<u>\$ 83,762,353</u>	<u>\$ 88,951,547</u>	<u>\$ 83,659,094</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2020 and 2019

Government-Wide Statements (continued)

2020

The significant portions of current and other assets are cash, Lottery proceeds receivable, notes receivable and advanced grants payments. Cash decreased by approximately \$20.8 million during Fiscal Year 2020 due to the timing of grant payments and an increase in grants and loans paid out. The Lottery proceeds receivable increased by approximately \$15 million from June 30, 2019. This represents the amount of proceeds due from Lottery at the end of the year to meet the constitutional cap. In Fiscal Year 2019, the constitutional cap was met earlier in the year, therefore the amount due from Lottery was lower at the end of Fiscal Year 2019 than Fiscal Year 2020. Notes receivable increased due to a loan that was paid to The Conservation Fund ("TCF") at the end of June 2020 in the amount of \$6.25 million for the acquisition of the Sweetwater Lake property. (See Note 6 for additional detail.) Advanced grants payments were made during the year to grantees of GOCO's Generation Wild (formerly "Inspire") program, a grant program funding 15 community coalitions that provide programs, infrastructure, and career pathways within the community in order to address the growing disconnect between youth and the outdoors. These advances will be recognized as grant expense once the contractual obligations are met by the grantees.

As of June 30, 2020, liabilities increased by \$6.6 million from June 30, 2019. The liabilities outstanding at Fiscal Year End consisted mainly of monthly bills, grants payable, and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). Total liabilities consist mostly of an accrual for CPW's estimated March through June 2020 investments of approximately \$17.2 million, an increase over the prior year. Accounts payable and compensated absences also had slight increases.

2019

The significant portions of current and other assets are cash, Lottery proceeds receivable and advanced grants payments. Cash increased by approximately \$17.8 million during Fiscal Year 2019 due to an unrealized gain on GOCO's state treasury account and the timing of grant payments. Lottery proceeds receivable decreased by approximately \$7.6 million from June 30, 2018. This represents the amount of proceeds due from Lottery at the end of the year to meet the constitutional cap. Higher proceeds from Lottery in the beginning of the year reduce the receivable at the end of the year. Advanced grants payments were made during the year to grantees of GOCO's Generation Wild (formerly "Inspire") program, a grant program funding 15 community coalitions that provide programs, infrastructure, and career pathways within the community in order to address the growing disconnect between youth and the outdoors. These advances will be recognized as grant expense once the contractual obligations are met by the grantees.

As of June 30, 2019, liabilities increased by \$2.9 million from June 30, 2018. The liabilities outstanding at Fiscal Year End consisted mainly of monthly bills, grants payable, and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). Total liabilities consist mostly of an accrual for CPW's estimated April, May and June 2019 investments of approximately \$12.3 million, an increase over prior year. Unearned Grant Income decreased due to the recognition of grant funds from a \$4 million grant from the Colorado Health Foundation as grant income in Fiscal Year 2019, after requirements were met during the year. \$3 million of this grant has been received as of June 30, 2019 and the entire amount has been recognized as grant income during Fiscal Years 2018 and 2019. The balance of Unearned Grant

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2020 and 2019

Government-Wide Statements (continued)

Income of \$75,000 represents a grant from the Boettcher Foundation that has been received but the contractual requirements of the grant have not yet been met. Please see Note 14 for further explanation.

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years ended June 30, 2020, 2019, and 2018.

	Fiscal Years Ended June 30,		
	2020	2019	2018
Revenue			
Lottery revenue	\$ 70,364,774	\$ 68,494,436	\$ 66,250,998
Miscellaneous/Grant income and investment earnings	4,682,224	5,729,474	914,078
Total revenue	75,046,998	74,223,910	67,165,076
Program expenses			
Grants expended	75,040,053	63,872,334	66,377,373
Personnel services and benefits	1,724,618	1,656,529	1,574,344
Operating and capital outlay	3,471,521	3,421,409	2,940,383
Total expenses	80,236,192	68,950,272	70,892,100
Special Item			
Grant Reimbursements	-	18,815	2,266,019
Change in net position	(5,189,194)	5,292,453	(1,461,005)
Beginning net position	88,951,547	83,659,094	85,120,099
Ending net position	\$ 83,762,353	\$ 88,951,547	\$ 83,659,094

2020

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2020 decreased by \$1 million. The decrease is due to a decrease in the revenue recognized of previously unearned grant income from a Colorado Health Foundation grant of \$2.4 million in Fiscal Year 2019 to \$1 million in Fiscal Year 2020. Additionally, GOCO's investments held by the State Treasury experienced an unrealized gain of \$1.9 million and earned interest income of approximately \$1.8 million.

