



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

**Financial Statements  
and  
Independent Auditors' Report  
June 30, 2011 and 2010  
Compliance Audit  
June 30, 2011**

**EKS&H**

**EHRHARDT • KEEFE  
STEINER • HOTTMAN PC**

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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*Contract Auditors*

September 13, 2011

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, 2011. 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,



Ehrhardt Keefe Steiner & Hottman PC

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

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# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Report Summary Financial and Compliance Audit For the Years Ended June 30, 2011 and 2010

### AUTHORITY, PURPOSE, AND SCOPE

The 2011 audit of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) was completed under the authority of Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct annual audits of political subdivisions as required by law. The State Auditor has contracted with Ehrhardt Keefe Steiner & Hottman PC 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 2011 through September 2011.

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.

### SUMMARY OF MAJOR AUDIT FINDINGS AND RECOMMENDATIONS

An independent auditors’ report on the financial statements of GOCO dated September 13, 2011, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2011, 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 September 13, 2011, has also been issued, which states that the results of the Contract Auditors’ tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

### SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2010, included no recommendations.

### RECOMMENDATION LOCATOR

We noted no matters of recommendation for GOCO in the current year.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Description For the Years Ended June 30, 2011 and 2010

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 2011 is the eighteenth year of operations for GOCO. During 2002, House Bill 1250 extended the termination date of the State Lottery (“Lottery”) to July 1, 2024, thus continuing funding for GOCO through June 30, 2024.

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

As of June 30, 2011, the State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the Governor; a representative designated by the State Board of Parks and Outdoor Recreation; a representative designated by the Colorado Wildlife Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State. During Fiscal Year 2011, GOCO had a permanent staff of 14 and received \$56.0 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2011.

### CONSTITUTIONAL REQUIREMENTS FOR SPENDING

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

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

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

**Description  
For the Years Ended June 30, 2011 and 2010**

**GOCO Grants Cumulative through Fiscal Year 2011 (in thousands)**

Funding Purpose	Grants Authorized		Grants Expended		Over (Under) 25% Expended
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 196,570	24.3%	\$ 178,668	25.0%	\$ 211
Purpose 2 – Parks and outdoor recreation	186,823	23.1	158,080	22.2	(20,377)
Purpose 3 – Competitive grants for open space	209,855	25.9	190,742	26.7	12,285
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>215,777</u>	<u>26.7</u>	<u>186,338</u>	<u>26.1</u>	7,881
	809,025	100.0	713,828	100.0	
Non-categorized – Discretionary	<u>1,170</u>	<u>N/A</u>	<u>1,170</u>	<u>N/A</u>	
Total	<u>\$ 810,195</u>	<u>100.0%</u>	<u>\$ 714,998</u>	<u>100.0%</u>	

Source: Data provided by GOCO

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

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

Source: Data provided by GOCO

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

**Description  
For the Years Ended June 30, 2011 and 2010**

This next chart compares the cumulative percentages in each category for Fiscal Years 2011 and 2010 expenditures and calculates the variance of the percentages. During Fiscal Year 2011, one *Grants Expended* variance moved closer to compliance with the constitutional requirement of 25% and one *Grants Expended* variance remained unchanged. Specifically, Purpose 1 expenditures for Wildlife decreased from 25.1% to 25.0%, and Purpose 3 expenditures for Competitive grants for Open Space remained unchanged at 26.7%. The other purposes moved further from the 25% requirement.

**GOCO Grants Cumulative Comparison Fiscal Year 2011 and Fiscal Year 2010**

Funding Purpose	Grants Expended			
	FY 2011	FY 2010	Nominal Over (Under) 25% Expended FY 2011	Nominal Over (Under) 25% Expended FY 2010
Purpose 1 – Wildlife	25.0%	25.1%	0.0%	0.1%
Purpose 2 – Parks and outdoor recreation	22.2	22.8	(2.8)%	(2.2)%
Purpose 3 – Competitive grants for open space	26.7	26.7	1.7%	1.7%
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>26.1</u>	<u>25.4</u>	1.1%	0.4%
	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>		

Source: Data provided by GOCO

No recommendation is made in this area.



# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Description For the Years Ended June 30, 2011 and 2010

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

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

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

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

Currently, the Outdoor Recreation expenditures through the DPOR (“DPOR”) are at 22.2% of total expenditures. During the past several years, GOCO had concerns about the internal controls within the Division and increased its financial scrutiny of DPOR expenditures. In July 2008, a performance audit issued by the State Auditor confirmed that internal control issues existed. In July 2008, the GOCO Board rescinded \$8.6 million in awards to DPOR. The rescission of these awards is now being reflected in the current year with the lower grant expenditures. With improvements in internal controls and financial planning at the DPOR, over \$20 million in additional capital has been awarded to DPOR during Fiscal Years 2009 and 2010. These awards should increase this percentage in the coming fiscal years.

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of the State Board of the Great Outdoors Colorado Trust Fund ("GOCO") as of and for the year ended June 30, 2011, which collectively comprise GOCO's basic financial statements as listed in the table of contents. These financial statements are the responsibility of GOCO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of GOCO as of June 30, 2010 were audited by other auditors whose report dated September 15, 2010 expressed an unqualified opinion on the respective financial statements of the governmental activities and major fund.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GOCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of GOCO as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 12 and 31 through 32 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 basis 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.



Ehrhardt Keefe Steiner & Hottman PC

September 13, 2011  
Denver, Colorado

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2011 and 2010

The State Board of the Great Outdoors Colorado Trust Fund's ("GOCO") discussion and analysis is designed to provide a financial performance overview of GOCO's financial activities for the fiscal years ended June 30, 2011 and 2010. The management's discussion and analysis is intended to be read in conjunction with GOCO's financial statements beginning on page 13.

### Financial Highlights

GOCO receives funding from net Lottery proceeds and makes investments and grants for projects that preserve, protect, and enhance Colorado's wildlife, park, river, trail, and open space heritage. Investments and grants are provided to four funding purposes: 1) wildlife, 2) parks and 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 2011, Fiscal Year 2010, and Fiscal Year 2009.

	Fiscal Year Ended June 30,			2011/2010 Variance	2010/2009 Variance
	2011	2010	2009		
Lottery revenues	\$ 56,018,266	\$ 56,382,233	\$ 54,267,191	\$ (363,967)	\$ 2,115,042
Grant expenditures	\$ 73,100,222	\$ 51,637,986	\$ 59,634,478	\$ 21,462,236	\$ (7,996,492)

### 2011

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$56 million, per the Constitutional cap. This represents a \$0.4 million decrease over Fiscal Year 2010 in Lottery proceeds to GOCO due to a decline in the Denver/Boulder Consumer Pricing Index ("CPI").

Grant expenditures increased by \$21.5 million from Fiscal Year 2010. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year. During Fiscal Year 2011, several land acquisitions in conjunction with payments on large multi-year grants were completed:

- Purpose 1, Wildlife expended \$8 million in large multi-year grants.
- Purpose 2, Parks and Outdoor Recreation expended \$1.2 million in large multi-year grants.
- Purpose 3, Competitive grants for Open Space included \$6 million in large multi-year grants.
- Purpose 4, Competitive matching grants to local governments for open lands and parks included \$5 million in large multi-year grants.

These large multi-year grant expenditures greatly contributed to the additional amount of disbursements for Fiscal Year 2011 over Fiscal Year 2010.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2011 and 2010

### Financial Highlights (continued)

#### 2010

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$56.4 million, per the Constitutional cap. This represents a \$2.1 million increase over Fiscal Year 2009 in Lottery proceeds to GOCO.

Grant expenditures decreased by \$8 million from Fiscal Year 2009. Grant expenditures fluctuate year to year due to timing differences of project completions, but GOCO averages approximately \$50 million in grant disbursements per year.

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

- 40% to the Conservation Trust Fund,
- 10% to the Division of Parks and Outdoor Recreation,
- 50% to GOCO up to the Constitutional limit.

GOCO's funding is capped at \$35 million using the base year of 1992 adjusted annually for inflation (\$56 million and \$56.4 million in Fiscal Year 2011 and Fiscal Year 2010, 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 2011 and Fiscal Year 2010.

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

**Management's Discussion and Analysis  
June 30, 2011 and 2010**

**Government-Wide Statement**

Statement of Net Assets

The following table reflects the condensed statement of net assets as of June 30, 2011, 2010, and 2009.

