

THE STATE BOARD OF THE  
GREAT OUTDOORS COLORADO  
TRUST FUND

FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION

JUNE 30, 2001

## **LEGISLATIVE AUDIT COMMITTEE**

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*Joanne Hill*  
Deputy State Auditor

*Linda Greenly*  
Legislative Auditor

*Clifton Gunderson LLP*  
Contract Auditors

**Members of the Legislative Audit Committee:**

This audit report contains the results of a financial and compliance audit of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) for the Fiscal Year ended June 30, 2001. The audit was conducted pursuant to Article XXVII, Section 6(3) of the Colorado Constitution. This report presents our conclusions, findings and recommendations, and the responses of GOCO and the Division of Wildlife and the Division of Parks and Outdoor Recreation.

Greenwood Village, Colorado  
September 10, 2001

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

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## **REPORT SUMMARY**

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### **THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND FINANCIAL AND COMPLIANCE AUDIT FISCAL YEAR ENDED JUNE 30, 2001**

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

The 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, that requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., that authorizes the State Auditor to conduct audits of political subdivisions as required by law. The State Auditor has contracted with Clifton Gunderson LLP to conduct this audit.

We conducted this audit in accordance with generally accepted auditing standards. We performed our audit work during the period from June through September 2001.

The purpose of this audit was to examine GOCO's financial records; review internal control systems including grant monitoring; and evaluate compliance with relevant state constitutional and statutory provisions.

#### **Financial Audit Opinion**

We found GOCO's financial statements to be fairly presented in all material respects for the Fiscal Year ended June 30, 2001. Our opinion letter, dated September 10, 2001, is presented in the Financial Statement section of this report.

#### **Great Outdoors Colorado Overview**

Article XXVII authorizes GOCO to use net Lottery proceeds 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.

*The following discussion and analysis of GOCO's financial performance provides an overview of GOCO's financial activities for the fiscal year ended June 30, 2001. The narrative should be read in conjunction with the GOCO's financial statements, which begin on page 15.*

## **REPORT SUMMARY**

### **The State Board of the Great Outdoors Colorado Trust Fund** Financial and Compliance Audit - June 2001

#### ***CONDENSED FINANCIAL INFORMATION***

	<b>Fiscal Year 2001</b>	<b>Fiscal Year 2000</b>	<b>Percent Increase Increase/ Decrease</b>
	<b>Amounts</b>	<b>Amounts</b>	
Total assets	\$ 44,157,274	\$ 43,806,524	\$ 350,750 0.8%
Total liabilities	<u>(7,280,264)</u>	<u>(7,135,503)</u>	<u>144,761</u> 2.0%
Fund balance			
Reserved	16,517,123	30,122,402	(13,605,279) (45.2%)
Unreserved	<u>20,359,887</u>	<u>6,548,619</u>	<u>13,811,268</u> 210.9%
Total fund balance	<u>\$ 36,877,010</u>	<u>\$ 36,671,021</u>	<u>\$ 205,989</u> .6%
Revenue			
State Lottery proceeds	\$ 39,642,222	\$ 43,488,104	\$ (3,845,882) (8.8%)
Net investment and miscellaneous income	2,655,232	1,891,953	763,279 40.3%
Federal grant proceeds	<u>78,782</u>	<u>(78,782)</u>	<u>(100.0%)</u>
Total revenue	<u>42,297,454</u>	<u>45,458,839</u>	<u>(3,161,385)</u> (7.0%)
Expenditures			
Grants	<u>40,280,472</u>	<u>58,678,562</u>	<u>(18,398,090)</u> (31.4%)
Administrative expenditures			
Services and benefits	1,032,933	1,081,799	(48,866) (4.5%)
Operating	689,155	572,343	116,812 20.4%
Capital outlay	<u>88,905</u>	<u>31,075</u>	<u>57,830</u> 186.1%
Total administrative expenditures	<u>1,810,993</u>	<u>1,685,217</u>	<u>125,776</u> 7.5%
Total expenditures	<u>42,091,465</u>	<u>60,363,779</u>	<u>(18,272,314)</u> (30.3%)
Excess (deficiency) of revenue over expenditures	<u>\$ 205,989</u>	<u>\$ (14,904,940)</u>	<u>\$ 15,110,929</u> 101.4%

## REPORT SUMMARY

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

Financial and Compliance Audit - June 2001

#### ***FINANCIAL HIGHLIGHTS***

*Since GOCO was created to provide funding from net Lottery proceeds, it is primarily a pass through entity, receiving dollars from Lottery proceeds and distributing them for use in four areas. These include wildlife, parks and outdoor recreation, open space acquisition and local government projects. GOCO's distributions are primarily in the form of grants. In addition to grant expenditures, GOCO also makes loans for purchasing land or conservation easements for open space use.*

*Financial activity highlights include:*

#### ***Assets and Fund Balance***

*GOCO's expenditures were slightly less than the current revenue received, thus total assets and fund balance increased by only a small amount. GOCO monitored its cash flows and grant awards carefully throughout Fiscal Year 2001 and adjusted expenditures accordingly. Thus, at year end, the reserved fund balance, which represents the amount of grants awarded but not expended, has decreased significantly. The unreserved fund balance remains available to fund grants authorized but not yet appropriated.*

