



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

**Financial and Compliance Audit
For the Years
June 30, 2012 and 2011**

EKS&H

**EHRHARDT • KEEFE
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September 25, 2012

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, 2012. 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, 2012 and 2011

AUTHORITY, PURPOSE, AND SCOPE

The 2012 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 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 2012 through September 2012.

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.

An independent auditors’ report on the financial statements of GOCO dated September 25, 2012, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2012 and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SUMMARY OF MAJOR AUDIT FINDINGS AND RECOMMENDATIONS

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 25, 2012, 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*.

We have identified one finding as follows:

Finding

Ongoing effort is needed to meet the requirement that “amounts expended for each of the [funding categories] over a period of years be substantially equal” under Article XXVII.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2011, included no recommendations.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Recommendation Locator
Financial and Compliance Audit
For the Years Ended June 30, 2012 and 2011**

Rec No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	4	GOCO should ensure that expenditures made for each of the four funding purposes over a period of years be substantially equal per Article XXVII, Section 5 of the Colorado Constitution	Disagree	

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Description For the Years Ended June 30, 2012 and 2011

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 2012 was the nineteenth 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, which is adjusted annually based on the change from the 1992 Consumer Price Index - Denver (“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, 2012, 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; 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. During Fiscal Year 2012, GOCO had a permanent staff of 12 and received \$57.1 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2012 per Article XXVII as adjusted for the change in the CPI. 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.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Finding and Recommendation
For the Years Ended June 30, 2012 and 2011**

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 and rules and regulations, which could have a material effect on GOCO’s financial statements.

We identified the following item where continued focus is recommended to ensure GOCO is in compliance with the State Constitution.

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.

The following chart shows the cumulative amounts since GOCO’s inception in 1993 of GOCO grants authorized and expended. *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 2012 (in thousands)

Funding Purpose	Grants Authorized		Grants Expended	
	Amount	%	Amount	%
Purpose 1 – Wildlife	\$ 213,470	24.5%	\$ 196,946	25.5%
Purpose 2 – Outdoor recreation	192,263	22.0	168,473	21.8
Purpose 3 – Competitive grants for open space	230,731	26.5	205,741	26.7
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>235,849</u>	<u>27.0</u>	<u>200,292</u>	<u>26.0</u>
	872,313	100.0	771,452	100.0
Non-categorized – Discretionary	<u>1,170</u>	<u>N/A</u>	<u>1,170</u>	<u>N/A</u>
Total	<u>\$ 873,483</u>	<u>100.0%</u>	<u>\$ 772,622</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, 2012 and 2011**

The next two charts show the trend over the last five years of cumulative grants authorized by GOCO and grants expended by purpose. Specific to Purpose 2 – Outdoor Recreation, the grants authorized percentage to total grants authorized increased from 2008 through 2010, then decreased in 2011 and 2012. Grants expended for the outdoor recreation purpose have decreased as a percentage of total grants expended in each of the last five years.

GOCO Grants Authorized Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Authorized %					Five-Year Change
	2008	2009	2010	2011	2012	
Purpose 1 – Wildlife	24.2%	24.1%	23.5%	24.3%	24.5%	0.30%
Purpose 2 – Outdoor recreation	22.1	22.3	23.7	23.1	22.0	(0.10)%
Purpose 3 – Competitive grants for open space	27.4	27.0	26.2	25.9	26.5	(0.90)%
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>26.3</u>	<u>26.6</u>	<u>26.6</u>	<u>26.7</u>	<u>27.0</u>	0.70%
	<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
	2008	2009	2010	2011	2012	
Purpose 1 – Wildlife	24.9%	25.5%	25.1%	25.0%	25.5%	0.60%
Purpose 2 – Outdoor recreation	25.2	23.6	22.8	22.2	21.8	(3.40)%
Purpose 3 – Competitive grants for open space	25.6	26.1	26.7	26.7	26.7	1.10%
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>24.3</u>	<u>24.8</u>	<u>25.4</u>	<u>26.1</u>	<u>26.0</u>	1.70%
	<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’s financial and compliance audit for fiscal year 2009 included a finding related to compliance with the substantially equal requirement. As compared to the fiscal year 2009 cumulative expenditures by purpose, cumulative expenditures are further from equal as of fiscal year 2012 for three of the four purposes. The largest change in the variance from equal since 2009 is in the outdoor recreation purpose. Based on cumulative expenditures through fiscal year 2012, the outdoor recreation purpose would need to incur an additional \$37.3 million in expenditures to be equal to the purpose with the highest cumulative expenditures.

