



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

**Financial and Compliance Audit  
For the Years  
June 30, 2014 and 2013**

**EKS&H**  

---

**AUDIT | TAX | CONSULTING**

## LEGISLATIVE AUDIT COMMITTEE

### 2014 MEMBERS

Senator Lucia Guzman  
*Chair*

Senator David Balmer  
Senator Kevin Grantham  
Representative Dan Nordberg  
Representative Dianne Primavera  
Representative Su Ryden  
Representative Jerry Sonnenberg  
Senator Cheri Jahn

### OFFICE OF THE STATE AUDITOR

Dianne E. Ray  
*State Auditor*

Kerri Hunter  
*Deputy State Auditor*

Crystal Dorsey  
*Audit Manager*

EKS&H LLLP  
*Contract Auditors*

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT  
**WWW.STATE.CO.US/AUDITOR**

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

PLEASE REFER TO REPORT NUMBER 1422F WHEN REQUESTING THIS REPORT

December 1, 2014

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

We have completed the financial statement audit of the State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2014. 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,

*EKS&H LLLP*

EKS&H LLLP

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Table of Contents

	<u>Page</u>
Report Summary .....	1
Recommendation Locator.....	3
Description of the State Board of the Great Outdoors Colorado Trust Fund .....	4
Finding and Recommendation.....	7
Disposition of Prior Audit Finding and Recommendation .....	11
Independent Auditors' Report .....	12
Management's Discussion and Analysis .....	14
Basic Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2014 .....	19
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2013 .....	20
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2014.....	21
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2013.....	22
Notes to Financial Statements .....	23
Required Supplementary Information	
Budgetary Comparison Schedule – For the Year Ended June 30, 2014.....	37
Budgetary Comparison Schedule – For the Year Ended June 30, 2013.....	38
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	39
Required Communications to the Legislative Audit Committee.....	41

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Report Summary Financial and Compliance Audit For the Years Ended June 30, 2014 and 2013

### AUTHORITY, PURPOSE, AND SCOPE

The Fiscal Year 2014 audit of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) was completed under the authority of Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct annual audits of political subdivisions as required by law. The State Auditor contracted with EKS&H LLLP to conduct this audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We performed our audit work during the period from June 2014 through December 2014.

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

### AUDITORS’ OPINIONS AND REPORTS

An independent auditors’ report on the financial statements of GOCO, dated December 1, 2014, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2014, and the change in financial position for the year 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 December 1, 2014, 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*.

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

**Report Summary  
Financial and Compliance Audit  
For the Years Ended June 30, 2014 and 2013**

**SUMMARY OF CURRENT YEAR MAJOR AUDIT FINDINGS AND RECOMMENDATIONS**

We have identified one finding as follows:

Finding:

The GOCO Board should adopt a formal policy to determine the optimal amount of funds to reserve for future expenditures and implement a process for regularly evaluating historical expenditure and cash balance trends compared to grant awards and cash balances and revise estimates and projections, as appropriate.

**SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS**

The audit report for the Fiscal Year Ended June 30, 2013, included one recommendation. GOCO agreed with the recommendation and the recommendation was partially implemented as of December 1, 2014.

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

**Recommendation Locator  
Financial and Compliance Audit  
For the Years Ended June 30, 2014 and 2013**

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	7	The GOCO Board should adopt a formal policy to determine the optimal amount of funds to reserve for future expenditures and implement a process for regularly evaluating historical expenditure and cash balance trends compared to grant awards and cash balances and revise estimates and projections, as appropriate. In establishing the optimal funds to reserve and ways to maximize grant awards, GOCO should evaluate estimated future expenditures by year based on the awards outstanding, in addition to considering projected lottery proceeds, amount of awards that have been made ahead of receiving lottery proceeds and substantially equal requirements, and other appropriate metrics. Such analysis should be included as part of the annual Spending Plan as well as the annual evaluation of the status of the 5 Year Strategic Plan.	Agree	June 2015

## **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, 2014 and 2013**

The Great Outdoors Colorado Trust Fund (“GOCO”) 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 2014 was the twenty-first 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 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 2002, House Bill 1250 extended the termination date of Lottery to July 1, 2024, thus continuing funding for GOCO through June 30, 2024.

As of June 30, 2014, the State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the Governor; a representative 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 2014, GOCO had a permanent staff of 12 and received \$60.3 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2014. During Fiscal Year 2013, GOCO had a permanent staff of 14 and received \$59.2 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2013 per Article XXVII as adjusted for the change in the CPI.

### **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.

**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, 2014 and 2013**

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 2014 (in thousands)**

Funding Purpose	Grants Authorized		Grants Expended		Cumulative Difference between Grants Authorized and Expended
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 241,008	24.8%	\$ 220,851	25.5%	
Purpose 2 – Parks and outdoor recreation	225,265	23.1	192,520	22.3	
Purpose 3 – Competitive grants for open space	248,892	25.6	230,659	26.6	
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>258,679</u>	<u>26.5</u>	<u>221,216</u>	<u>25.6</u>	
	973,844		865,246		
Non-categorized – Discretionary	<u>1,170</u>	<u>N/A</u>	<u>1,170</u>	<u>N/A</u>	
Total	<u>\$ 975,014</u>	<u>100.0%</u>	<u>\$ 866,416</u>	<u>100.0%</u>	<u>\$ 108,598</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, 2014 and 2013**

The next two charts show the trend over the last five years of cumulative grants authorized by GOCO and grants expended by purpose. As shown in the first chart, grant authorizations for three of the four purposes have moved closer to the substantially equal requirement over the past five years. As shown in the second chart, grant expenditures for three of the four purposes have moved further from the substantially equal requirement over the past five years. However, expenditures were improved for the Outdoor Recreation Purpose by 0.5% from Fiscal Years 2013 to 2014.