	June 30,		
	2011	2010	2009
Current and other assets	\$ 43,910,181	\$ 57,064,830	\$ 48,885,924
Capital assets, net	<u>38,931</u>	<u>31,793</u>	<u>39,093</u>
Total assets	43,949,112	57,096,623	48,925,017
Current liabilities	17,062,952	11,482,452	7,575,232
Net assets			
Invested in capital assets	38,931	31,793	39,093
Unrestricted	<u>26,847,229</u>	<u>45,582,378</u>	<u>41,310,692</u>
Total net assets	<u>\$ 26,886,160</u>	<u>\$ 45,614,171</u>	<u>\$ 41,349,785</u>

2011

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash decreased by approximately \$10.3 million during Fiscal Year 2011. Lottery proceeds receivable decreased to \$12.1 million at June 30, 2011 from \$15.0 million at June 30, 2010. The decrease in the receivable is due to the timing of when the Constitutional cap is reached. The maximum was received in both years, and the Constitutional amount was reached in June for both years.

As of June 30, 2011, current liabilities increased by \$5.6 million from June 30, 2010. The liabilities outstanding at Fiscal Year-End consisted mainly of monthly bills and estimates of reimbursable costs incurred by the Colorado DPOR and the Colorado Division of Wildlife. The amount includes the last quarter of bills from the Colorado Division of Wildlife and the February through June bills for the Colorado DPOR.

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

**Management's Discussion and Analysis  
June 30, 2011 and 2010**

**Government-Wide Statement (continued)**

Statement of Net Assets (continued)

2010

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

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

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years Ended June 30, 2011, 2010, and 2009.

	Fiscal Years Ended June 30,		
	2011	2010	2009
Revenue			
Lottery revenue	\$ 56,018,266	\$ 56,382,233	\$ 54,267,191
Miscellaneous income and investment earnings	173,509	1,236,906	1,484,696
Total revenue	56,191,775	57,619,139	55,751,887
Program expenses			
Grants expended	73,100,222	51,637,986	59,634,478
Personnel services and benefits	1,181,696	1,194,715	1,102,689
Operating	637,868	522,052	562,727
Total expenses	74,919,786	53,354,753	61,299,894
Change in net assets	(18,728,011)	4,264,386	(5,548,007)
Beginning net assets	45,614,171	41,349,785	46,897,792
Ending net assets	\$ 26,886,160	\$ 45,614,171	\$ 41,349,785

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Management's Discussion and Analysis June 30, 2011 and 2010

### Government-Wide Statement (continued)

#### Statement of Activities (continued)

##### 2011

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings decreased substantially in Fiscal Year 2011. Investment earnings in Fiscal Year 2011 decreased by \$1.1 million, due to lower interest rates and reduced cash balances. Unrealized (losses) gains recorded on GOCO's investment account were \$(524,526) and \$344,977 in Fiscal Years 2011 and 2010, respectively. Grant expenditures in Fiscal Year 2011 increased by \$21.5 million from Fiscal Year 2010. Grant expenditures are made on a reimbursement basis.

##### 2010

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

### Economic Factors and Next Year's Budget

GOCO's projections for Lottery proceeds that will be available to GOCO are equal to the Colorado Lottery's projections. Next year, GOCO is projecting approximately \$57.0 million in revenue from the Lottery, which is equal to the Constitutional Cap projection for Fiscal Year 2012. Also, GOCO is budgeting \$1,896,000 for operating expenditures. This amount is classified as follows:

Personnel services	\$ 1,185,956
Operating expenditures	701,544
Capital outlay	<u>8,500</u>
	<u>\$ 1,896,000</u>



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

**Governmental Fund Balance Sheet and Statement of Net Assets  
June 30, 2011**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and investments	\$ 30,696,918	\$ -	\$ 30,696,918
Lottery proceeds receivable	12,144,162	-	12,144,162
Note receivable	1,000,000	-	1,000,000
Other assets	69,101	-	69,101
Capital assets, net of accumulated depreciation	<u>-</u>	<u>38,931</u>	<u>38,931</u>
 Total assets	 <u>\$ 43,910,181</u>	 <u>38,931</u>	 <u>43,949,112</u>
<b>Liabilities</b>			
Grants payable	\$ 16,997,889	-	16,997,889
Accounts payable	23,849	-	23,849
Compensated absences payable	<u>41,214</u>	<u>-</u>	<u>41,214</u>
Total liabilities	<u>17,062,952</u>	<u>-</u>	<u>17,062,952</u>
 Commitments and contingencies			
<b>Fund Balances/Net Assets</b>			
Fund balances			
Unreserved and undesignated	<u>26,847,229</u>	<u>(26,847,229)</u>	<u>-</u>
Total fund balances	<u>26,847,229</u>	<u>(26,847,229)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 43,910,181</u>		
 Net assets			
Invested in capital assets		38,931	38,931
Unrestricted		<u>26,847,229</u>	<u>26,847,229</u>
 Total net assets		 <u>\$ 26,886,160</u>	 <u>\$ 26,886,160</u>

See accompanying notes to the financial statements.