Grant expenditures in Fiscal Year 2020 increased by \$11.2 million from Fiscal Year 2019 primarily due to an increase in completion of CPW projects. GOCO funded \$9.75 million in the outdoor recreation purpose for a significant land acquisition that was made near Trinidad, Colorado, where CPW will establish Fishers Peak State Park. Additionally, wildlife purpose funding was used by CPW to complete several priority capital projects during the Fiscal Year.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2020 and 2019

Government-Wide Statements (continued)

GOCO's operating expenditures increased from prior year due to inflation and a project to develop and implement a multi-year strategic plan for Fiscal Years 2021 - 2025.

2019

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2019 increased by \$4.8 million. The increase is due to the revenue recognition of previously unearned grant income of \$2.4 million received from a Colorado Health Foundation grant. Additionally, GOCO's investments held by the State Treasury experienced an unrealized gain of \$1.4 million and earned interest income of approximately \$1.8 million.

Grant expenditures in Fiscal Year 2019 decreased by \$2.5 million from Fiscal Year 2018 primarily due to a decrease in project completions of open space grant programs. Grant expenditures are made on a reimbursement basis. Fiscal Year 2018 and 2019 awards were lower than the first two years of GOCO's 2016-2020 Spending Plan, resulting in lower grant payments in 2019. Operating expenditures increased from prior year due to inflation, a project to implement a multi-year strategic plan and the increase in budget for the Generation Wild marketing campaign designed to get Colorado kids and their families outside more often.

During 2019, GOCO received one reimbursement from the proceeds of a land sale from a grantee in the amount of \$18,815, as stipulated in their grant agreement. This transaction was considered infrequent and unusual in nature and was classified as a Special Item. In 2018, a similar land sale transaction occurred for \$2.3 million, causing a decrease in Special Items. See Note 15 for more detail.

Economic Factors and Next Year's Budget

Next year, GOCO is projecting approximately \$70.3 million in revenue from the Lottery, which is less than the constitutional cap projection for Fiscal Year 2021. Although the constitutional cap has historically been met, GOCO prefers to budget conservatively, as Lottery revenues are unpredictable. Grant expenditures are expected to be consistent or slightly lower in the next year as grants awarded in the 2015 – 2020 spending plan are paid out to grantees.

As GOCO begins a new 5-year strategic funding plan in Fiscal Year 2021, focus will initially be on helping the outdoors community respond to challenges of COVID-19 impacts with our Resilient Communities Program. This new program was created in June of 2020 in response to the disruption caused by the COVID-19 pandemic. Through the Resilient Communities Program, GOCO will fund its partners' one-time, immediate needs or opportunities that have emerged from the pandemic that also align with GOCO's program values and are within GOCO's constitutional funding mandates.

The new 5-year spending plan is structured to award higher funds in the later years of the plan (Fiscal Years 2023 – 2025) in order to identify and prepare large impactful projects for the new Centennial Program. The Centennial Program is GOCO's strategic initiative aimed at encouraging multi-purpose, transformational projects. Priority will continue to be placed on compliance with its constitutional requirement that expenditures in each of the four purposes over a period of years be substantially equal (article XXVII).

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2020 and 2019

Economic Factors and Next Year's Budget (continued)

Also, GOCO is budgeting \$5.2 million for Fiscal Year 2021 operating expenditures. The decrease from prior year is due to a decrease in costs on strategic planning and a temporary salary and bonus freeze. Operating expenditures are classified as follows:

Personnel services and benefits	\$ 1,743,060
Operating expenditures	3,429,513
Capital outlay	<u>3,000</u>
Total 2021 Budgeted Operating Expenditures	<u>\$ 5,175,573</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2020**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 76,970,134	\$ -	\$ 76,970,134
Lottery proceeds receivable	18,476,420	-	18,476,420
Note Receivable	6,250,000	-	6,250,000
Advanced Grant Payments	1,907,698	-	1,907,698
Prepaid Expenses	76,803	-	76,803
Other Assets	18,856	-	18,856
Capital assets, net of accumulated depreciation	<u>-</u>	<u>98,037</u>	<u>98,037</u>
 Total assets	 <u>103,699,911</u>	 <u>98,037</u>	 <u>103,797,948</u>
Liabilities			
Grants payable	19,398,335	-	19,398,335
Accounts payable	458,144	-	458,144
Compensated absences payable	104,116	-	104,116
Unearned Grant Income	<u>75,000</u>	<u>-</u>	<u>75,000</u>
 Total liabilities	 <u>20,035,595</u>	 <u>-</u>	 <u>20,035,595</u>
 Commitments and contingencies (See Note 9)			
Fund Balances/Net Position			
Fund balances			
Non-spendable	76,803	(76,803)	-
Assigned	<u>83,587,513</u>	<u>(83,587,513)</u>	<u>-</u>
Total fund balances	<u>83,664,316</u>	<u>(83,664,316)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 103,699,911</u>		
 Net position			
Invested in capital assets		98,037	98,037
Unrestricted		<u>83,664,316</u>	<u>83,664,316</u>
 Total net position		 <u>\$ 83,762,353</u>	 <u>\$ 83,762,353</u>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 97,770,657	\$ -	\$ 97,770,657
Lottery proceeds receivable	3,492,985	-	3,492,985
Advanced Grant Payments	909,642	-	909,642
Prepaid Expenses	101,852	-	101,852
Other Assets	17,913	-	17,913
Capital assets, net of accumulated depreciation	<u>-</u>	<u>84,573</u>	<u>84,573</u>
 Total assets	 <u>102,293,049</u>	 <u>84,573</u>	 <u>102,377,622</u>
Liabilities			
Grants payable	12,915,657	-	12,915,657
Accounts payable	377,419	-	377,419
Compensated absences payable	57,999	-	57,999
Unearned Grant Income	<u>75,000</u>	<u>-</u>	<u>75,000</u>
 Total liabilities	 <u>13,426,075</u>	 <u>-</u>	 <u>13,426,075</u>
Commitments and contingencies (See Note 9)			
Fund Balances/Net Position			
Fund balances			
Non-spendable	101,852	(101,852)	-
Assigned	<u>88,765,122</u>	<u>(88,765,122)</u>	<u>-</u>
Total fund balances	<u>88,866,974</u>	<u>(88,866,974)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 102,293,049</u>		
 Net position			
Invested in capital assets		84,573	84,573
Unrestricted		<u>88,866,974</u>	<u>88,866,974</u>
 Total net position		 <u>\$ 88,951,547</u>	 <u>\$ 88,951,547</u>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 75,040,053	\$ -	\$ 75,040,053
Personnel services and benefits	1,724,618	-	1,724,618
Operating expenditures	3,454,499	17,022	3,471,521
Capital Outlay	<u>30,486</u>	<u>(30,486)</u>	<u>-</u>
Total expenditures/expenses	<u>80,249,656</u>	<u>(13,464)</u>	<u>80,236,192</u>
 Program revenues – State Lottery proceeds	 <u>70,364,774</u>	 <u>-</u>	 <u>70,364,774</u>
 Net program revenues (expenses)	 <u>(9,884,882)</u>	 <u>13,464</u>	 <u>(9,871,418)</u>
 General revenues			
Grant income	1,000,572	-	1,000,572
Investment earnings	<u>3,681,652</u>	<u>-</u>	<u>3,681,652</u>
Total general revenues	<u>4,682,224</u>	<u>-</u>	<u>4,682,224</u>
 Excess (deficiency) of revenues over expenditures	 (5,202,658)	 13,464	 (5,189,194)
 Change in fund balance	 <u>(5,202,658)</u>	 <u>5,202,658</u>	 <u>-</u>
 Change in net position	 -	 (5,189,194)	 (5,189,194)
 Fund balance/net position – beginning of the year	 <u>88,866,974</u>	 <u>84,573</u>	 <u>88,951,547</u>
 Fund balance/net position – end of the year	 <u>\$ 83,664,316</u>	 <u>\$ 98,037</u>	 <u>\$ 83,762,353</u>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 63,872,334	\$ -	\$ 63,872,334
Personnel services and benefits	1,656,529	-	1,656,529
Operating expenditures	<u>3,400,690</u>	<u>20,719</u>	<u>3,421,409</u>
Total expenditures/expenses	<u>68,929,553</u>	<u>20,719</u>	<u>68,950,272</u>
 Program revenues – State Lottery proceeds	 <u>68,494,436</u>	 <u>-</u>	 <u>68,494,436</u>
 Net program revenues (expenses)	 <u>(435,117)</u>	 <u>-</u>	 <u>(455,836)</u>
 General revenues			
Grant income	2,435,006	-	2,435,006
Investment earnings	<u>3,294,468</u>	<u>-</u>	<u>3,294,468</u>
Total general revenues	<u>5,729,474</u>	<u>-</u>	<u>5,729,474</u>
 Excess (deficiency) of revenues over expenditures	 5,294,357	 (20,719)	 5,273,638
 Special item			
Project reimbursements	<u>18,815</u>	<u>-</u>	<u>18,815</u>
 Change in fund balance	 <u>5,313,172</u>	 <u>(5,313,172)</u>	 <u>-</u>
 Change in net position	 -	 5,292,453	 5,292,453
 Fund balance/net position – beginning of the year	 <u>83,553,802</u>	 <u>105,292</u>	 <u>83,659,094</u>
 Fund balance/net position – end of the year	 <u>\$ 88,866,974</u>	 <u>\$ 84,573</u>	 <u>\$ 88,951,547</u>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