**GOCO Grants Authorized Cumulative Trend for the Previous Five Years**

Funding Purpose	Grants Authorized %					Five-Year Change
	2010	2011	2012	2013	2014	
Purpose 1 - Wildlife	23.5%	24.3%	24.5%	24.9%	24.8%	1.3%
Purpose 2 - Outdoor recreation	23.7	23.1	22.0	22.9	23.1	(0.6)%
Purpose 3 - Competitive grants for open space	26.2	25.9	26.5	25.7	25.6	(0.6)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.6</u>	<u>26.7</u>	<u>27.0</u>	<u>26.5</u>	<u>26.5</u>	(0.1)%
	<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
	2010	2011	2012	2013	2014	
Purpose 1 - Wildlife	25.1%	25.0%	25.5%	25.7%	25.5%	0.4%
Purpose 2 - Outdoor recreation	22.8	22.2	21.8	21.8	22.3	(0.5)%
Purpose 3 - Competitive grants for open space	26.7	26.7	26.7	26.6	26.6	(0.1)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>25.4</u>	<u>26.1</u>	<u>26.0</u>	<u>25.9</u>	<u>25.6</u>	0.2%
	<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

## Finding and Recommendation For the Years Ended June 30, 2014 and 2013

### GOCO – Cash Reserves

(Classification of Finding: Not Classified – not an internal control issue)

#### **What audit work was performed and what was the purpose?**

Our audit included a financial and compliance audit of GOCO, including a review of internal controls as required by generally accepted auditing standards and *Government Auditing Standards*, and review of GOCO's compliance with appropriate state and federal laws, rules, and regulations, which could have a material effect on GOCO's financial statements. Our audit included a review of the Constitutional amendment related to moneys allocated to the GOCO Trust Fund.

#### **How were the results measured?**

In 1992 the citizens of Colorado passed a Constitutional amendment creating the Great Outdoors Colorado Program "to preserve, protect, enhance and manage the state's wildlife, park, river, trail and open space heritage." In addition, Article XXVII, Section 6(2)(e), of the Colorado Constitution requires GOCO's board to: "...determine what portions, if any, of monies allocated to the Trust Fund should be invested in an interest-bearing account by the Treasurer of the State of Colorado, to remain in the Trust Fund and available for expenditure in future years." The GOCO board requirement to determine the amount of cash needed for future expenditures should work in tandem with other Constitutional requirements of GOCO including that expenditures to wildlife, outdoor recreation, open space and local governments be substantially equal.

#### **What did the audit work find?**

While GOCO's Board considers the cash balance in the Trust Fund when determining the annual spending plan, GOCO lacks a formal policy to determine the amount of cash needed for all future expenditures, which includes assessing awards included in prior annual spending plans but not yet expended and future lottery proceeds. The audit report for the year ended June 30, 2013 included one recommendation that GOCO's Board review its current processes and adopt formal policies to determine the optimal amount of funds to reserve for future expenditures and maximize grant awards in the current year. It also recommended that the GOCO Board formally approve the portions of monies that are allocated to the Trust Fund that should be invested and held in an interest-bearing trust fund account by the Treasurer of the State of Colorado for expenditure in future years.

GOCO agreed with the prior year recommendation and the GOCO Board approved, as part of the Fiscal Year 2015 Spending Plan resolution, GOCO's estimated cash balance at April 30, 2014, to be held as appropriate due to the outstanding grant obligations exceeding cash at that time. Although the Board considers the cash balance in relation to the annual spending plan, the GOCO Board did not adopt a formal policy to determine the optimal amount of funds to reserve for future expenditures and to maximize grant awards.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Finding and Recommendation For the Years Ended June 30, 2014 and 2013

### Why did this occur?

Within the GOCO Fiscal Year 2015 Spending Plan, the GOCO Board approved the grant spending by purpose for the coming year; however, the Fiscal Year 2015 Spending Plan does not include a comparison of estimated grant expenditures for outstanding and anticipated future grant awards to available cash and projected lottery proceeds for any future periods beyond Fiscal Year 2015. In addition, while the Fiscal Year 2015 Spending Plan addresses estimated cash flows for Fiscal Year 2015 based on lottery proceeds and quarterly grant expenditures, the estimated grant expenditures are not clearly tied to historical trends.

Based on a five-year historical trend for grants authorized compared to grants expended, GOCO has awarded \$282,000,000 and expended \$276,000,000; however, since grants authorized may not be expended in the same year, additional analysis should be performed to evaluate historical trends for expenditures as compared to the awards and assumptions revised, as appropriate. Currently, GOCO staff conservatively estimates that awards not yet expended will be expended in the near term, generally in the most current period; whereas, a historical analysis may provide a more realistic projection of the timing of the grant expenditures which can help direct the overall future cash needs. For example, the results may indicate that the expenditure trends netted with future lottery proceeds require a reserve policy as a percent of outstanding authorized grants, calculated and adjusted at the end of the fiscal year.