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

**Governmental Fund Balance Sheet and Statement of Net Assets  
June 30, 2010**

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

See accompanying notes to the financial statements.

**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, 2011**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 73,100,222	\$ -	\$ 73,100,222
Personnel services and benefits	1,181,696	-	1,181,696
Operating expenditures	620,539	17,329	637,868
Capital outlay	<u>24,467</u>	<u>(24,467)</u>	<u>-</u>
Total expenditures/expenses	<u>74,926,924</u>	<u>(7,138)</u>	<u>74,919,786</u>
 Program revenues – State Lottery proceeds	 <u>56,018,266</u>	 <u>-</u>	 <u>56,018,266</u>
 Net program revenues (expenses)			 (18,901,520)
 General revenues			
Miscellaneous income	1,125	-	1,125
Investment earnings	<u>172,384</u>	<u>-</u>	<u>172,384</u>
Total general revenues	<u>173,509</u>	<u>-</u>	<u>173,509</u>
 Excess (deficiency) of expenditures over revenues	 (18,735,149)	 18,735,149	 -
Change in net assets	<u>-</u>	<u>(18,728,011)</u>	<u>(18,728,011)</u>
 Fund balance/net assets – beginning of the year	 <u>45,582,378</u>	 <u>31,793</u>	 <u>45,614,171</u>
 Fund balance/net assets – end of the year	 <u>\$ 26,847,229</u>	 <u>\$ 38,931</u>	 <u>\$ 26,886,160</u>

See accompanying 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, 2010**

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

See accompanying notes to the financial statements.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2011 and 2010

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

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 assets 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, 2011 and 2010

### 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 programs are reported separately as general revenues.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

GOCO reports the following major governmental fund:

The general fund is the 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.

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

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

**Notes to Financial Statements  
June 30, 2011 and 2010**

**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	5 - 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 240 hours. Sick leave is forfeited upon termination of employment with GOCO and therefore is not accrued on GOCO's financial statements. A liability has been recorded for compensated absences in the financial statements.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2011 and 2010

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

#### 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, DPOR, 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 Denver/Boulder Consumer Price Index ("CPI") compounded annually based on 1992 base year CPI. GOCO's share of Lottery proceeds for Fiscal Years 2011 and 2010 was approximately \$56.0 million and \$56.4 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$57.0 million, the maximum allowable, for Fiscal Year 2012.

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

#### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet and statement of net assets includes an adjustment between fund balance total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The only element of that adjustment pertains to capital assets. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The \$38,931 and \$31,793 adjustments to capital assets as of June 30, 2011 and 2010, 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, 2011 and 2010**

**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 assets 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,	
	2011	2010
Capital outlay	\$ (24,467)	\$ (11,928)
Depreciation expense	17,329	19,228
Net adjustment to decrease (increase) net changes in fund balances - total governmental fund to arrive at change in net assets of governmental activities	\$ (7,138)	\$ 7,300

**Note 4 - Cash Deposits and Investments**

Cash Deposits

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

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

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

**Notes to Financial Statements  
June 30, 2011 and 2010**

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

Cash Deposits (continued)

As of June 30, 2011, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2011	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 404
Insured deposits	184,222	118,167
	\$ 184,222	\$ 118,571

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

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

Because GOCO's deposits are either FDIC insured or collateralized under PDPA in single institution pools, none are deemed to be exposed to custodial credit risk under GASB 40, *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, 2011 and 2010

### **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,	
	2011	2010
Cash deposits	\$ 118,571	\$ 11,497
Investments	<u>30,578,347</u>	<u>40,976,664</u>
	<u>\$ 30,696,918</u>	<u>\$ 40,988,161</u>

#### Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2011	2010
Investment income	\$ 696,910	\$ 891,909
Net unrealized gains (loss) on investments held by the State	<u>(524,526)</u>	<u>344,997</u>
	<u>\$ 172,384</u>	<u>\$ 1,236,906</u>

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

As of June 30, 2011 and 2010, GOCO had distributions owed from the Colorado State Lottery amounting to \$12,144,162 and \$15,038,589, respectively. For the receivable as of June 30, 2011 and 2010, this represents GOCO's allocation of net proceeds from the Colorado State Lottery for the months of April, May, and June, 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, 2011 and 2010**