(Classification of Finding: Not classified -- not an internal control issue)

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Finding and Recommendation For the Years Ended June 30, 2012 and 2011

Recommendation No. 1

The Board should assure that expenditures be substantially equal over a period of years for each of the four funding categories. To satisfy the constitutional requirement of substantially equal expenditures among the four funding categories, the Board and management should work with eligible recipients to make adjustments within GOCO's financial plans, as appropriate.

GOCO's response:

Disagree

The GOCO Board agrees one of its fiduciary duties is to ensure substantially equal expenditures over time in each of its four funding purposes, which it has done at a reasonable level. However, it disagrees with the recommendation that it should alter its practices, particularly in the circumstance where a revised approach may conflict with its other Constitutional duties. The paramount fiduciary duty of the Board as overseer of public funds is to ensure funds are awarded and spent in a fiscally responsible and timely manner. For the outdoor recreation purpose, current changes in the structure at Colorado Parks and Wildlife ("CPW") due to the merger have affected the Board's ability to keep the same pace of awarded investments through that purpose. Making immediate changes to meet the goal of substantially equal for the outdoor recreation purpose as outlined in the audit finding would likely result in the Board's vacating its overall fiduciary duty. This does not seem to be the most prudent use of public funds. The Board believes from a fiduciary duty there is nothing additional that could have been implemented to invest additional funds through CPW for the outdoor recreation purpose during Fiscal Year 2012 and have them spend those funds in a timely manner.

Substantially equal is discussed and considered whenever the Board is making a financial decision on allocating funds for new grant awards and investments. Once the Board authorizes the spending of funds, it also has a fiduciary obligation to see that adequate controls are in place to ensure that projects are completed as described prior to reimbursing for the cost of those projects. The Board continues to review procedures to evaluate if there are additional ways to encourage more timely requests for reimbursement without affecting the level of internal controls. At times, decisions made to meet the need for internal controls may result in fewer awards being made until the Board is satisfied its fiduciary obligation can be met.

The auditors have identified a trend in the outdoor recreation purpose that shows the expenditure of funds in that purpose is falling behind the other purposes, therefore, affecting the requirement that the expenditure of funds in each purpose be substantially equal over time. GOCO believes that it has been taking steps to ensure that expenditures be substantially equal over time while balancing its fiduciary duty.

The trend of declining outdoor recreation expenditures began in Fiscal Year 2009 when GOCO rescinded a substantial amount of investments as a result of a performance audit completed by the State Auditor. Significant progress has been made with regard to internal controls and reimbursements, but due to the size of the agency and its ongoing merger, it takes times to see the results mathematically.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Finding and Recommendation
For the Years Ended June 30, 2012 and 2011**

The awards and expenditures for the outdoor recreation purpose are further impacted by the Parks system revamping its capital project management process. This process has focused on the need to clearly identify the scope of capital projects prior to requesting awards from GOCO. This has resulted in the last two requests for investments for outdoor recreation capital expenditures being well below the amount GOCO had anticipated providing CPW. It is anticipated that some of this funding will be authorized in the fall of Fiscal Year 2013. This process has also lengthened the amount of time it takes for funds already authorized by GOCO to be expended and for reimbursement to be requested by CPW.