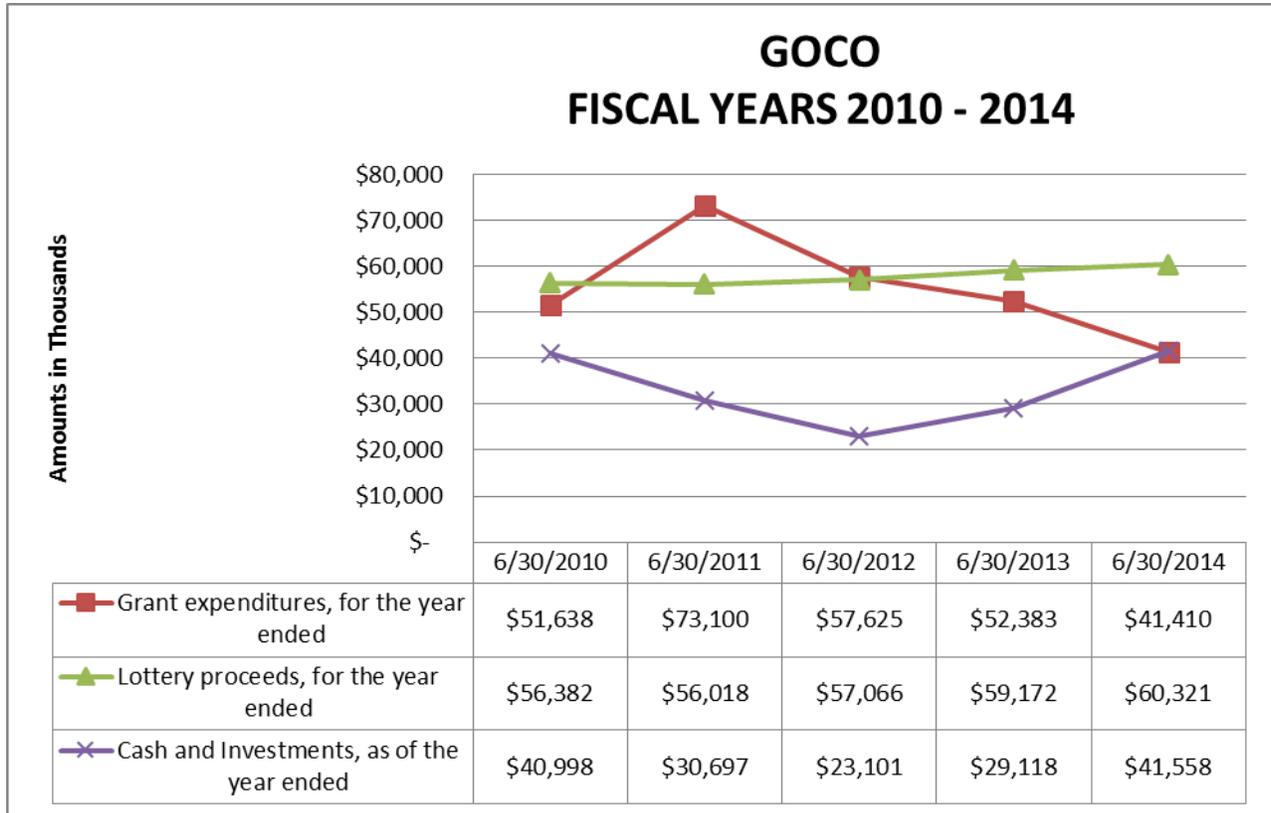
We also noted that GOCO does not have an existing, documented process for revisiting previous expenditure and cash balance estimates. This process would allow GOCO to identify historical trends and potential required changes in budget assumptions. For example, we noted that GOCO's cash balance projections provided to the Board in December 2013 during Fiscal Year 2014 did not prove to be accurate. Specifically, at the December 10, 2013, board meeting, GOCO staff reported to the Board that cash was being maintained at \$20 million and was expected to drop below \$10 million for several months during the remainder of Fiscal Year 2014. During the remainder of Fiscal Year 2014, however, month-end cash balances ranged from \$29 million at January 31, 2014 to \$47 million at May 31, 2014; in other words, the lowest cash balance during the period was nearly three times the projected balance, due to \$22 million in expected expenditures that did not occur.

As shown in the exhibit below, annual lottery revenues have increased over the last five years while expenditures have significantly fluctuated as compared to lottery proceeds. For example, during the five year period, expenditures were \$17 million greater than proceeds in 2011 and \$19 million less than proceeds in 2014. Since the disparity between proceeds and expenditures may be significant in a one year period, this further demonstrates the need to accurately budget future expenditures and regularly evaluate these estimates.

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

**Finding and Recommendation  
For the Years Ended June 30, 2014 and 2013**

**Exhibit 1  
Great Outdoors Colorado  
Grant Expenditures, Lottery Revenues, and Cash Balances  
Fiscal Years 2010 through 2014  
(Amounts in Thousands)**



**Source: GOCO Audits Fiscal Years 2010 – 2014**

**Why does the finding matter?**

A formal policy for determining the optimal amount of funds to reserve for future expenditures and a process for regularly evaluating historical expenditure trends compared to awards and cash balances, will allow GOCO to better plan for and manage grant awards, ensure that the appropriate level of funds is available to pay grant commitments and, at the same time, maximize the current grant awards using Lottery revenues.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Finding and Recommendation For the Years Ended June 30, 2014 and 2013

### **Recommendation No. 1:**

The GOCO Board should adopt a formal policy to determine the optimal amount of funds to reserve for future expenditures and implement a process for regularly evaluating historical expenditure and cash balance trends compared to grant awards and cash balances and revise estimates and projections, as appropriate. In establishing the optimal funds to reserve and ways to maximize grant awards, GOCO should evaluate estimated future expenditures by year based on the awards outstanding, in addition to considering projected lottery proceeds, amount of awards that have been made ahead of receiving lottery proceeds and substantially equal requirements, and other appropriate metrics. Such analysis should be included as part of the annual Spending Plan as well as the annual evaluation of the status of the 5 Year Strategic Plan.