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 (the “State”), was established as a result of 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.

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 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 position and the statement of activities) report information on all of the non-fiduciary activities of GOCO.

Both of the government-wide financial statements are designed to report functions of GOCO that are principally supported by intergovernmental revenues and operating grants (governmental 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.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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 program 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.

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 60 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 only fund. It accounts for all general operating financial resources of GOCO. There are no resources required to be accounted for in any other fund.

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.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements
June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Budget

GOCO's budget is adopted by the Board. GOCO's general fund exceeded budget due to higher than budgeted grant expenditures as of June 30, 2020.

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:

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

Leasehold improvements are amortized over the life of the lease or expected useful life, whichever is less. Intangible assets, which were added in Fiscal Year 2017 related to trademarks purchased for the Generation Wild marketing campaign, have indefinite lives and are not depreciated. An impairment analysis will be performed annually to determine the correct carrying amount of the assets.

Accrual for Compensated Absences

GOCO has a policy that allows permanent employees to accumulate unused vacation benefits up to a maximum of 280 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 as the following conditions of GASB 16, *Accounting for Compensated Absences*, have been met:

1. The employees' rights to receive compensation are attributable to services already rendered and;
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Interpretation No. 6 requires leave balances that will be liquidated with expendable available financial resources (current liabilities) be accrued and reported as a governmental fund liability and expenditure. GOCO budgeted for compensated absences in the current year with current financial

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

resources. Therefore, the full liability was accrued and reported in the Government-wide and fund financial statements.

Fund Balances and Net Position

The fund balance is classified according to a hierarchy based on spending constraints as follows:

Nonspendable Funds – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact (ex. inventory).

Restricted Funds – amounts constrained externally by creditors, grantors, contributors, or laws or regulations of governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution by GOCO's Board of Trustees.

Assigned Funds – amounts set aside for planned or intended purposes but are not restricted or committed.

Unassigned Funds – the residual classification for amounts that have not been classified in any of the above categories.

Outside of the nonspendable fund balance as shown on the Governmental Fund Balance Sheets and Statements of Net Position, all of GOCO's fund balance is classified as assigned in Fiscal Year 2020 and 2019 as it is intended for grants awarded. These grants were awarded by the GOCO Board of Trustees and authorized by Board Resolution in compliance with GOCO's policies as set forth in the Colorado Constitution.

State Lottery Proceeds

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. Net proceeds are distributed not less than quarterly to the Conservation Trust Fund, Colorado Parks and Wildlife, and GOCO in amounts allocable by statute.

GOCO's share of Lottery proceeds is limited by Article XXVII to \$35 million annually, adjusted for changes in the CPI compounded annually based on the 1992 base-year CPI. GOCO's share of Lottery proceeds for Fiscal Years 2020 and 2019 was approximately \$70.4 million and \$68.5 million, respectively, which was the maximum amount allowable under the State Constitution.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

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 Position

The governmental fund balance sheet and statement of net position includes an adjustment between fund balance total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$98,037 and \$84,573 adjustments to capital assets as of June 30, 2020 and 2019, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

Explanation of Certain Differences Between the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

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

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:

	For the Fiscal Years Ended June 30,	
	2020	2019
Capital outlay	\$ (30,486)	\$ -
Depreciation expense	17,022	20,719
Net adjustment to (decrease) increase net changes in fund balances - total governmental fund to arrive at change in net position of governmental activities	\$ (13,464)	\$ 20,719

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

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. The 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 Divisions of Banking and Financial Services within the Colorado Department of Regulatory Agencies 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, 2020, GOCO’s cash deposits had bank and carrying balances as follows:

June 30, 2020	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 361
Insured deposits	170,767	118,467
	\$ 170,767	\$ 118,828

As of June 30, 2019, GOCO’s cash deposits had bank and carrying balances as follows:

June 30, 2019	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 314
Insured deposits	392,215	153,620
	\$ 392,215	\$ 153,934

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

Investments

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

Note 4 - Cash Deposits and Investments (continued)

- Obligations of the United States and certain U.S. 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 deposits its cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2020, GOCO had cash invested with the State Treasurer of \$76,851,306 which represented approximately 0.82 percent of the total \$9,358.1 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2019, GOCO had cash invested with the State Treasurer of \$97,616,723 which represented approximately 1.07 percent of the total \$9,055.2 million fair value of deposits in the Pool.