GOCO will continue to work with CPW to increase its expenditures and awards over the next fiscal year. By October 31, 2012, it is anticipated an additional \$6.9 million will be awarded for capital investments for outdoor recreation projects. As of October 2012, the GOCO Board will have made additional awards to both the wildlife and outdoor recreation purposes resulting in the following cumulative award percentages:

Purpose 1 – Wildlife	24.6%
Purpose 2 – Outdoor Recreation	22.6%
Purpose 3 – Open Space	26.1%
Purpose 4 – Local Government	26.7%

Currently, the Board is in the third year of a five-year financial plan, which runs through Fiscal Year 2015. Initially, stakeholders from each purpose were given an opportunity to provide input on the timing and level of funding to be provided during the five-year period. The wildlife, open space, and local government purposes asked that funding be more heavily weighted in the early years of the five-year plan; whereas, the outdoor recreation purpose funding is more heavily weighted in the later part of the five-year plan. The current five-year plan will continue to address the awards for each purpose, and these timing differences discussed will dissipate. It is anticipated at the end of the five-year plan in Fiscal Year 2015, the award percentages will range from 23.95%-25.95%.

Auditors Addendum:

We have considered GOCO's response and made modifications to the comment, as appropriate. As modified, the finding still stands that GOCO has lost ground in assuring expenditures are substantially equal for each of the four funding categories over the last five 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 years ended June 30, 2012 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GOCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of GOCO as of June 30, 2012 and 2011 and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, 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.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 14 and 33 through 34 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.



Ehrhardt Keefe Steiner & Hottman PC

September 25, 2012
Denver, Colorado

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2012 and 2011

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, 2012 and 2011. The management's discussion and analysis is intended to be read in conjunction with GOCO's financial statements beginning on page 15.

Financial Highlights

GOCO receives funding from net Lottery proceeds and makes investments and grants for projects that preserve, protect, and enhance Colorado's wildlife, park, river, trail, and open space heritage. Investments and grants are provided for four funding purposes: 1) wildlife, 2) outdoor recreation, 3) competitive grants for open space, and 4) competitive matching grants to local governments for open lands and parks.

The following table highlights significant variances between Fiscal Year 2012, Fiscal Year 2011, and Fiscal Year 2010.

	Fiscal Year Ended June 30,			2012/2011 Variance	2011/2010 Variance
	2012	2011	2010		
Lottery revenues	\$ 57,065,579	\$ 56,018,266	\$ 56,382,233	\$ 1,047,313	\$ (363,967)
Grant expenditures	\$ 57,624,841	\$ 73,100,222	\$ 51,637,986	\$ (15,475,381)	\$ 21,462,236

2012

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$57.1 million, per the Constitutional cap. This represents an approximate \$1.0 million increase over Fiscal Year 2011 in Lottery proceeds to GOCO due to an increase in the Denver Consumer Price Index ("CPI").

Grant expenditures decreased by \$15.5 million from Fiscal Year 2011. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year. The closure of large multi-year grant expenditures greatly contributed to the additional amount of disbursements for Fiscal Year 2011.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2012 and 2011

Financial Highlights (continued)

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 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 - 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.

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 ("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 (\$57.1 million and \$56 million in Fiscal Year 2012 and Fiscal Year 2011, 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 2012 and Fiscal Year 2011.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2012 and 2011

Government-Wide Statements

Statement of Net Assets

The following table reflects the condensed statement of net assets as of June 30, 2012, 2011, and 2010.

	June 30,		
	2012	2011	2010
Current and other assets	\$ 34,088,984	\$ 43,910,181	\$ 57,064,830
Capital assets, net	<u>29,528</u>	<u>38,931</u>	<u>31,793</u>
Total assets	34,118,512	43,949,112	57,096,623
Liabilities	9,315,811	17,062,952	11,482,452
Net assets			
Invested in capital assets	29,528	38,931	31,793
Unrestricted	<u>24,773,173</u>	<u>26,847,229</u>	<u>45,582,378</u>
Total net assets	<u>\$ 24,802,701</u>	<u>\$ 26,886,160</u>	<u>\$ 45,614,171</u>

2012

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash decreased by approximately \$7.6 million during Fiscal Year 2012. Lottery proceeds receivable decreased to \$9.9 million at June 30, 2012 from \$12.1 million at June 30, 2011. The decrease in the receivable is due to the timing of when the Constitutional cap is reached. Lottery proceeds are earned throughout the year. In both years GOCO reached the Constitutional amount in June. In Fiscal Year 2012, GOCO earned more of its annual revenue in the first three quarters resulting in a smaller amount of revenue accrued for the fourth quarter.