(Classification of Finding: Not Classified – not an internal control issue)

### **GOCO's Response:**

Agree. Implementation date: June 2015. GOCO will develop a formal policy to determine the appropriate amount of cash needed for expenditures during a five year period. The Board will regularly evaluate historical grant expenditure trends to inform their funding decisions as part of the policy. GOCO will add grant expenditure trends to its five year financial plan analysis along with considering months ahead of lottery, outstanding grants, and strategic planning goals as GOCO considers the appropriate level of awards for the next five year financial plan and ways to optimize grants awards and expenditures reflective of public priorities. GOCO notes, however, that given the public's expectation that GOCO funding be used for a wide range of projects such as smaller grants, larger initiatives, and the need to respond to unpredictable challenges such as the floods, that variations in expenditure patterns will occur and that past expenditures will not necessarily always be good indicators of future expenditure patterns by GOCO grantees. GOCO also notes that while it will review historical patterns of expenditures, optimizing grant awards is a complex assessment of many factors.

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

**Disposition of Prior Audit Finding and Recommendation  
For the Years Ended June 30, 2014 and 2013**

Below is the recommendation included in the audit report for the year ended June 30, 2013, and the disposition as of June 30, 2014:

**Recommendation No. 1:**

GOCO's Board should review its current processes and adopt formal policies to determine the optimal amount of funds to reserve for future expenditures and maximize grant awards in the current year. The GOCO Board should formally approve the portions of monies that are allocated to the Trust Fund that should be invested and held in an interest-bearing trust fund account by the Treasurer of the State of Colorado for expenditure in future years.

**Disposition:**

GOCO agreed with the recommendation and the recommendation was partially implemented. The finding is repeated in Fiscal Year 2014.

## **INDEPENDENT AUDITORS' REPORT**

Members of the State Board of the Great Outdoors Colorado Trust Fund  
and the 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S 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.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider 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.

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

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

## **OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of GOCO as of June 30, 2014 and 2013, 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 14 through 18 and 37 through 38 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 December 1, 2014 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 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 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.

*EKS+H LLLP*  
EKS&H LLLP

December 1, 2014  
Denver, Colorado

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2014 and 2013

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, 2014 and 2013. The management's discussion and analysis is intended to be read in conjunction with GOCO's financial statements beginning on page 19.

### 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 2014, Fiscal Year 2013, and Fiscal Year 2012.

	Fiscal Year Ended June 30,			2014/2013 Variance	2013/2012 Variance
	2014	2013	2012		
Lottery revenues	\$ 60,321,412	\$ 59,171,757	\$ 57,065,579	\$ 1,149,655	\$ 2,106,178
Grant expenditures	\$ 41,410,211	\$ 52,383,167	\$ 57,624,841	\$ (10,972,956)	\$ (5,241,674)

### 2014

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$60.3 million, per the Constitutional cap. This represents an approximate \$1.1 million increase over Fiscal Year 2013 in Lottery proceeds to GOCO due to an increase in the Denver Consumer Price Index ("CPI").

Grant expenditures decreased by \$11 million from Fiscal Year 2013. Grant expenditures fluctuate year to year due to timing differences of project completions, but GOCO averages approximately \$50 million in grant disbursements per year. Fiscal Year 2014 expenditures were lower than the average.

### 2013

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$59.2 million, per the Constitutional cap. This represents an approximate \$2.1 million increase over Fiscal Year 2012 in Lottery proceeds to GOCO due to an increase in the Denver Consumer Price Index ("CPI").

Grant expenditures decreased by \$5.2 million from Fiscal Year 2012. Grant expenditures fluctuate year to year due to timing differences of project completions.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2014 and 2013

### 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 Division of Parks and Outdoor Recreation ("DPOR"),
- 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 (\$60.3 million and \$59.2 million in Fiscal Year 2014 and Fiscal Year 2013, 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 2014 and Fiscal Year 2013.

### Government-Wide Statements

#### Statement of Net Position

The following table reflects the condensed statement of net position as of June 30, 2014, 2013, and 2012.

	June 30,		
	2014	2013	2012
Current and other assets	\$ 53,143,814	\$ 40,194,662	\$ 34,088,984
Capital assets, net	65,839	37,214	29,528
Total assets	53,209,653	40,231,876	34,118,512
Liabilities	5,044,350	9,629,443	9,315,811
Net position			
Invested in capital assets	65,839	37,214	29,528
Restricted	550,000	750,000	-
Unrestricted	47,549,464	29,815,219	24,773,173
Total net position	\$ 48,165,303	\$ 30,602,433	\$ 24,802,701

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2014 and 2013

### Government-Wide Statements (continued)

#### Statement of Net Position (continued)

##### 2014

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash increased by approximately \$12.4 million during Fiscal Year 2014. Lottery proceeds receivable slightly increased to \$10.5 million at June 30, 2014 from \$10 million at June 30, 2013. The increase in the receivable is due to the increase in the Constitutional cap. Lottery proceeds are earned throughout the year. GOCO reached the Constitutional amount in May in both Fiscal Year 2014 and Fiscal Year 2013.