On the basis of GOCO's participation in the Pool, GOCO reports its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments as an increase or decrease in cash. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2020.

Summary

Total cash deposits and investments are as follows:

	June 30,	
	2020	2019
Cash deposits	\$ 118,828	\$ 153,934
Investments	<u>76,851,306</u>	<u>97,616,723</u>
	<u>\$ 76,970,134</u>	<u>\$ 97,770,657</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

Note 4 - Cash Deposits and Investments (continued)

Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2020	2019
Investment income	\$ 1,818,360	\$ 1,864,956
Net unrealized gain (loss) on investments held by the State	<u>1,863,292</u>	<u>1,429,512</u>
	<u>\$ 3,681,652</u>	<u>\$ 3,294,468</u>

Note 5 - Lottery Proceeds Receivable

As of June 30, 2020, and 2019, GOCO had distributions owed from the Lottery amounting to \$18,476,420 and \$3,492,985, respectively. For the receivable as of June 30, 2020, this represents GOCO's allocation of net proceeds from the Lottery for the months of April through June 2020. For the receivable as of June 30, 2019, this represents GOCO's allocation of net proceeds from the Lottery for only April 2019, the month in which GOCO reached the constitutional cap (Note 2). 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 - Note Receivable and Advanced Grant Payments

On June 30, 2020, GOCO entered into a zero-interest promissory note with The Conservation Fund, ("TCF") in the amount of \$6,250,000 for the acquisition of the Sweetwater Lake parcel for inclusion into the White River National Forest. The loan is due on June 30, 2023 and is interest-free through June 30, 2022, after which time the interest rate will equal the Colorado Treasury Pool rate of interest. TCF acquired the property in June 2020 to hold until it can be sold to the United States Forest Service when funds get appropriated from the Land and Water Conservation Fund.

During Fiscal Years 2020 and 2019, GOCO made certain payments to grantees in advance of completion of project objectives outlined in the grant agreements. Under this arrangement, GOCO requires the grantee to provide an annual expense report that describes how the advance payment was spent throughout the year. The expenses must comply with contractual obligations outlined in the grant agreement. This is considered a contingency eligibility requirement under GASB 33, as GOCO may request reimbursement of the advanced funds if the grantee does not provide the requested information or if the funds were improperly used. These funds may not be expensed by GOCO until the appropriate documentation is received. The Advanced Grant Payment balance on the Statement of Net Position is \$1,907,698 at June 30, 2020 and \$909,642 at June 30, 2019.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

Note 7 - Capital Assets

An analysis of the changes in capital assets for the year ended June 30, 2020 follows:

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2020</u>
Equipment	\$ 46,131	\$ 30,486	\$ -	\$ 76,617
Software	125,052	-	-	125,052
Furniture	38,850	-	-	38,850
Intangible Assets	32,416	-	-	32,416
Leasehold improvements	<u>22,164</u>	<u>-</u>	<u>-</u>	<u>22,164</u>
	264,613	30,486	-	295,099
Less: accumulated depreciation	<u>(180,040)</u>	<u>(17,022)</u>	<u>-</u>	<u>(197,062)</u>
Total capital assets, net	<u>\$ 84,573</u>	<u>\$ 13,464</u>	<u>\$ -</u>	<u>\$ 98,037</u>

An analysis of the changes in capital assets for the year ended June 30, 2019 follows:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2019</u>
Equipment	\$ 46,131	\$ -	\$ -	\$ 46,131
Software	125,052	-	-	125,052
Furniture	38,850	-	-	38,850
Intangible Assets	32,416	-	-	32,416
Leasehold improvements	<u>22,164</u>	<u>-</u>	<u>-</u>	<u>22,164</u>
	264,613	-	-	264,613
Less: accumulated depreciation	<u>(159,321)</u>	<u>(20,719)</u>	<u>-</u>	<u>(180,040)</u>
Total capital assets, net	<u>\$ 105,292</u>	<u>\$ (20,719)</u>	<u>\$ -</u>	<u>\$ 84,573</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

Note 8 - Authorized Grants and Expended Grants (Unaudited)

The following table is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2020 and 2019.