#### ***Revenues***

*Although GOCO would have been allowed to collect approximately \$44.8 million of Lottery proceeds, as limited by the constitutional cap, actual Lottery proceeds were less than that amount and the \$40.2 million budgeted. The Lottery proceeds received were approximately \$39.6 million which was a decrease of 8.8 percent from the previous year. This was mainly due to declining Lottery sales, which fluctuate significantly based on the size of the Lottery jackpots.*

*Net investment income in the General Fund has increased because of better investment returns and a favorable year end market value adjustment to the State Treasurer's Cash Pool. The net investment loss in the Pension Trust Fund is because of an unfavorable year end market value adjustment. Favorable and unfavorable variances are dependent upon the types of investments held.*

#### ***Expenditures***

*GOCO distributed about \$40.3 million in grants, down 31.4% from the previous year. The decrease is attributable to declining Lottery proceeds and an effort by GOCO to control spending based upon cash flow availability.*

*General costs to administer GOCO grew by 7.5%. However, personnel expenditures decreased 4.5% due to turnover in the higher paid management positions and vacancies in these positions while searching for replacements. Operating expenditures increased 20.4% mainly due to costs related to hiring a new executive director of approximately \$92,000. Capital outlay increased 186.1% which was primarily the result of purchasing and implementing a new grant tracking system for approximately \$64,000.*

## **REPORT SUMMARY**

### **The State Board of the Great Outdoors Colorado Trust Fund** Financial and Compliance Audit - June 2001

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Colorado Lottery projects an end to significant growth in Lottery sales and, within the next few years, a decline in sales. GOCO's projections for Lottery proceeds available to GOCO are somewhat lower than those of the Lottery. GOCO projects \$35.9 million in Lottery proceeds in Fiscal Year 2002, while the Lottery projects \$44.6 million. Both projections are less than the constitutional cap of \$46.5 million. Since GOCO does not have a supplemental revenue source, GOCO maintains a conservative perspective for budgeting Lottery proceeds to avoid mid-year downward adjustments for grant payments due to state agencies and other recipients.

At the November 6, 2001 election, Colorado voters will be asked to allow GOCO to borrow up to \$115 million with a total repayment cost not to exceed \$180 million to carry out GOCO's constitutional purpose. Any borrowing is to be repaid from lottery proceeds within 20 years. GOCO's budget for Fiscal Year 2002 does not currently reflect any additional proceeds or expenditures related to the passage of this amendment.

## **REPORT SUMMARY**

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**The State Board of the Great Outdoors Colorado Trust Fund**  
Financial and Compliance Audit - June 2001

### **Current Year Findings and Recommendations**

We have identified three findings and recommendations as follows:

- The Division of Wildlife is not providing sufficient detail for the legacy project grant billings to GOCO and is not using consistent grant tracking names and numbers for the legacy project grants.
- Grant tracking information needs to be reconciled.
- Grant allocations are not meeting constitutional requirements.

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

The prior year report for the year ended June 30, 2000 included five recommendations. Three have been implemented. Two have not been fully implemented and have been reissued as recommendations 2 and 3 for Fiscal Year 2001.

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**RECOMMENDATION LOCATOR**  
**THE STATE BOARD OF THE GREAT OUTDOORS**  
**COLORADO TRUST FUND**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**FISCAL YEAR ENDED JUNE 30, 2001**

<b>Rec No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Addressed</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1.	9	GOCO and the Division of Wildlife must work together to develop a method by which the DOW can provide GOCO the detailed information it needs to accurately track the grant expenditures on legacy projects and utilize consistent tracking numbers and names.	State Board of the Great Outdoors Colorado Trust Fund;  Colorado Division of Wildlife	Agree	December 2001
				Agree	December 2001
2.	9	GOCO should take immediate steps to ensure that the cumulative grant expenditures in the new grant tracking system agree to the amounts in the financial reporting system.	State Board of the Great Outdoors Colorado Trust Fund	Agree	November 2001
3.	11	GOCO must focus efforts to ensure that expenditures are equal across the four categories.	State Board of the Great Outdoors Colorado Trust Fund	Agree	June 2002

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## DESCRIPTION OF THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

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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 2001 is the eighth year of operations for GOCO. During 1998, Senate Bill 3 extended the termination date of the State Lottery from July 1, 1999 to July 1, 2009, thus continuing funding for GOCO through July 1, 2009.

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 resources and related programs. To ensure this, Article XXVII allocates part of net Lottery proceeds to the Trust for administration by 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, appointed by the Governor, from each congressional district, 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. GOCO had a permanent staff of 14 during Fiscal Year 2001.

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## FINDINGS AND RECOMMENDATIONS

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Our audit included an examination of GOCO's financial records, a review of internal control systems including grant monitoring and an evaluation of compliance with relevant State constitutional and statutory provisions.

