

THE STATE BOARD OF THE
GREAT OUTDOORS COLORADO
TRUST FUND

FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION

JUNE 30, 2000

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Members of the Legislative Audit Committee:

This audit report contains the results of a financial and compliance audit of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) for the Fiscal Year ended June 30, 2000. The audit was conducted pursuant to Article XXVII, Section 6(3) of the Colorado Constitution. This report presents our conclusions, findings and recommendations, and the responses of GOCO and the Division of Wildlife and the Division of Parks and Outdoor Recreation.

Van Schooneveld and Co., Inc.

September 5, 2000

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THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

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REPORT SUMMARY

THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND FINANCIAL AND COMPLIANCE AUDIT FISCAL YEAR ENDED JUNE 30, 2000

Authority, Purpose and Scope

The audit of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) was completed under the authority of Article XXVII, Section 6(3) of the Colorado Constitution, that requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., that authorizes the State Auditor to conduct audits of political subdivisions as required by law. The State Auditor has contracted with Van Schooneveld and Co., Inc. to conduct this audit.

We conducted this audit in accordance with generally accepted auditing standards. We performed our audit work during the period from June through September 2000.

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

Financial Audit Opinion

We found GOCO's financial statements to be fairly presented in all material respects for the Fiscal Year ended June 30, 2000. Our opinion letter, dated September 5, 2000, is presented in the Financial Statement section of this report.

Great Outdoors Colorado Overview

Article XXVII authorizes GOCO to use net Lottery proceeds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space and natural areas by making strategic investments, fostering partnerships among diverse interests, and supporting education about the outdoor environment of the State of Colorado.

The following discussion and analysis of GOCO's financial performance provides an overview of GOCO's financial activities for the fiscal year ended June 30, 2000. The narrative should be read in conjunction with the GOCO's financial statements, which begin on page 15.

REPORT SUMMARY

The State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit - June 2000

CONDENSED FINANCIAL INFORMATION

	Fiscal Year 2000 Amounts	Fiscal Year 1999 Amounts	Increase Decrease	Percent Increase/ Decrease
Total assets	\$ 43,806,524	\$ 58,879,214	\$ (15,072,690)	(25.6%)
Total liabilities	<u>(7,135,503)</u>	<u>(7,303,253)</u>	<u>(167,750)</u>	(2.3%)
Fund balance				
Reserved	30,122,402	48,407,764	(18,285,362)	(37.8%)
Unreserved	<u>6,548,619</u>	<u>3,168,197</u>	<u>3,380,422</u>	106.7%
Total fund balance	<u>\$ 36,671,021</u>	<u>\$ 51,575,961</u>	<u>\$ (14,904,940)</u>	(28.9%)
Revenue				
State Lottery proceeds	\$ 43,488,104	\$ 31,231,743	\$ 12,256,361	39.2%
Net investment and miscellaneous income	1,891,953	2,476,211	(584,258)	(23.6%)
Federal grant proceeds	<u>78,782</u>	<u>821,218</u>	<u>(742,436)</u>	(90.4%)
Total revenue	<u>45,458,839</u>	<u>34,529,172</u>	<u>10,929,667</u>	31.7%
Expenditures				
Grants	<u>58,678,562</u>	<u>43,626,080</u>	<u>15,052,482</u>	34.5%
Administrative expenditures				
Services and benefits	1,081,799	897,541	184,258	20.5%
Expenditures	572,343	620,449	(48,106)	(7.8%)
Capital outlay	<u>31,075</u>	<u>134,552</u>	<u>(103,477)</u>	(76.9%)
Total administrative expenditures	<u>1,685,217</u>	<u>1,652,542</u>	<u>32,675</u>	2.0%
Total expenditures	<u>60,363,779</u>	<u>45,278,622</u>	<u>15,085,157</u>	33.3%
Excess (deficiency) of revenue over expenditures	<u>\$ (14,904,940)</u>	<u>\$ (10,749,450)</u>	<u>\$ (4,155,490)</u>	(38.7%)