As of June 30, 2012, liabilities decreased by \$7.7 million from June 30, 2011. The liabilities outstanding at fiscal year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by CPW. The amount includes the last four months of bills for Wildlife investments and the February through June bills for the Parks investments. Fiscal Year 2012 amounts are lower due to fewer projects being accrued at year-end. Combined, the Wildlife and Open Space purposes had approximately \$5 million less in land transactions accrued in Fiscal Year 2012. In addition, \$2.3 million less in local government grants was accrued in Fiscal Year 2012.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Management's Discussion and Analysis
June 30, 2012 and 2011**

Government-Wide Statements (continued)

Statement of Net Assets (continued)

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, 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.

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years Ended June 30, 2012, 2011, and 2010.

	<u>Fiscal Years Ended June 30,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue			
Lottery revenue	\$ 57,065,579	\$ 56,018,266	\$ 56,382,233
Miscellaneous income and investment earnings	<u>270,068</u>	<u>173,509</u>	<u>1,236,906</u>
Total revenue	<u>57,335,647</u>	<u>56,191,775</u>	<u>57,619,139</u>
Program expenses			
Grants expended	57,624,841	73,100,222	51,637,986
Personnel services and benefits	1,151,730	1,181,696	1,194,715
Operating	<u>642,535</u>	<u>637,868</u>	<u>522,052</u>
Total expenses	<u>59,419,106</u>	<u>74,919,786</u>	<u>53,354,753</u>
Change in net assets	(2,083,459)	(18,728,011)	4,264,386
Beginning net assets	<u>26,886,160</u>	<u>45,614,171</u>	<u>41,349,785</u>
Ending net assets	<u>\$ 24,802,701</u>	<u>\$ 26,886,160</u>	<u>\$ 45,614,171</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Management's Discussion and Analysis
June 30, 2012 and 2011**

Government-Wide Statements (continued)

Statement of Activities (continued)

2012

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings continued to be lower than experienced in years prior to Fiscal Year 2011. Investment earnings in Fiscal Year 2012 increased by approximately \$100 thousand. Grant expenditures in Fiscal Year 2012 decreased by \$15.5 million from Fiscal Year 2011. Grant expenditures are made on a reimbursement basis.

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.

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 \$56.0 million in revenue from the Lottery, which is less than the Constitutional cap projection for Fiscal Year 2013. Also, GOCO is budgeting \$1,872,000 for operating expenditures. This amount is classified as follows:

Personnel services and benefits	\$ 1,208,973
Operating expenditures	638,027
Capital outlay	<u>25,000</u>
	<u>\$ 1,872,000</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Assets
June 30, 2012**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 23,101,448	\$ -	\$ 23,101,448
Lottery proceeds receivable	9,932,879	-	9,932,879
Note receivable	1,000,000	-	1,000,000
Other assets	54,657	-	54,657
Capital assets, net of accumulated depreciation	<u>-</u>	<u>29,528</u>	<u>29,528</u>
 Total assets	 <u>\$ 34,088,984</u>	 <u>29,528</u>	 <u>34,118,512</u>
Liabilities			
Grants payable	\$ 9,212,443	-	9,212,443
Accounts payable	60,782	-	60,782
Compensated absences payable	<u>42,586</u>	<u>-</u>	<u>42,586</u>
Total liabilities	<u>9,315,811</u>	<u>-</u>	<u>9,315,811</u>
 Commitments and contingencies			
Fund Balances/Net Assets			
Fund balances			
Unassigned	<u>24,773,173</u>	<u>(24,773,173)</u>	<u>-</u>
Total fund balances	<u>24,773,173</u>	<u>(24,773,173)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 34,088,984</u>		
 Net assets			
Invested in capital assets		29,528	29,528
Unrestricted		<u>24,773,173</u>	<u>24,773,173</u>
 Total net assets		 <u>\$ 24,802,701</u>	 <u>\$ 24,802,701</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, 2011**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
Assets			
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>
Liabilities			
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			
Fund Balances/Net Assets			
Fund balances			
Unassigned	<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