We identified the following areas where additional efforts could be beneficial:

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### **THE DIVISION OF WILDLIFE IS NOT PROVIDING SUFFICIENT DETAIL FOR THE LEGACY PROJECT GRANT BILLINGS TO GOCO AND IS NOT USING CONSISTENT GRANT TRACKING NAMES AND NUMBERS FOR LEGACY PROJECT GRANTS**

GOCO, in fulfilling its requirements according to the Colorado Constitution, is providing funding to the Division of Wildlife (DOW) for the purpose of carrying out various projects within the scope of operations of the DOW. The DOW incurs costs related to the projects and then on a monthly basis submits a reimbursement billing to GOCO for the costs incurred.

Included in the monthly billings are legacy projects, which are comprised of multiple projects called subgrants that are typically completed over several years. As of June 30, 2001 approximately \$24.5 million of legacy grants have been awarded in the DOW quadrant since GOCO's inception. The cumulative expenditures related to these grants was approximately \$18.2 million, of which approximately \$2.7 million was expended during the year ended June 30, 2001. When the DOW submits a proposal to GOCO for initial approval of a legacy project, GOCO creates sub-grants within GOCO's grant tracking system, based on the work plan submitted by DOW, in order to account for the costs related to the various aspects of these large legacy projects.

GOCO is not able to accurately track the progress of the legacy projects at the sub-grant level since DOW does not provide detail on the monthly billings for these legacy projects at the sub-grant level. Therefore, GOCO has been recording the costs incurred at the sub-grant level on a first-in/first-out basis. This means that as costs come in from the billings, they post them to the first sub-grant until the costs equal the amount approved for that sub-grant. Once the approved amount has been reached, GOCO moves to the next sub-grant and posts costs to that portion.

This results in GOCO not accurately recording the expenditures related to the legacy projects in the general ledger and the grant tracking system. This also creates communication problems because GOCO is providing sub-grant information on the first-in/first-out method but the DOW is tracking it internally as the sub-grants are actually expended.

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**FINDINGS AND RECOMMENDATIONS**  
**The State Board of the Great Outdoors Colorado Trust Fund**  
Financial and Compliance Audit - June 2001

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**Recommendation No. 1:**

GOCO and the Division of Wildlife must work together to develop a method by which the DOW can provide GOCO the detailed information it needs to accurately track the grant expenditures on legacy projects and utilize consistent tracking numbers and names.

**GOCO Response:**

Agree. GOCO will begin meeting with DOW immediately to determine the most effective and efficient way for GOCO and DOW to share information that will allow both organizations to track these Legacy grants in a consistent manner.

**Colorado Division of Wildlife Response:**

Agree. The DOW staff and GOCO have already had preliminary discussions about meeting to determine the most effective method of tracking and reporting Legacy grant expenditures that is consistent with the accounting parameters currently in operation at the DOW.

**RECONCILIATION OF GRANT TRACKING INFORMATION**

GOCO's grant tracking system accumulates information on each grant such as the dollar amount of the award, expenditures to date and the balance left to be expended. It is an important tool used to monitor historical grant activity. The financial reporting system is the primary source for accumulating the actual expenditures of grants and is relied upon for financial decisions.

During Fiscal Year 2001 GOCO installed a new grant tracking system called GIFTS and began reconciling the monthly information recorded in the financial reporting system to the monthly activity recorded in the GIFTS. Even though the monthly reconciliations are being performed, the cumulative grant expenditures in GIFTS do not agree to the cumulative expenditures reported in the financial reporting system at June 30, 2001. The unreconciled balance at June 30, 2001 could not be determined; however, subsequent to year end, GOCO reconciled the difference to approximately \$650,000. It is important that these two systems agree so that the Board will have accurate information for making spending decisions.

**Recommendation 2:**

GOCO should take immediate steps to ensure that the cumulative grant expenditures in the new grant tracking system agree to the amounts in the financial reporting system.

## **FINDINGS AND RECOMMENDATIONS**

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

Financial and Compliance Audit - June 2001

#### **GOCO Response:**

Agree. The reconciliation of the new GIFTS grant tracking system and the financial reporting system was identified as part of the original implementation plan. Implementing this new software package, developing new procedures and reconciling financial records entails multiple steps, one of which is reconciling all historical payments with the financial reporting system. The total project is substantially complete and this historic reconciliation is one of the final remaining tasks. GOCO staff is currently reconciling all payments with the financial reporting system on a monthly basis. The process of reconciling all historical payments is important and the outstanding discrepancy has been reduced from \$1.3 million to approximately \$0.6 million. GOCO staff is committed to completing this project within the next 45 days.