As of June 30, 2014, liabilities decreased by \$4.6 million from June 30, 2013. The liabilities outstanding at fiscal year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). The amount includes the June 2014 bill for Wildlife investments for Fiscal Year 2014 and the March through June 2014 bills for the Parks investments. The amount accrued for Wildlife monthly bills and land transactions was \$1.3 million less in Fiscal Year 2014. The amount accrued for Parks monthly bills was \$800 thousand more in Fiscal Year 2014. Open Space purposes had approximately \$3.53 million less in land transactions accrued in Fiscal Year 2014. In addition, \$500 thousand less in local government grants was accrued in Fiscal Year 2014.

Net Position-Restricted increased in Fiscal Year 2013 due to GOCO receiving a \$750 thousand grant from the Colorado Health Foundation. These funds are restricted and will be utilized in Fiscal Years 2014 and 2015 to reimburse these awards. The \$200 thousand reduction in restricted fund balances in Fiscal Year 2014 is due to funds being expended.

##### 2013

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash increased by approximately \$6 million during Fiscal Year 2013. Lottery proceeds receivable slightly increased to \$10 million at June 30, 2013 from \$9.9 million at June 30, 2012. The increase in the receivable is due to the timing of when the Constitutional cap is reached. Lottery proceeds are earned throughout the year. GOCO reached the Constitutional amount in May for Fiscal Year 2013 and in June for Fiscal Year 2012.

As of June 30, 2013, liabilities increased by \$300 thousand from June 30, 2012. The liabilities outstanding at fiscal year-end consisted mainly of monthly bills, estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"), and a large land transaction. The amount includes the May and June 2014 bills for Wildlife investments for Fiscal Year 2013 and the March through June 2013 bills for the Parks investments. The amount accrued for Wildlife monthly bills and land transactions was \$2.8 million less in Fiscal Year 2013. The amount accrued for Parks monthly bills was \$700 thousand less in Fiscal Year 2013. Open Space purposes had approximately \$3.5 million more in land transactions accrued in Fiscal Year 2013. In addition, \$300 thousand more in local government grants was accrued in Fiscal Year 2013.

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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

**Government-Wide Statements (continued)**

Statement of Net Position (continued)

2013 (continued)

Net Position-Restricted increased in Fiscal Year 2013 due to GOCO receiving a \$750 thousand grant from the Colorado Health Foundation. The grant was used to increase the awards to GOCO's school play-yard initiative. These funds are restricted and will be utilized in Fiscal Years 2014 and 2015 to reimburse these awards.

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years ended June 30, 2014, 2013, and 2012.

	<u>Fiscal Years Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue			
Lottery revenue	\$ 60,321,412	\$ 59,171,757	\$ 57,065,579
Miscellaneous income and investment earnings	<u>470,966</u>	<u>856,835</u>	<u>270,068</u>
Total revenue	<u>60,792,378</u>	<u>60,028,592</u>	<u>57,335,647</u>
Program expenses			
Grants expended	41,410,211	52,383,167	57,624,841
Personnel services and benefits	1,193,629	1,219,825	1,151,730
Operating and capital outlay	<u>625,668</u>	<u>625,868</u>	<u>642,535</u>
Total expenses	<u>43,229,508</u>	<u>54,228,860</u>	<u>59,419,106</u>
Change in net position	17,562,870	5,799,732	(2,083,459)
Beginning net position	<u>30,602,433</u>	<u>24,802,701</u>	<u>26,886,160</u>
Ending net position	<u>\$ 48,165,303</u>	<u>\$ 30,602,433</u>	<u>\$ 24,802,701</u>

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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

**Government-Wide Statements (continued)**

Statement of Activities (continued)

2014

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings were lower in Fiscal Year 2014 due to the one-time receipt in Fiscal Year 2013 of a \$750 thousand restricted grant from the Colorado Health Foundation. Investment earnings in Fiscal Year 2014 increased by approximately \$383 thousand as a result of an increase of \$305 thousand in unrealized gain and an increase of \$78 thousand in actual cash received for earnings. Grant expenditures in Fiscal Year 2014 decreased by \$11 million from Fiscal Year 2013. Grant expenditures are made on a reimbursement basis.

2013

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings were higher in Fiscal Year 2013 due to the receipt of a \$750 thousand restricted grant from the Colorado Health Foundation for reimbursement of awards under GOCO's school play-yard initiative. Investment earnings in Fiscal Year 2013 decreased by approximately \$200 thousand due to a larger unrealized loss. Grant expenditures in Fiscal Year 2013 decreased by \$5.2 million from Fiscal Year 2012. Grant expenditures are made on a reimbursement basis.

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

Next year, GOCO is projecting approximately \$61.5 million in revenue from the Lottery, which is less than the Constitutional cap projection for Fiscal Year 2015. Also, GOCO is budgeting \$2,182,000 for operating expenditures. This amount is classified as follows:

Personnel services and benefits	\$ 1,314,223
Operating expenditures	744,777
Capital outlay	<u>123,000</u>
	<u>\$ 2,182,000</u>