Grants Authorized

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2019</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2020</u>
Purpose 1 - Wildlife	\$ 318,473,760	\$ 20,189,089	\$ (2,621,317)	\$ 336,041,532
Purpose 2 - Outdoor recreation	312,264,030	27,376,477	(5,155,216)	334,485,291
Purpose 3 - Competitive grants for open space	320,454,730	14,578,775	(3,292,273)	331,741,232
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>349,064,331</u>	<u>15,659,300</u>	<u>(307,177)</u>	<u>364,416,454</u>
	<u>\$ 1,300,256,851</u>	<u>\$ 77,803,641</u>	<u>\$ (11,375,983)</u>	<u>\$ 1,366,684,509</u>

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2018</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2019</u>
Purpose 1 - Wildlife	\$ 298,516,973	\$ 22,893,500	\$ (2,936,713)	\$ 318,473,760
Purpose 2 - Outdoor recreation	290,936,293	22,938,852	(1,611,115)	312,264,030
Purpose 3 - Competitive grants for open space	315,294,943	7,456,828	(2,297,041)	320,454,730
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>342,219,313</u>	<u>7,050,187</u>	<u>(205,169)</u>	<u>349,064,331</u>
	<u>\$ 1,246,967,522</u>	<u>\$ 60,339,367</u>	<u>\$ (7,050,038)</u>	<u>\$ 1,300,256,851</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

Note 8 - Authorized Grants and Expended Grants (Unaudited) (continued)

Grants Expended

<u>Funding Purpose</u>	<u>Cumulative Expended Grants at June 30, 2019</u>	<u>Transfers/ Additions</u>	<u>Cumulative Expended Grants at June 30, 2020</u>
Purpose 1 - Wildlife	\$ 278,778,598	\$ 20,792,773	\$ 299,571,371
Purpose 2 - Outdoor recreation	261,906,167	28,059,044	289,965,211
Purpose 3 - Competitive grants for open space	298,068,407	10,320,645	308,389,052
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>304,432,745</u>	<u>15,867,591</u>	<u>320,300,336</u>
	<u>\$ 1,143,185,917</u>	<u>\$ 75,040,053</u>	<u>\$1,218,225,970</u>

<u>Funding Purpose</u>	<u>Cumulative Expended Grants at June 30, 2018</u>	<u>Transfers/ Additions</u>	<u>Cumulative Expended Grants at June 30, 2019</u>
Purpose 1 - Wildlife	\$ 265,534,127	\$ 13,244,471	\$ 278,778,598
Purpose 2 - Outdoor recreation	243,440,124	18,466,043	261,906,167
Purpose 3 - Competitive grants for open space	287,911,131	10,157,276	298,068,407
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>282,428,199</u>	<u>22,004,546</u>	<u>304,432,745</u>
	<u>\$ 1,079,313,581</u>	<u>\$ 63,872,336</u>	<u>\$1,143,185,917</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2020 and 2019**

Note 9 - Commitments and Contingencies

Operating Lease

GOCO leases facilities, copy machines, vehicles, and a postage meter under operating leases that expire in January 2024, April 2022, September 2020, and October 2021, respectively. Total facilities and equipment rental lease expense for the Fiscal Years ended June 30, 2020 and 2019 was \$127,672 and \$128,243, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 130,019
2022	130,005
2023	130,213
2024	<u>77,082</u>
Total	<u>\$ 467,319</u>

Contractual Obligation

During Fiscal Year 2016, GOCO signed a multi-year contract with Suple Advertising for services for the Generation Wild marketing campaign, a statewide, multi-media, integrated movement connecting Colorado kids and families with the outdoors. The research and strategy phase of the campaign started in Fiscal Year 2016, and the program has now extended into Fiscal Year 2021. In Fiscal Year 2020 and 2019, GOCO's expenses on the marketing campaign were approximately \$2.37 million and \$2.41 million, respectively. The GOCO Board has approved a Fiscal Year 2021 budget of \$2.5 million. This contract may be terminated upon advance notice with payment required on any active projects.

During Fiscal Year 2019, GOCO engaged a consulting firm, Prosono, to assist with creating and implementing a multi-year strategic plan. The contract spans Fiscal Years 2019 and 2020. In Fiscal Year 2020 and 2019, GOCO paid Prosono \$231,560 and \$194,433, respectively for consulting services related to strategic planning. The services were completed during Fiscal Year 2020.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

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 (the "Pension Plan"). Unified Trust Company administers this plan at the direction of each employee for his/her own account.