#### **GRANT ALLOCATIONS ARE NOT MEETING CONSTITUTIONAL REQUIREMENTS**

Article XXVII requires that "amounts expended for each of the [funding categories]...be substantially equal". Due in part to an improvement in reporting procedures by the State Division of Wildlife, GOCO has expended over \$25 million of accumulated reserves during the last two years; however, there continues to be a disparity in equality among grant categories for both the levels of grants expended and awarded. Cumulative expenditures and grants awarded through June 30, 2001 are as follows:

<b><u>Program Category</u></b>	<b>Grants Expended</b>	<b>Percent of Total Expended</b>	<b>Grants Awarded *</b>	<b>Percent of Total Awarded</b>
Category 1 - Wildlife \$	43,186,767	22.8%\$	51,125,383	24.8%
Category 2 - State parks and outdoor recreation	52,379,445	27.7%	59,403,072	28.9%
Category 3 - Competitive grants for open space and natural areas	49,583,106	26.2%	51,158,019	24.9%
Category 4 - Competitive grants to local governments	42,874,156	22.7%	42,774,123	20.8%
Noncategorized - Discretionary **	1,195,000	.6%	1,195,000	.6%
Awaiting categorization***	\$ 189,218,474	100.0%	\$ 205,735,597	100.0%
			80,000	

**FINDINGS AND RECOMMENDATIONS**  
**The State Board of the Great Outdoors Colorado Trust Fund**  
Financial and Compliance Audit - June 2001

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- \* The term awarded means amounts appropriated for expenditure.
- \*\* Includes \$1,070,000 related to a federal grant for agricultural easement purchases for which GOCO has acted as a pass through agent to the final grantee.
- \*\*\* Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 2001.

Long range spending plans by GOCO, including funds committed to large legacy grants, project a more equitable allocation, but the actual expenditures and current appropriations have continued to be disproportionate.

**Recommendation No. 3:**

GOCO must focus efforts to ensure that expenditures are equal across the four categories.

**GOCO RESPONSE:**

Agree. GOCO staff will take appropriate steps to work with grantees to bring grant awards into compliance with the Constitution. GOCO notes that the rate of expenditure of grants is a function influenced by both grantees and GOCO. The GOCO Board authorizes grants, and then staff awards (or appropriates) the grants at or near the time the grant becomes due for payment. Grantees must complete the projects to be eligible by reimbursement. GOCO will work with grantees to facilitate bringing these expenditures in balance between the spending quadrants. Additionally, GOCO's grant authorizations are substantively equal since inception.

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## DISPOSITIONS OF PRIOR AUDIT RECOMMENDATIONS

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The following audit recommendations are from the State Board of the Great Outdoors Colorado Trust Fund financial and compliance audit for the year ended June 30, 2000.

<b><u>Recommendation</u></b>	<b><u>Disposition</u></b>
1. GOCO should work with the Division of Wildlife to define what payroll costs can be charged to GOCO projects.	Implemented. GOCO and the Division of Wildlife have agreed to implement an indirect cost rate, in accordance with OMB Circular A-87, into the MOU currently being negotiated.
2. GOCO should prepare monthly financial statements for its defined contribution pension plan.	Implemented. GOCO is now recording the activity for its defined contribution pension plan on a monthly basis and preparing monthly financial statements.
3. The grant tracking system should be reconciled to the financial reporting system on a monthly basis.	Partially implemented. GOCO acquired and installed new grant tracking software and is reconciling grant expenditure information on a monthly basis. However, per Recommendation No. 2, cumulative grant expenditure information has still not been reconciled.
4. GOCO must focus efforts to ensure that expenditures are equal across the four categories.	Not Implemented. GOCO is monitoring grant awards on an ongoing basis to determine that the funding distributed is as mandated by the Colorado Constitution. However, at Fiscal Year End 2001 the expenditures still remain unequal across the four categories.
5. GOCO should review its process for awarding and appropriating grants to ensure that grants shown in the financial reporting system as appropriated are in fact expected to be paid out during the current fiscal year, from funds expected to be available during the current fiscal year. The financial reporting system should function as the controlling system for this process.	Implemented. GOCO is closely monitoring the grant awarding and appropriating process and correlating it with cash flow projections. GOCO is also performing reviews of old grant awards to determine viability of the grant projects and if the award should be continued or deappropriated.

*FINANCIAL STATEMENT SECTION*

## **INDEPENDENT AUDITOR'S REPORT**

### **Members of the Legislative Audit Committee**

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2001, as listed in the foregoing Table of Contents. These general purpose 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 general purpose financial statements based on our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State Board of the Great Outdoors Colorado Trust Fund at June 30, 2001 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information as listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund.