**Note 6 - Notes Receivable**

On June 9, 2006, GOCO entered into a zero interest promissory note (with annually renewable one-year terms) with the City of Colorado Springs, Colorado (the "City") in the amount of \$1,000,000 for the acquisition of Red Rock Canyon property in El Paso County, Colorado. Because the City utilized Certificates of Participation ("COPs") to purchase the property, an easement on the property cannot be recorded until the COPs are paid in full. Accordingly, the easement has been placed in escrow and will remain there until the COPs have been paid in full by the City, estimated to be in 2018. Upon the due date of the note, the note will be considered paid in full without the transfer of any principal or interest to GOCO provided that: 1) the COPs have been redeemed, 2) all other terms (relating to items such as project scope, loan/grant conditions, budget, timeline, etc.) of the loan agreement have been satisfied, and 3) there is no event of default. Under GASB 33, *Accounting and Financial Reporting for 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, 2011 follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2011</u>
Equipment	\$ 79,263	\$ 3,468	\$ -	\$ 82,731
Software	107,255	-	-	107,255
Furniture	31,194	6,439	-	37,633
Leasehold improvements	<u>81,018</u>	<u>14,560</u>	<u>(81,018)</u>	<u>14,560</u>
	298,730	24,467	(81,018)	242,179
Less: accumulated depreciation	<u>(266,937)</u>	<u>(17,329)</u>	<u>81,018</u>	<u>(203,248)</u>
Total capital assets, net	<u>\$ 31,793</u>	<u>\$ 7,138</u>	<u>\$ -</u>	<u>\$ 38,931</u>

An analysis of the changes in capital assets for the year ended June 30, 2010 follows:

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

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

**Notes to Financial Statements  
June 30, 2011 and 2010**

**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, 2011 and 2010:

**Grants Authorized (Unaudited)**

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2010</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2011</u>
Purpose 1 - Wildlife	\$ 177,970,352	\$ 18,794,966	\$ (194,966)	\$ 196,570,352
Purpose 2 - Parks and outdoor recreation	179,028,177	9,403,615	(1,609,079)	186,822,713
Purpose 3 - Competitive grants for open space	198,089,439	17,461,095	(5,695,516)	209,855,018
Purpose 4 - Competitive matching grants to local governments for open lands and parks	201,031,274	16,518,161	(1,772,932)	215,776,503
Non-categorized - Discretionary	<u>1,220,174</u>	<u>-</u>	<u>(50,000)</u>	<u>1,170,174</u>
	<u>\$ 757,339,416</u>	<u>\$ 62,177,837</u>	<u>\$ (9,322,493)</u>	<u>\$ 810,194,760</u>
<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2009</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2010</u>
Purpose 1 - Wildlife	\$ 166,900,065	\$ 12,760,818	\$ (1,690,531)	\$ 177,970,352
Purpose 2 - Parks and outdoor recreation	154,352,847	26,288,231	(1,612,901)	179,028,177
Purpose 3 - Competitive grants for open space	186,340,974	17,333,095	(5,584,630)	198,089,439
Purpose 4 - Competitive matching grants to local governments for open lands and parks	183,775,884	20,199,570	(2,944,180)	201,031,274
Non-categorized - Discretionary	<u>1,220,174</u>	<u>-</u>	<u>-</u>	<u>1,220,174</u>
	<u>\$ 692,589,944</u>	<u>\$ 76,581,714</u>	<u>\$ (11,832,242)</u>	<u>\$ 757,339,416</u>

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

**Notes to Financial Statements  
June 30, 2011 and 2010**

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

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2010	Transfers/ Additions	Cumulative Expended Grants at June 30, 2011
Purpose 1 - Wildlife	\$ 161,050,061	\$ 17,617,558	\$ 178,667,619
Purpose 2 - Parks and outdoor recreation	146,285,071	11,795,258	158,080,329
Purpose 3 - Competitive grants for open space	170,992,570	19,749,053	190,741,623
Purpose 4 - Competitive matching grants to local governments for open lands and parks	162,449,555	23,888,353	186,337,908
Non-categorized - Discretionary	<u>1,120,174</u>	<u>50,000</u>	<u>1,170,174</u>
	<u>\$ 641,897,431</u>	<u>\$ 73,100,222</u>	<u>\$ 714,997,653</u>
Funding Purpose	Cumulative Expended Grants at June 30, 2009	Transfers/ Additions	Cumulative Expended Grants at June 30, 2010
Purpose 1 - Wildlife	\$ 150,035,695	\$ 11,014,366	\$ 161,050,061
Purpose 2 - Parks and outdoor recreation	139,123,681	7,161,390	146,285,071
Purpose 3 - Competitive grants for open space	153,659,763	17,332,807	170,992,570
Purpose 4 - Competitive matching grants to local governments for open lands and parks	146,370,132	16,079,423	162,449,555
Non-categorized - Discretionary	<u>1,070,174</u>	<u>50,000</u>	<u>1,120,174</u>
	<u>\$ 590,259,445</u>	<u>\$ 51,637,986</u>	<u>\$ 641,897,431</u>