Benefit terms, including contribution requirements, for the Pension Plan are established and may be amended by GOCO. 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 Pension Plan are held in trust for the exclusive benefit of participating employees. Therefore, the Pension Plan's assets are not reflected as an asset of GOCO.

Employees are vested on a two-year schedule contingent on 1,000 hours of service during each of the two years. Non-vested GOCO contributions are forfeited upon termination of employment. Such forfeitures are used to first pay any pension plan administrative expenses, and then to reduce any employer contribution. For the Fiscal Years Ended June 30, 2020 and 2019, respectively, GOCO recognized pension expense of \$8,662 and \$2,500, net of forfeitures, which reduced pension expense by \$5,123 and \$11,729. GOCO contributed \$135,875 and \$129,207 to the Pension Plan for the Fiscal Years ended June 30, 2020 and 2019, respectively, which approximates the required contribution. As of June 30, 2020, GOCO had no liability to the Pension Plan.

Deferred Compensation Plan

The State Board of the Great Outdoors Colorado Trust Fund Deferred Compensation Plan (the "Deferred Plan") was 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 Deferred 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, death, or unforeseen emergencies.

Contributions to the Deferred Plan are made by GOCO's employees through a payroll deduction. Contributions to the Deferred 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 Deferred Plan are held in trust for the exclusive benefit of participating employees. Therefore, the Deferred Plan's assets are not reflected as an asset of GOCO.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

Note 11 - Related Parties - State Agencies

Board Composition and Approval of Grants

The GOCO Board is composed of 17 members, 14 of whom are public members (2 from each congressional district) appointed by the Governor, subject to the consent of the State Senate. The 3 ex-officio members include the Executive Director of the Colorado Department of Natural Resources, a representative for Parks and Outdoor Recreation issues designated by the Colorado Parks and Wildlife Commission (the “Commission”), and a representative for wildlife issues, also designated by the Commission. The Commission is the governing body of CPW. This state agency is under the administrative direction of the Colorado Department of Natural Resources.

Under the Colorado Constitution, the GOCO Board is responsible for ensuring that expenditures are made for purposes stipulated, including investing in wildlife resources and investing in parks and outdoor recreation resources through CPW. In addition, CPW is eligible to apply for competitive grants for open space and natural areas of statewide significance, along with local governmental entities and non-profit land conservation organizations. Expenditures made to CPW are listed in Note 8.

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; and/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 two claims 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 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 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.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2020 and 2019

Note 14 – Unearned Revenue

In Fiscal Year 2017, GOCO and the Colorado Health Foundation entered into a grant agreement which allocates \$4 million to GOCO over a 4-year period, contingent on meeting certain requirements. These funds will be monitored by the Colorado Health Foundation and should only be used for GOCO's Generation Wild (Formerly "Inspire") initiative on projects approved by the Colorado Health Foundation. GOCO has received the full \$4 million of the grant; \$1 million each year since Fiscal Year 2017. GOCO subsequently awarded the funds to Generation Wild grantees. The proceeds were initially classified as "Unearned Revenue" until the corresponding grant expense was incurred for the qualifying grants. The grant amount received as of June 30, 2020 has been properly distributed and used by Generation Wild grantees and has thus been allocated to grant income.

The balance of Unearned Grant Income of \$75,000 represents a grant from the Boettcher Foundation that has been received but the contractual requirements of the grant have not yet been met. The grant agreement specifically outlines a capital project in the Generation Wild program that must be completed to meet requirements. As of June 30, 2020, this project was not yet completed, and the grant amount cannot be classified as income.

Note 15 – Special Items - Project Reimbursements

During Fiscal Year 2019, GOCO received a cash payment from a grantee for a reimbursement of land sale proceeds. In 1998, GOCO made an open space legacy grant in the amount of \$100,000 for a land acquisition. GOCO's contribution made up 91% of the total purchase price of the land acquired in 1998. A portion of the land was sold in Fiscal Year 2019 for \$20,675, and GOCO was reimbursed 91% of the purchase price of the property for \$18,815.

These types of transactions rarely occur and are considered both infrequent and unusual in nature but within management control, as the reimbursement was a result of the grant agreement. Accordingly, GOCO recorded the reimbursement as a "special item" in accordance with GASB 34. The project reimbursement is presented separately in the General Fund. There were no special items to report for Fiscal Year 2020.

Note 16 – COVID-19 Contingency

Prior to and subsequent to year-end, GOCO's business operations have been disrupted by the effects of the worldwide COVID-19 pandemic. While GOCO's finances have not been negatively impacted by the pandemic, GOCO is closely monitoring its operations, liquidity, and lottery revenue projections and is working to minimize the current and future impact of this unprecedented situation. GOCO is also monitoring the impact to its partners, grantees, Lottery, and vendors in order to respond as needed. As of the date of issuance of these financial statements, the full impact to the organization is not known.