Greenwood Village, Colorado  
September 10, 2001

*GENERAL PURPOSE FINANCIAL STATEMENTS*

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

**COMBINED BALANCE SHEET**

JUNE 30, 2001

<u>ASSETS</u>	<u>Governmental Fund</u>	<u>Fiduciary Fund</u>	<u>Account Group</u>
	<u>General Fund</u>	<u>Pension Trust Fund</u>	<u>General Fixed Assets</u>
Cash and investments	\$ 34,129,490	\$	\$
Cash and investments held by trustees		435,177	
Lottery proceeds receivable	10,024,726		
Notes receivable			
Federal grant receivable			
Other receivables			
Other assets	3,058		
Property and equipment			355,421
Total assets	<u>\$ 44,157,274</u>	<u>\$ 435,177</u>	<u>\$ 355,421</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>LIABILITIES</b>			
Approved grants payable	\$ 4,102,854	\$	\$
Accounts payable	32,557		
Grants payable - Long-term	3,120,000		
Compensated absences payable	24,853		
Total liabilities	<u>7,280,264</u>		
<b>FUND EQUITY</b>			
Investment in general fixed assets			355,421
Fund balance			
Reserved for pension benefits		435,177	
Reserved for noncurrent notes receivable			
Reserved for awarded grants	16,517,123		
Unreserved and undesignated	20,359,887		
Total fund equity	<u>36,877,010</u>	<u>435,177</u>	<u>355,421</u>
Total liabilities and fund equity	<u>\$ 44,157,274</u>	<u>\$ 435,177</u>	<u>\$ 355,421</u>

**Totals****(Memorandum Only)**

2001	2000
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\$ 34,129,490	\$ 31,840,888
435,177	427,688
10,024,726	7,702,861
	3,770,000
	491,818
	8,567
3,058	957
<u>355,421</u>	<u>331,025</u>
<u><u>\$ 44,947,872</u></u>	<u><u>\$ 44,573,804</u></u>

\$ 4,102,854	\$ 7,085,790
32,557	22,193
3,120,000	
<u>24,853</u>	<u>27,520</u>
<u><u>7,280,264</u></u>	<u><u>7,135,503</u></u>

355,421	331,025
435,177	436,255
	3,770,000
16,517,123	26,352,402
<u>20,359,887</u>	<u>6,548,619</u>
<u>37,667,608</u>	<u>37,438,301</u>
<u><u>\$ 44,947,872</u></u>	<u><u>\$ 44,573,804</u></u>

The accompanying notes are an integral part of the financial statements.

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2001**

	<b>(Memorandum Only)</b>	
	<b><u>2001</u></b>	<b><u>2000</u></b>
<b>REVENUE</b>		
State Lottery proceeds	\$ 39,642,222	\$ 43,488,104
Net investment and miscellaneous income	2,655,232	1,891,953
Federal grant proceeds		78,782
Total revenue	<u>42,297,454</u>	<u>45,458,839</u>
<b>EXPENDITURES</b>		
Grants expended	40,280,472	58,678,562
Personnel services and benefits	1,032,933	1,081,799
Operating	689,155	572,343
Capital outlay	88,905	31,075
Total expenditures	<u>42,091,465</u>	<u>60,363,779</u>
<b>EXCESS REVENUE (UNDER) EXPENDITURES</b>		
	205,989	(14,904,940)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>36,671,021</u>	<u>51,575,961</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 36,877,010</u>	<u>\$ 36,671,021</u>

The accompanying notes are an integral part of the financial statements.

**THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE**  
**PENSION TRUST FUND**  
**YEAR ENDED JUNE 30, 2001**

	<b>(Memorandum Only)</b>	
	<b><u>2001</u></b>	<b><u>2000</u></b>
<b>OPERATING REVENUE</b>		
Contributions	\$ 84,127	\$ 91,641
Interest and investment income (loss)	(48,152)	35,096
Total operating revenue	<u>35,975</u>	<u>126,737</u>
<b>OPERATING EXPENSES</b>		
Distributions	<u>37,053</u>	<u>144</u>
<b>NET INCOME (LOSS)</b>	<b>(1,078)</b>	<b>126,593</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>436,255</u>	<u>309,662</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 435,177</u>	<u>\$ 436,255</u>

The accompanying notes are an integral part of the financial statements.

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

## **NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2001

### **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, that resulted in Article XXVII of the Colorado Constitution. Article XXVII established the Great Outdoors Colorado Trust Fund and a 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 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 more significant accounting policies of GOCO are described as follows:

#### **a) Fund Accounting**

The accounts of GOCO are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Fund types and account groups used by GOCO are described below.

#### **Governmental Fund Type**

General Fund - The General Fund is the general operating fund of GOCO. It is used to account for all financial resources except those required to be accounted for in other funds. Substantially all of GOCO's resources are obtained from net Lottery proceeds received from the Colorado State Lottery, as set forth in Article XXVII. GOCO's resources are intended for the purposes established in Article XXVII.

## **Fiduciary Fund Type**

Pension Trust Fund - Defined Contribution Plan –  
GOCO has established a pension plan for its employees in the form of an employer funded defined contribution plan.

## **Account Group**

General Fixed Assets Account Group - This group of accounts is established to account for the recorded fixed assets of GOCO.

### **b) Basis of Accounting**

The modified accrual basis of accounting is followed in the governmental fund type. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Lottery proceeds, grant proceeds and interest are susceptible to accrual. Expenditures are recorded when the liability is incurred. Grant expenditures are recorded when the grantee has expended the funds and requested reimbursement from GOCO.

The accrual basis of accounting is utilized in the pension trust fund. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Plan investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

### **c) Budgets**

GOCO's budget is not legislatively adopted, therefore a statement of revenues and expenditures - budget and actual is not a required part of these financial statements. A schedule of revenue and expenditures - budget and actual is included for information purposes in the supplemental information.