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

**Notes to Financial Statements  
June 30, 2011 and 2010**

**Note 9 - Commitments and Contingencies**

Operating Lease

GOCO leases facilities, copy machines, and vehicles under operating leases that expire in July 2016, June 2012, and August 2011, respectively. Additionally, GOCO leases a postage meter under an operating lease that does not have an expiration date. Total facilities and equipment rental lease expense for the Fiscal Years ended June 30, 2011 and 2010 was \$132,124 and \$127,427, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 114,747
2013	127,831
2014	139,449
2015	143,620
2016	<u>150,472</u>
Total	<u>\$ 676,119</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 \$86,900 and \$95,533 to the Pension Plan for the Fiscal Years ended June 30, 2011 and 2010, respectively, which approximates the required contribution.

# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2011 and 2010

### **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 Board of GOCO 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 Senate. The 3 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 DPOR 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 DPOR. In addition, the Colorado Division of Wildlife and the Colorado DPOR 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.



# STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

## Notes to Financial Statements June 30, 2011 and 2010

### **Note 12 - Risk Management**

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

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

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the State and all local governments. In the same general election, Amendment 8 was passed creating GOCO. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments. The General Assembly determined, in Section 24-77-102(17)(b)(ix) C.R.S. that the net proceeds from the Colorado State 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, 2011**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 56,000,000	\$ 56,018,266	\$ 18,266
Investment earnings	<u>600,000</u>	<u>173,509</u>	<u>(426,491)</u>
Total revenues	<u>56,600,000</u>	<u>56,191,775</u>	<u>(408,225)</u>
Expenditures			
Grants expended	36,000,000	73,100,222	(37,100,222)
Personnel services and benefits	1,251,234	1,181,696	69,538
Operating expenditures	569,266	620,539	(51,273)
Capital outlay	<u>8,500</u>	<u>24,467</u>	<u>(15,967)</u>
Total expenditures	<u>37,829,000</u>	<u>74,926,924</u>	<u>(37,097,924)</u>
Excess (deficiency) of revenues over expenditures	18,771,000	(18,735,149)	(37,506,149)
Fund balance – beginning of year	<u>9,713,547</u>	<u>45,582,378</u>	<u>35,868,831</u>
Fund balance – end of year	<u>\$ 28,484,547</u>	<u>\$ 26,847,229</u>	<u>\$ (1,637,318)</u>

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

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2010**

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

**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 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, 2011, which collectively comprise GOCO’s basic financial statements and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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 *Government Auditing Standards*.

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



Ehrhardt Keefe Steiner & Hottman PC

September 13, 2011  
Denver, Colorado

## **REQUIRED COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE**

To the Legislative Audit Committee:

We have audited the financial statements of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) for the year ended June 30, 2011, and have issued our report thereon dated September 13, 2011. Professional standards require that we provide you with the following information related to our audit.

### **OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS**

As stated in our contract dated April 8, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by GOCO are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve GOCO or management of their responsibilities.

As part of our audit, we considered the internal control of GOCO. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the GOCO’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously communicated to GOCO in our meeting about planning matters.

To the Legislative Audit Committee

## **SIGNIFICANT AUDIT FINDINGS**

Management has the responsibility 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 new accounting policies were adopted, and the application of existing policies was not changed during 2011. We noted no transactions entered into by GOCO during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

## **ACCOUNTING ESTIMATES**

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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

## **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, 2011.

## **DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, professional standards define a disagreement with management as 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.



To the Legislative Audit Committee

## **MANAGEMENT REPRESENTATIONS**

We have requested certain representations from GOCO's management that are included in the management representation letter dated September 13, 2011.

## **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 consulted 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.

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.



Ehrhardt Keefe Steiner & Hottman PC

September 13, 2011  
Denver, Colorado

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

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

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

**Report Control Number 2112-11**