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 57,624,841	\$ -	\$ 57,624,841
Personnel services and benefits	1,151,730	-	1,151,730
Operating expenditures	633,132	9,403	642,535
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures/expenses	<u>59,409,703</u>	<u>9,403</u>	<u>59,419,106</u>
 Program revenues – State Lottery proceeds	 <u>57,065,579</u>	 <u>-</u>	 <u>57,065,579</u>
 Net program revenues (expenses)			 (2,353,527)
 General revenues			
Miscellaneous income	2,000	-	2,000
Investment earnings	<u>268,068</u>	<u>-</u>	<u>268,068</u>
Total general revenues	<u>270,068</u>	<u>-</u>	<u>270,068</u>
 Excess (deficiency) of expenditures over revenues	 (2,074,056)	 2,074,056	 -
Change in net assets	<u>-</u>	<u>(2,083,459)</u>	<u>(2,083,459)</u>
 Fund balance/net assets – beginning of the year	 <u>26,847,229</u>	 <u>38,931</u>	 <u>26,886,160</u>
 Fund balance/net assets – end of the year	 <u>\$ 24,773,173</u>	 <u>\$ 29,528</u>	 <u>\$ 24,802,701</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	24,467	(24,467)	-
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	172,384	-	172,384
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

Notes to Financial Statements June 30, 2012 and 2011

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, 2012 and 2011

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.

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, 2012 and 2011**

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, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balances and Net Assets

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

Net assets are presented in the following categories:

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

Unrestricted – consists of the remaining net assets that are 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, 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 CPI compounded annually based on 1992 base year CPI. GOCO's share of Lottery proceeds for Fiscal Years 2012 and 2011 was approximately \$57.1 million and \$56.0 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$56.0 million, which is less than the maximum allowable of \$59.2 million, for Fiscal Year 2013.

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 \$29,528 and \$38,931 adjustments to capital assets as of June 30, 2012 and 2011, 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, 2012 and 2011

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,	
	2012	2011
Capital outlay	\$ -	\$ (24,467)
Depreciation expense	<u>9,403</u>	<u>17,329</u>
Net adjustment to decrease (increase) net changes in fund balances - total governmental fund to arrive at change in net assets of governmental activities	<u>\$ 9,403</u>	<u>\$ (7,138)</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. 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, 2012 and 2011**

Note 4 - Cash Deposits and Investments (continued)

Cash Deposits (continued)

As of June 30, 2012, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2012	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 422
Insured deposits	213,337	134,477
	\$ 213,337	\$ 134,899

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

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, 2012 and 2011

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,	
	2012	2011
Cash deposits	\$ 134,899	\$ 118,571
Investments	<u>22,966,549</u>	<u>30,578,347</u>
	<u>\$ 23,101,448</u>	<u>\$ 30,696,918</u>

Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2012	2011
Investment income	\$ 275,836	\$ 696,910
Net unrealized (loss) on investments held by the State	<u>(7,768)</u>	<u>(524,526)</u>
	<u>\$ 268,068</u>	<u>\$ 172,384</u>

Note 5 - Lottery Proceeds Receivable

As of June 30, 2012 and 2011, GOCO had distributions owed from the Colorado State Lottery amounting to \$9,932,879 and \$12,144,162, respectively. For the receivable as of June 30, 2012 and 2011, 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, 2012 and 2011**

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, 2012 follows:

	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012
Equipment	\$ 82,731	\$ -	\$ -	\$ 82,731
Software	107,255	-	-	107,255
Furniture	37,633	-	-	37,633
Leasehold improvements	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>14,560</u>
	242,179	-	-	242,179
Less: accumulated depreciation	<u>(203,248)</u>	<u>(9,403)</u>	<u>-</u>	<u>(212,651)</u>
Total capital assets, net	<u>\$ 38,931</u>	<u>\$ (9,403)</u>	<u>\$ -</u>	<u>\$ 29,528</u>