### **d) Property and Equipment**

GOCO includes items with a cost greater than \$250 and a useful life greater than one year in the General Fixed Asset Account Group.

Property and equipment are stated at cost. No depreciation is provided on general fixed assets.

### **e) Accrual for Compensated Absences**

GOCO has a policy that allows permanent full-time employees to accumulate unused vacation benefits. GOCO also allows the accumulation of compensatory time up to a maximum of 40 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.

**f) 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 plus increases in the Consumer Price Index compounded annually. The share for Fiscal Year 2001 was approximately \$39.6 million which was less than the amount allowed of approximately \$44.8 million. Lottery proceeds have been estimated to be \$35.9 million for Fiscal Year 2002 which is less than the amount allowed of approximately \$46.5 million.

**g) Fund Equity**

**Fund Balance**

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future utilization. Designations of unreserved fund balances indicate GOCO's intention for future utilization of such funds and are subject to change by GOCO.

**Reserved Fund Balance**

The reserved fund balance in the General Fund in the amount of \$16,517,123 represents the amount of grants awarded, but not yet expended.

The reserved fund balance in the Pension Trust Fund represents a reserve for pension benefits payable.

**h) Totals (Memorandum Only)**

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

## **NOTE 3) 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 determined by 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 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.

Deposits are categorized to give an indication of the level of credit risk related to custody of assets assumed by the government at the end of the year. Category 1 includes deposits that are insured, Category 2 includes collateralized deposits held by the pledging institution's trust department or agent in GOCO's name and Category 3 includes uncollateralized, uninsured deposits.

At June 30, 2001, GOCO's cash deposits had a bank balance and a carrying balance as follows:

	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash on hand	\$ 194	\$ 194
Insured deposits - Category 1	100,000	100,000
Deposits collateralized in single institution pools - Category 2	415,603	10,989
	<u>\$ 515,603</u>	<u>\$ 111,183</u>

### **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 U.S. government agency securities
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Additionally, pension trust funds may invest in railroad equipment trust certificates, real property, loans for real property other than residential property, notes, bonds, debentures, stocks (common and preferred), life insurance company agreements and any other type of investment agreement.

GOCO's investments are categorized below to give an indication of the level of credit risk assumed by GOCO at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in GOCO's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in GOCO's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in GOCO's name.

Investments in the State Treasurer's cash pool, mutual funds and money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value.

### **Category 1**

Corporate stocks, bonds and notes	\$ 350,034
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### **Not Subject to Categorization**

State Treasurer's cash pool	34,018,307
Money Market Mutual Funds - Pension	85,143
Total investments	<u>\$ 34,453,484</u>

Pension Trust Fund investments representing five percent or more of plan net assets at June 30, 2001 consist of corporate notes and bonds, as follows:

Baxter International, Inc.	\$ 25,968
Citigroup, Inc.	25,708
Du Pont, Inc.	25,975
New England Telephone and Telegraph Co.	24,318
	<u>\$ 101,969</u>

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

Article XXVII created and established the Great Outdoors Colorado Trust Fund (Trust Fund) in the Treasury of the State of Colorado. Article XXVII requires that all net Lottery proceeds are to be deposited into the Trust Fund to be used for the purposes set forth in Article XXVII. 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's Report.

## **Summary**

Total cash deposits and investments at June 30, 2001 are as follows:

Cash deposits	\$ 111,183
Investments	<u>34,453,484</u>
	<u><u>\$ 34,564,667</u></u>

Cash deposits and investments are reflected on the balance sheet as follows:

Cash and investments	\$ 34,129,490
Cash and investments held by trustees	<u>435,177</u>
	<u><u>\$ 34,564,667</u></u>

## **NOTE 4) LOTTERY PROCEEDS RECEIVABLE**

At June 30, 2001, GOCO had distributions owed from the Colorado State Lottery amounting to \$10,024,726. This represents GOCO's allocation of net proceeds from the Colorado State Lottery for the months of April through June 2001. GOCO received these revenues in September 2001.

## **NOTE 5) NOTES RECEIVABLE**

Article XXVII provides GOCO with the discretion to make expenditures that it considers necessary and proper to the accomplishment of the objectives of Article XXVII. In this capacity, GOCO has made loans in previous years. An analysis of loan activity during the year ended June 30, 2001 is as follows:

Balance at July 1, 2000	\$ 3,770,000
Loan repayments	<u>(3,770,000)</u>
Balance at June 30, 2001	<u><u>\$ -0-</u></u>

GOCO's current policy for interest rates is to set them at the Colorado State Treasurer's rate. Other arrangements were used prior to the establishment of this policy. The detail of the notes receivable is as follows:

**Larimer County** - \$650,000 under two notes which enabled the County to purchase a conservation easement on the Blue Mountain Bison Ranch. The \$350,000 note was repaid, prior to maturity, during the fiscal year ended June 30, 2001. Interest was as follows:

	<b>\$300,000 Due February 18, 2001</b>	<b>\$350,000 Due February 18, 2002</b>
February 18, 2000 - February 17, 2001	Colorado State Treasurer's Rate	3%
February 18, 2001 - February 18, 2002	Colorado State Treasurer's Rate	Colorado State Treasurer's Rate

**City of Colorado Springs** - \$2,100,000 due April 11, 2001 which enabled the City to acquire its share of the purchase of the JL Ranch. The City has leased the land to State Parks for management as part of the future Cheyenne Mountain State Park. Interest accrued at 5.88% beginning June 1, 2000.