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

**Governmental Fund Balance Sheet and Statement of Net Position  
June 30, 2014**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and investments	\$ 41,558,349	\$ -	\$ 41,558,349
Lottery proceeds receivable	10,518,911	-	10,518,911
Note receivable	1,000,000	-	1,000,000
Other assets	66,554	-	66,554
Capital assets, net of accumulated depreciation	<u>-</u>	<u>65,839</u>	<u>65,839</u>
 Total assets	 <u>\$ 53,143,814</u>	 <u>\$ 65,839</u>	 <u>\$ 53,209,653</u>
<b>Liabilities</b>			
Grants payable	\$ 4,918,120	\$ -	\$ 4,918,120
Accounts payable	86,989	-	86,989
Compensated absences payable	<u>39,241</u>	<u>-</u>	<u>39,241</u>
Total liabilities	<u>5,044,350</u>	<u>-</u>	<u>5,044,350</u>
 Commitments and contingencies			
<b>Fund Balances/Net Position</b>			
Fund balances			
Restricted	550,000	(550,000)	-
Unrestricted	<u>47,549,464</u>	<u>(47,549,464)</u>	<u>-</u>
Total fund balances	<u>48,099,464</u>	<u>(48,099,464)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 53,143,814</u>		
 Net position			
Invested in capital assets		65,839	65,839
Restricted		550,000	550,000
Unrestricted		<u>47,549,464</u>	<u>47,549,464</u>
 Total net position		 <u>\$ 48,165,303</u>	 <u>\$ 48,165,303</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, 2013**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and investments	\$ 29,117,631	\$ -	\$ 29,117,631
Lottery proceeds receivable	10,005,058	-	10,005,058
Note receivable	1,000,000	-	1,000,000
Other assets	71,973	-	71,973
Capital assets, net of accumulated depreciation	<u>-</u>	<u>37,214</u>	<u>37,214</u>
 Total assets	 <u>\$ 40,194,662</u>	 <u>\$ 37,214</u>	 <u>\$ 40,231,876</u>
<b>Liabilities</b>			
Grants payable	\$ 9,455,892	\$ -	\$ 9,455,892
Accounts payable	128,523	-	128,523
Compensated absences payable	<u>45,028</u>	<u>-</u>	<u>45,028</u>
Total liabilities	<u>9,629,443</u>	<u>-</u>	<u>9,629,443</u>
 Commitments and contingencies			
<b>Fund Balances/Net Position</b>			
Fund balances			
Restricted	750,000	(750,000)	-
Unrestricted	<u>29,815,219</u>	<u>(29,815,219)</u>	<u>-</u>
Total fund balances	<u>30,565,219</u>	<u>(30,565,219)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 40,194,662</u>		
 Net position			
Invested in capital assets		37,214	37,214
Restricted		750,000	750,000
Unrestricted		<u>29,815,219</u>	<u>29,815,219</u>
 Total net position		 <u>\$ 30,602,433</u>	 <u>\$ 30,602,433</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, 2014**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 41,410,211	\$ -	\$ 41,410,211
Personnel services and benefits	1,193,629	-	1,193,629
Operating expenditures	599,194	26,474	625,668
Capital outlay	<u>55,099</u>	<u>(55,099)</u>	<u>-</u>
Total expenditures/expenses	<u>43,258,133</u>	<u>(28,625)</u>	<u>43,229,508</u>
 Program revenues – State Lottery proceeds	 <u>60,321,412</u>	 <u>-</u>	 <u>60,321,412</u>
 Net program revenues (expenses)			 17,091,904
 General revenues			
Miscellaneous income	29,664	-	29,664
Investment earnings	<u>441,302</u>	<u>-</u>	<u>441,302</u>
Total general revenues	<u>470,966</u>	<u>-</u>	<u>470,966</u>
 Excess (deficiency) of expenditures over revenues	 17,534,245	 (17,534,245)	 -
Change in net position	<u>-</u>	<u>17,562,870</u>	<u>17,562,870</u>
 Fund balance/net position – beginning of the year	 <u>30,565,219</u>	 <u>37,214</u>	 <u>30,602,433</u>
 Fund balance/net position – end of the year	 <u>\$ 48,099,464</u>	 <u>\$ 65,839</u>	 <u>\$ 48,165,303</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, 2013**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 52,383,167	\$ -	\$ 52,383,167
Personnel services and benefits	1,219,825	-	1,219,825
Operating expenditures	615,974	9,894	625,868
Capital outlay	<u>17,580</u>	<u>(17,580)</u>	<u>-</u>
Total expenditures/expenses	<u>54,236,546</u>	<u>(7,686)</u>	<u>54,228,860</u>
 Program revenues – State Lottery proceeds	 <u>59,171,757</u>	 <u>-</u>	 <u>59,171,757</u>
 Net program revenues (expenses)			 4,942,897
 General revenues			
Miscellaneous income	798,093	-	798,093
Investment earnings	<u>58,742</u>	<u>-</u>	<u>58,742</u>
Total general revenues	<u>856,835</u>	<u>-</u>	<u>856,835</u>
 Excess (deficiency) of expenditures over revenues	 5,792,046	 (5,792,046)	 -
Change in net position	<u>-</u>	<u>5,799,732</u>	<u>5,799,732</u>
 Fund balance/net position – beginning of the year	 <u>24,773,173</u>	 <u>29,528</u>	 <u>24,802,701</u>
 Fund balance/net position – end of the year	 <u>\$ 30,565,219</u>	 <u>\$ 37,214</u>	 <u>\$ 30,602,433</u>

See notes to the financial statements.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2014 and 2013

### **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 Financial Statements June 30, 2014 and 2013

### **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.

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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.

Budget

GOCO's budget is adopted by the Board.

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 - 10
Equipment	3 - 7

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

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.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2014 and 2013

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### Fund Balances and Net Position

GOCO's general fund balances are classified as unassigned. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Net position is presented in the following categories:

*Invested in capital assets* – consists of capital assets net of accumulated depreciation

*Restricted* – consists of the net position that is restricted by a grantor to reimburse awards under GOCO's school play-yard initiative

*Unrestricted* – consists of the remaining net position that is available for unrestricted use

#### 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, Division of Parks and Outdoor Recreation, 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 2014 and 2013 was approximately \$60.3 million and \$59.2 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$61.5 million, which is less than the maximum allowable of \$62 million, for Fiscal Year 2015.