An analysis of the changes in capital assets for the year ended June 30, 2011 follows:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011
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>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2012 and 2011**

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, 2012 and 2011:

Grants Authorized (Unaudited)

Funding Purpose	Cumulative Authorized Grants at June 30, 2011	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2012
Purpose 1 - Wildlife	\$ 196,570,352	\$ 17,101,173	\$ (201,173)	\$ 213,470,352
Purpose 2 - Outdoor recreation	186,822,713	6,515,878	(1,075,464)	192,263,127
Purpose 3 - Competitive grants for open space	209,855,018	21,216,306	(340,735)	230,730,589
Purpose 4 - Competitive matching grants to local governments for open lands and parks	215,776,503	22,693,364	(2,620,854)	235,849,013
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 810,194,760</u>	<u>\$ 67,526,721</u>	<u>\$ (4,238,226)</u>	<u>\$ 873,483,255</u>
Funding Purpose	Cumulative Authorized Grants at June 30, 2010	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2011
Purpose 1 - Wildlife	\$ 177,970,352	\$ 18,794,966	\$ (194,966)	\$ 196,570,352
Purpose 2 - 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>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2012 and 2011**

Note 8 - Authorized Grants and Expended Grants (continued)

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2011	Transfers/ Additions	Cumulative Expended Grants at June 30, 2012
Purpose 1 - Wildlife	\$ 178,667,619	\$ 18,278,122	\$ 196,945,741
Purpose 2 - Outdoor recreation	158,080,329	10,392,392	168,472,721
Purpose 3 - Competitive grants for open space	190,741,623	14,999,870	205,741,493
Purpose 4 - Competitive matching grants to local governments for open lands and parks	186,337,908	13,954,457	200,292,365
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 714,997,653</u>	<u>\$ 57,624,841</u>	<u>\$ 772,622,494</u>

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 - 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>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2012 and 2011**

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, 2012 and 2011 was \$116,667 and \$132,124, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 138,331
2014	149,950
2015	149,690
2016	155,657
2017	<u>17,488</u>
Total	<u>\$ 611,116</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 \$88,495 and \$86,900 to the Pension Plan for the Fiscal Years ended June 30, 2012 and 2011, respectively, which approximates the required contribution.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2012 and 2011

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 Board of GOCO 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, 2012 and 2011

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, 2012**

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 57,000,000	\$ 57,065,579	\$ 65,579
Investment earnings	<u>525,000</u>	<u>270,068</u>	<u>(254,932)</u>
Total revenues	<u>57,525,000</u>	<u>57,335,647</u>	<u>(189,353)</u>
Expenditures			
Grants expended	42,000,000	57,624,841	(15,624,841)
Personnel services and benefits	1,185,956	1,151,730	34,226
Operating expenditures	701,544	633,132	68,412
Capital outlay	<u>8,500</u>	<u>-</u>	<u>8,500</u>
Total expenditures	<u>43,896,000</u>	<u>59,409,703</u>	<u>(15,513,703)</u>
Excess (deficiency) of revenues over expenditures	13,629,000	(2,074,056)	(15,703,056)
Fund balance – beginning of year	<u>28,484,547</u>	<u>26,847,229</u>	<u>(1,637,318)</u>
Fund balance – end of year	<u>\$ 42,113,547</u>	<u>\$ 24,773,173</u>	<u>\$ (17,340,374)</u>

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>

**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, 2012, which collectively comprise GOCO’s basic financial statements and have issued our report thereon dated September 25, 2012. 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*.

We noted one matter we reported to GOCO's Board and members of the Legislative Audit Committee in the finding and recommendation section listed in the Table of Contents.

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 25, 2012
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, 2012, and have issued our report thereon dated September 25, 2012. 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 May 17, 2012, 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 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

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

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 significant accounting policies were adopted, and the application of existing policies was not changed during Fiscal Year 2012. 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, 2012.

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 25, 2012.

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.

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 25, 2012
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

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.

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