**The Conservation Fund** - \$1,020,000 due August 21, 2001 which enabled The Conservation Fund (Fund) to acquire conservation easements over two properties adjacent to the Black Canyon of the Gunnison National Monument. The Fund will hold the easements for up to two years until the National Park Service has funding to buy them from the Fund. This note was repaid, prior to maturity, during the fiscal year ended June 30, 2001. Interest was as follows:

February 24, 2000 - August 23, 2000	3%
August 24, 2000 - August 23, 2001	Colorado State Treasurer's Rate

#### **NOTE 6) PROPERTY AND EQUIPMENT**

*An analysis of the changes in property and equipment for the year ended June 30, 2001 follows:*

	<b>Balance at July 1, 2000</b>	<b>Additions</b>	<b>Balance at June 30, 2001</b>
Equipment	\$ 152,534	\$ 22,501	\$ 118,010
Software	34,836	63,964	95,167
Furniture	62,637	2,440	61,226
Improvements	81,018	3,851	81,018
	<u>\$ 331,025</u>	<u>\$ 88,905</u>	<u>\$ 355,421</u>
	<u>\$ 64,509</u>		

## **NOTE 7) LONG-TERM GRANTS PAYABLE**

During the year ended June 30, 2001, the Colorado Division of Wildlife (DOW) agreed to allow GOCO to defer payment of \$3,120,000 related to the Circle Ranch project overseen by DOW until March 2003. As sufficient unreserved-undesignated fund balance exists at year end to make the required payment, the amount has been shown as a long-term liability in the General Fund.

## **NOTE 8) AWARDED GRANTS AND EXPENDED GRANTS**

The following is a summary of grants awarded and grants expended from inception in 1995 through June 30, 2001:

### **Grants Awarded:**

	<b>Cumulative Awarded Grants at June 30, 2000</b>	<b>Transfers/ Additions</b>	<b>Transfers/ Deletions</b>	<b>Cumulative Awarded Grants at June 30, 2001</b>
Colorado Division of Wildlife	\$ 38,165,029	\$ 15,860,354	\$ 2,900,000	\$ 51,125,383
Colorado State Parks and Outdoor Recreation	49,548,199	9,854,924	51	59,403,072
Open space	47,771,395	4,827,118	1,440,494	51,158,019
Local governments	38,530,781	4,377,190	133,848	42,774,123
Noncategorized - Discretionary	1,195,000			1,195,000
Awaiting categorization**	80,000			80,000
	<u>\$ 175,290,404</u>	<u>\$ 34,919,586</u>	<u>\$ 4,474,393</u>	<u>\$ 205,735,597</u>

\*\* Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 2001.

### **Grants Expended:**

	<b>Cumulative Expended for Grants at June 30, 2000</b>	<b>Net Additions and Transfers</b>	<b>Cumulative Expended for Grants at June 30, 2001</b>
Colorado Division of Wildlife	\$ 30,138,000	\$ 13,048,767	\$ 43,186,767
Colorado State Parks and Outdoor Recreation	44,750,988	7,628,457	52,379,445
Open space	40,645,314	8,937,792	49,583,106
Local governments	32,179,913	10,694,243	42,874,156
Noncategorized - Discretionary	1,223,787	(28,787)	1,195,000
	<u>\$ 148,938,002</u>	<u>\$ 40,280,472</u>	<u>\$ 189,218,474</u>

In previous fiscal years, GOCO made a grant in the amount of \$3,100,000, of which \$2,900,000 was Division of Wildlife funds, for the purchase of open space. The funds were used by a land conservation organization to acquire the Rynard Ranch property. The Division of Wildlife's involvement in this acquisition was subsequently withdrawn. During the fiscal year ended June 30, 2001, this property was sold and the \$3,100,000 plus \$250,541 of interest was returned to GOCO. GOCO has elected to net the returned proceeds against current year grant expenditures.