REQUIRED SUPPLEMENTARY INFORMATION

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020**

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 68,441,881	\$ 70,364,774	\$ 1,922,893
Investment earnings and miscellaneous income	<u>1,500,000</u>	<u>4,682,224</u>	<u>3,182,224</u>
Total revenues	<u>69,941,881</u>	<u>75,046,998</u>	<u>5,105,117</u>
Expenditures			
Grants expended	65,770,750	75,040,053	(9,269,303)
Personnel services and benefits	1,793,169	1,724,618	68,551
Operating expenditures	3,677,524	3,454,499	223,025
Capital outlay	<u>3,000</u>	<u>30,486</u>	<u>(27,486)</u>
Total expenditures	<u>71,244,443</u>	<u>80,249,656</u>	<u>(9,005,213)</u>
(Deficiency) excess of revenues over expenditures	(1,302,562)	(5,202,658)	(3,900,096)
Fund balance – beginning of year	<u>40,611,138</u>	<u>88,866,974</u>	<u>48,255,836</u>
Fund balance – end of year	<u>\$ 39,308,576</u>	<u>\$ 83,664,316</u>	<u>\$ 44,355,740</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 67,124,547	\$ 68,494,436	\$ 1,369,889
Investment earnings and miscellaneous income	<u>1,000,000</u>	<u>5,729,474</u>	<u>4,729,474</u>
Total revenues	<u>68,124,547</u>	<u>74,223,910</u>	<u>6,099,363</u>
Expenditures			
Grants expended	68,425,000	63,872,334	4,552,666
Personnel services and benefits	1,772,860	1,656,529	116,331
Operating expenditures	3,396,064	3,400,690	(4,626)
Capital outlay	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total expenditures	<u>73,600,924</u>	<u>68,929,553</u>	<u>4,671,371</u>
(Deficiency) excess of revenues over expenditures	(5,476,377)	5,294,357	10,770,734
Special Item – Project Reimbursements	-	18,815	18,815
Fund balance – beginning of year	<u>46,087,515</u>	<u>83,553,802</u>	<u>37,466,287</u>
Fund balance – end of year	<u>\$ 40,611,138</u>	<u>\$ 88,866,974</u>	<u>\$ 48,255,836</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Required Supplementary Information

Note RSI-1 Budgetary Information

GOCO budgets are prepared by GOCO staff and approved annually by the Board. The operating budget uses the modified accrual standard of accounting where capital outlays are treated as expenditures and depreciation is not budgeted. The operating budget is based on prior year results and expectations for the next year.

Encumbrance accounting is employed by GOCO to account for grants awarded but not yet invoiced. Encumbrances outstanding at year end do not constitute expenditures or liabilities.



**Independent Auditor’s 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 State Board of the Great Outdoors Colorado Trust Fund and Legislative Audit Committee

We have audited, in accordance with the 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, 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 years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise GOCO’s basic financial statements, and have issued our report thereon dated November 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GOCO’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GOCO’s internal control. Accordingly, we do not express an opinion on the effectiveness of GOCO’s 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. 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. 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.

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 3, 2020
Denver, Colorado



November 3, 2020

To the Members of the State Board of the Great Outdoors Colorado Trust Fund and Legislative Audit Committee
Great Outdoors Colorado Trust Fund
Denver, Colorado

We have audited the financial statements of Great Outdoors Colorado Trust Fund ("GOCO") as of and for the year ended June 30, 2020 and have issued our report thereon dated November 3, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated May 14, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of GOCO solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by GOCO is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We did not identify any sensitive accounting estimates affecting the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting GOCO's financial statements relate to:

The disclosure of Cash Deposits and Investments in Note 4, Lottery Proceeds Receivable in Note 5, Note Receivable and Advanced Grant Payments in Note 6, Authorized Grants and Expended Grants (Unaudited) in Note 8, Commitments and Contingencies in Note 9, Related Parties – State Agencies in Note 11, Unearned Revenue in Note 14, Special Items – Project Reimbursements in Note 15, and COVID-19 Contingency in Note 16.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no corrected or uncorrected misstatements noted based on procedures performed.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to GOCO's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated November 3, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with GOCO, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as GOCO's auditors.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of the GOCO Board, Legislative Audit Committee, Office of the State Auditor, and management of GOCO 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 public document.



Denver, Colorado