### **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 \$65,839 and \$37,214 adjustments to capital assets as of June 30, 2014 and 2013, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements  
June 30, 2014 and 2013

**Note 3 - Reconciliation of Government-Wide and Fund Financial Statements (continued)**

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,	
	2014	2013
Capital outlay	\$ (55,099)	\$ (17,580)
Depreciation expense	22,030	9,894
Loss on disposal	<u>4,444</u>	<u>-</u>
Net adjustment to (increase) net changes in fund balances - total governmental fund to arrive at change in net position of governmental activities	<u>\$ (28,625)</u>	<u>\$ (7,686)</u>

**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.

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**Note 4 - Cash Deposits and Investments (continued)**

Cash Deposits (continued)

As of June 30, 2014, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2014	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 101
Insured deposits	153,399	105,265
	\$ 153,399	\$ 105,366

As of June 30, 2013, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2013	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 454
Insured deposits	145,222	86,674
	\$ 145,222	\$ 87,128

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:

- 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 BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2014 and 2013

### **Note 4 - Cash Deposits and Investments (continued)**

#### State Treasurer's Cash Pool

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

#### Summary

Total cash deposits and investments are as follows:

	June 30,	
	2014	2013
Cash deposits	\$ 105,366	\$ 87,128
Investments	<u>41,452,983</u>	<u>29,030,503</u>
	<u>\$ 41,558,349</u>	<u>\$ 29,117,631</u>

#### Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2014	2013
Investment income	\$ 308,730	\$ 231,267
Net unrealized gain (loss) on investments held by the State	<u>132,572</u>	<u>(172,525)</u>
	<u>\$ 441,302</u>	<u>\$ 58,742</u>

### **Note 5 - Lottery Proceeds Receivable**

As of June 30, 2014 and 2013, GOCO had distributions owed from the Lottery amounting to \$10,518,911 and \$10,005,058, respectively. For the receivable as of June 30, 2014, this represents GOCO's allocation of net proceeds from the Lottery for the months of April 2014 and May 2014, the month in which GOCO reached the Constitutional cap (Note 2). For the receivable as of June 30, 2013, this represents GOCO's allocation of net proceeds from the Lottery for the months of April 2013 and May 2013, 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.

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**Note 6 - Note Receivable**

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

**Note 7 - Capital Assets**

An analysis of the changes in capital assets for the year ended June 30, 2014 follows:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014
Equipment	\$ 79,455	\$ 17,256	\$ (25,929)	\$ 70,782
Software	108,939	37,843	(12,027)	134,755
Furniture	34,533	-	(3,500)	31,033
Leasehold improvements	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>14,560</u>
	237,487	55,099	(41,456)	251,130
Less: accumulated depreciation	<u>(200,273)</u>	<u>(22,030)</u>	<u>37,012</u>	<u>(185,291)</u>
Total capital assets, net	<u>\$ 37,214</u>	<u>\$ 33,069</u>	<u>\$ (4,444)</u>	<u>\$ 65,839</u>

An analysis of the changes in capital assets for the year ended June 30, 2013 follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
Equipment	\$ 82,731	\$ 15,896	\$ (19,172)	\$ 79,455
Software	107,255	1,684	-	108,939
Furniture	37,633	-	(3,100)	34,533
Leasehold improvements	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>14,560</u>
	242,179	17,580	(22,272)	237,487
Less: accumulated depreciation	<u>(212,651)</u>	<u>(9,894)</u>	<u>22,272</u>	<u>(200,273)</u>
Total capital assets, net	<u>\$ 29,528</u>	<u>\$ 7,686</u>	<u>\$ -</u>	<u>\$ 37,214</u>

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**Note 8 - Authorized Grants and Expended Grants**

The following is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2014 and 2013:

**Grants Authorized (Unaudited)**

Funding Purpose	Cumulative Authorized Grants at June 30, 2013	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2014
Purpose 1 - Wildlife	\$ 229,224,256	\$ 11,807,015	\$ (22,842)	\$ 241,008,429
Purpose 2 - Outdoor recreation	210,171,323	17,810,153	(2,716,660)	225,264,816
Purpose 3 - Competitive grants for open space	236,321,396	13,175,889	(605,262)	248,892,023
Purpose 4 - Competitive matching grants to local governments for open lands and parks	243,285,917	15,507,836	(114,488)	258,679,265
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 920,173,066</u>	<u>\$ 58,300,893</u>	<u>\$ (3,459,252)</u>	<u>\$ 975,014,707</u>
Funding Purpose	Cumulative Authorized Grants at June 30, 2012	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2013
Purpose 1 - Wildlife	\$ 213,470,352	\$ 15,900,000	\$ (146,096)	\$ 229,224,256
Purpose 2 - Outdoor recreation	192,263,127	22,190,503	(4,282,307)	210,171,323
Purpose 3 - Competitive grants for open space	230,730,589	6,405,134	(814,327)	236,321,396
Purpose 4 - Competitive matching grants to local governments for open lands and parks	235,849,013	7,765,775	(328,871)	243,285,917
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 873,483,255</u>	<u>\$ 52,261,412</u>	<u>\$ (5,571,601)</u>	<u>\$ 920,173,066</u>

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

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

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2013	Transfers/ Additions	Cumulative Expended Grants at June 30, 2014
Purpose 1 - Wildlife	\$ 211,656,404	\$ 9,194,800	\$ 220,851,204
Purpose 2 - Outdoor recreation	179,693,932	12,826,048	192,519,980
Purpose 3 - Competitive grants for open space	219,443,128	11,215,821	230,658,949
Purpose 4 - Competitive matching grants to local governments for open lands and parks	213,042,023	8,173,542	221,215,565
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 825,005,661</u>	<u>\$ 41,410,211</u>	<u>\$ 866,415,872</u>