Fund balance is reserved for grants as they are approved and awarded by GOCO. An analysis of the changes in reserved fund balance for approved grants for the year ended June 30, 2001 follows:

Reserved fund balance at June 30, 2000	\$ 26,352,402
Net approved grants for the year ended June 30, 2001	30,445,193
Grant expenditures for the year ended June 30, 2001	<u>(40,280,472)</u>
Reserved fund balance at June 30, 2001	<u>\$ 16,517,123</u>

## **NOTE 9) COMMITMENTS AND CONTINGENCIES**

### **Operating Lease**

GOCO leases facilities under an operating lease which expires in April 2004 with a one year renewal option. Total facilities and equipment rental lease expense for the year ended June 30, 2001 was \$141,583. The future minimum lease payments under the facilities lease are as follows:

Fiscal year ended June 30, 2002	\$ 138,574
2003	138,574
2004	<u>127,026</u>
	<u>\$ 404,174</u>

## **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 Plan**

The employees of GOCO participate in a defined contribution plan maintained and administered by the Trust Division of the Colorado State Bank and Trust. At June 30, 2001, there were 34 plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. GOCO's Defined Contribution Pension Plan covers all permanent employees with no probationary period for the employees to become participants in the plan. GOCO contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus performance awards). Employees become vested at a rate of 50% after one year of employment and 100% after two years of employment. Unvested GOCO contributions for employees who leave employment before two years of participation are forfeited by the employee. These forfeitures can be used to reduce GOCO's required contributions in the fiscal year after the employee's separation date.

There is no liability for benefits under the plan beyond GOCO's required contributions. A committee comprised of GOCO's Finance Committee and Executive Director act as trustees for the plan, directing investments of the plan. The trustees hired an investment management firm to actively manage these funds. Plan provisions and contribution requirements are established and may be amended by GOCO.

GOCO's contributions were calculated using the gross salaries total of \$824,774. GOCO made the required 10.2% contribution amounting to \$84,127.

### **Deferred Compensation Plan**

GOCO has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by a financial institution 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. No vesting period is required for the Deferred Compensation Plan. 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 fifteen members, twelve of whom are public members 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 non-profit 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, Article XXVII 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 CRS 24-77-102(17)(b)(ix), 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.*

*SUPPLEMENTAL INFORMATION*

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

**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance-Favorable (Unfavorable)
<b>REVENUE</b>			
State Lottery proceeds	\$ 40,200,000	\$ 39,642,222	\$ (557,778)
Net investment and miscellaneous income	<u>1,454,400</u>	<u>2,655,232</u>	<u>1,200,832</u>
Total revenue	<u>41,654,400</u>	<u>42,297,454</u>	<u>643,054</u>
<b>EXPENDITURES</b>			
Grants expended	57,615,000	40,280,472	17,334,528
Personnel services and benefits	1,242,914	1,032,933	209,981
Operating expenditures	603,848	689,155	(85,307)
Capital outlay	<u>88,850</u>	<u>88,905</u>	<u>(55)</u>
Total expenditures	<u>59,550,612</u>	<u>42,091,465</u>	<u>17,459,147</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>			
	(17,896,212)	205,989	18,102,201
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	<u>36,671,021</u>	<u>36,671,021</u>	<u></u>
<b>FUND BALANCE - END OF YEAR</b>			
	<u>\$ 18,774,809</u>	<u>\$ 36,877,010</u>	<u>\$ 18,102,201</u>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Legislative Audit Committee**

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) as of and for the year ended June 30, 2001 and have issued our report thereon dated September 10, 2001. 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.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether GOCO's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the Members of the Legislative Audit Committee in the Findings and Recommendations section as listed in the foregoing Table of Contents.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered GOCO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Audit Committee. However, this report is a matter of public record and its distribution is not limited.

Greenwood Village, Colorado  
September 10, 2001

## **Members of the Legislative Audit Committee**

We have audited the general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) for the year ended June 30, 2001. Auditing standards generally accepted in the United States of America require that we communicate the following matters related to our audits with the audit committee. The matters discussed herein are those that we have noted as of September 10, 2001. We have not updated our procedures regarding these matters since that date to the current date. Accordingly, we advise you of the following with respect to The State Board of the Great Outdoors Colorado Trust Fund for the year ended June 30, 2001:

### **Auditor's Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards***

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and was designed to provide reasonable, rather than absolute, assurance that the general purpose financial statements are free of material misstatement. Because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud or defalcations, may exist and were not detected by us.

### **Disagreements with Management**

There were no disagreements with management on accounting or financial reporting matters that, if not resolved in our favor, would have caused us to modify our opinion on the financial statements.

### **Audit Adjustments**

During the audit, audit adjustments were posted for approximately \$7.26 million related to year- end grant and operating expenditure accruals. Additionally, an audit adjustment for approximately \$800,000 was made to adjust the investments in the State Treasurer's Cash Pool to fair value at June 30, 2001. There were no passed audit adjustments.

### **Audit Process**

The staff of GOCO and the Divisions of Wildlife and Parks and Outdoor Recreation were most cooperative throughout the audit.

This letter is intended for the information of the Legislative Audit Committee. However, it is a matter of public record and its distribution is not limited.

Greenwood Village, Colorado  
September 10, 2001

## **DISTRIBUTION**

Copies of this report have been distributed to:

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State Board of the Great Outdoors Colorado Trust Fund (25)

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Joint Budget Committee (2)

Department of Personnel  
d.b.a. General Support Services  
State Controller (2)  
State Treasurer (2)

Honorable Bill Owens, Governor

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National Association of State Auditors, Comptrollers and Treasurers