Funding Purpose	Cumulative Expended Grants at June 30, 2012	Transfers/ Additions	Cumulative Expended Grants at June 30, 2013
Purpose 1 - Wildlife	\$ 196,945,741	\$ 14,710,663	\$ 211,656,404
Purpose 2 - Outdoor recreation	168,472,721	11,221,211	179,693,932
Purpose 3 - Competitive grants for open space	205,741,493	13,701,635	219,443,128
Purpose 4 - Competitive matching grants to local governments for open lands and parks	200,292,365	12,749,658	213,042,023
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 772,622,494</u>	<u>\$ 52,383,167</u>	<u>\$ 825,005,661</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements  
June 30, 2014 and 2013

**Note 9 - Commitments and Contingencies**

Operating Lease

GOCO leases facilities, copy machines, vehicles, and a postage meter under operating leases that expire in July 2016, March 2017, August 2014, and June 2017, respectively. Total facilities and equipment rental lease expense for the Fiscal Years ended June 30, 2014 and 2013 was \$155,533 and \$143,028, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 149,690
2016	155,657
2017	<u>17,488</u>
Total	<u>\$ 322,835</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 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.

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.

GOCO contributed \$88,186 and \$87,921 to the Pension Plan for the Fiscal Years ended June 30, 2014 and 2013, respectively, which approximates the required contribution.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2014 and 2013

### **Note 10 - Pension Plans (continued)**

#### **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 pre-tax 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.

### **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.

### **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.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2014 and 2013

### **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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues				
State Lottery proceeds	\$ 59,000,000	\$ 59,000,000	\$ 60,321,412	\$ 1,321,412
Investment earnings and miscellaneous income	<u>200,000</u>	<u>200,000</u>	<u>470,966</u>	<u>270,966</u>
Total revenues	<u>59,200,000</u>	<u>59,200,000</u>	<u>60,792,378</u>	<u>1,592,378</u>
Expenditures				
Grants expended	50,000,000	50,000,000	41,410,211	8,589,789
Personnel services and benefits	1,268,264	1,268,264	1,193,629	74,635
Operating expenditures	608,456	658,456	599,194	59,262
Capital outlay	<u>70,900</u>	<u>70,900</u>	<u>55,099</u>	<u>15,801</u>
Total expenditures	<u>51,947,620</u>	<u>51,997,620</u>	<u>43,258,133</u>	<u>8,739,487</u>
Excess of revenues over expenditures	7,252,380	7,202,380	17,534,245	10,331,865
Fund balance – beginning of year	<u>54,441,547</u>	<u>54,441,547</u>	<u>30,565,219</u>	<u>(23,876,328)</u>
Fund balance – end of year	<u>\$ 61,693,927</u>	<u>\$ 61,643,927</u>	<u>\$ 48,099,464</u>	<u>\$ (13,544,463)</u>

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

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 56,000,000	\$ 59,171,757	\$ 3,171,757
Investment earnings and miscellaneous income	<u>200,000</u>	<u>856,835</u>	<u>656,835</u>
Total revenues	<u>56,200,000</u>	<u>60,028,592</u>	<u>3,828,592</u>
Expenditures			
Grants expended	42,000,000	52,383,167	(10,383,167)
Personnel services and benefits	1,208,973	1,219,825	(10,852)
Operating expenditures	638,027	615,974	22,053
Capital outlay	<u>25,000</u>	<u>17,580</u>	<u>7,420</u>
Total expenditures	<u>43,872,000</u>	<u>54,236,546</u>	<u>(10,364,546)</u>
Excess (deficiency) of revenues over expenditures	12,328,000	5,792,046	(6,535,954)
Fund balance – beginning of year	<u>42,113,547</u>	<u>24,773,173</u>	<u>(17,340,374)</u>
Fund balance – end of year	<u>\$ 54,441,547</u>	<u>\$ 30,565,219</u>	<u>\$ (23,876,328)</u>

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

Members of the State Board of the Great Outdoors Colorado Trust Fund  
and the 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 audit contained in *Governmental 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 Fiscal Year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements, and have issued our report thereon dated December 1, 2014.

**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) to determine the 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 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.

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

## **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 determination of financial statement amounts. 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 *Governmental 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*EKS+H LLLP*  
EKS&H LLLP

December 1, 2014  
Denver, Colorado

## REQUIRED COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE

To the Members of the Legislative Audit Committee:

We have audited the financial statements of the governmental activities and major fund of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Governmental Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our contract dated May 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### SIGNIFICANT AUDIT FINDINGS

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by GOCO are described in Note 2 to the financial statements. No significant new accounting policies were adopted, and the application of existing policies was not changed during Fiscal Year 2014. We noted no transactions entered into by GOCO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s 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 significantly from those expected. Management’s use of estimates is disclosed in the notes to financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosures in the financial statements are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Members of the Legislative Audit Committee

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such audit adjustments for the year ended June 30, 2014.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from GOCO's management that are included in the management representation letter dated December 1, 2014.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to GOCO's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consulting accountant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as GOCO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted a certain matter that we reported to management of GOCO described in the Finding and Recommendation section of the report.

## **OTHER MATTERS**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Members of the Legislative Audit Committee

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

*EKS+H LLLP*  
EKS&H LLLP

December 1, 2014  
Denver, Colorado