REPORT SUMMARY

The State Board of the Great Outdoors Colorado Trust Fund

Financial and Compliance Audit - June 2000

FINANCIAL HIGHLIGHTS

Since GOCO was created to provide funding from net Lottery proceeds, it is primarily a pass through entity, receiving dollars from Lottery proceeds and distributing them for use in four areas. These include wildlife, outdoor parks and recreation, open space acquisition and local government projects. GOCO's distributions are primarily in the form of grants. In addition to grant expenditures, GOCO made loans for purchasing land or conservation easements for open space use. Loans receivable of \$3,770,000 were outstanding at June 30, 2000 under loan agreements. GOCO has set general guidelines and policies regarding loans for conservation purposes. Generally, GOCO loans are limited to use for purchasing land or conservation easements for open space use. Further, GOCO loans are limited to projects that would not proceed in the absence of such a loan or in situations where a bridge loan can serve to facilitate a significant transaction.

Financial activity highlights include:

Assets and Fund Balance

Total assets and fund balance declined as a result of the increased grant expenditures made by GOCO. During the year, GOCO had expenditures that were \$14.9 million more than the \$45.5 million generated in Lottery proceeds and other revenues for GOCO programs. GOCO's goal is to increase grant spending, thereby distributing the substantial surpluses accrued in previous years.

Revenues

For the first time in history, Lottery proceeds were high enough such that GOCO's allocation was limited by the constitutional cap of approximately \$43.5 million. This is an increase of \$12.3 million or 39.2 percent. Most of this increase was related to the termination of previously outstanding State debt service obligations for Lottery funds. Net increases in Lottery proceeds related to higher sales accounted for only about 3 percentage points of this increase.

Net investment income has declined due to the use of available cash for grant expenditures.

Expenditures

GOCO distributed about \$58.7 million in grants, up 34.5% from the previous year, yet below the amount budgeted of \$64.6 million.

General costs to administer GOCO grew by only 2%. However, personnel expenditures increased 20.5% due to full-year staffing of four positions added in the middle of Fiscal Year 1999. Fiscal Year 1999 capital outlay expenditures were extraordinarily high because of a one-time expenditure of approximately \$70,000 for tenant finish expenditures for GOCO's new offices.

REPORT SUMMARY

The State Board of the Great Outdoors Colorado Trust Fund
Financial and Compliance Audit - June 2000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Colorado Lottery projects an end to significant growth in Lottery sales and, within the next few years, a decline in sales. GOCO's projections for Lottery proceeds available to GOCO are somewhat lower than those of the Lottery. GOCO projects \$40.2 million in Lottery proceeds in fiscal year 2001, while the constitutional cap is projected to be \$44.7 million. This reflects the Board's conservative perspective in budgeting, the lack of supplemental revenue sources available to GOCO, and the difficulty of projecting potential mid-year downward adjustments in some of GOCO budgeted expenditures, particularly state agency grant allocations.

REPORT SUMMARY

The State Board of the Great Outdoors Colorado Trust Fund

Financial and Compliance Audit - June 2000

Current Year Findings and Recommendations

Our audit included the judgmental selection of 60 grant awards for specific projects to review. Of the 60 grants reviewed, 20 were administered by GOCO's staff, 20 by the Division of Wildlife and 20 by the Division of Parks and Outdoor Recreation. The 60 grants reviewed represented \$33.5 million or 57% of the \$58.7 million in Fiscal Year 2000 grant expenditures. **Based on our review of the grants, GOCO has established adequate controls and has met the provisions of Article XXVII of the Colorado Constitution.**

We have identified five findings relating to:

- Payroll reimbursements to the Division of Wildlife exceeding actual amounts incurred.
- Financial statements not being prepared for the Pension Plan.
- Reconciliation of grant tracking information.
- Grant allocations not meeting constitutional requirements.
- Grant appropriations exceeding funds available for expenditure.

A summary of recommendations, along with responses and implementation dates can be found on the following page.

Progress in Implementing Prior Audit Recommendations

The prior year report for the year ended June 30, 1999 included four recommendations. Three have been implemented. One was not fully implemented and has been reissued as recommendation 3 for Fiscal Year 2000.

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RECOMMENDATION LOCATOR
THE STATE BOARD OF THE GREAT OUTDOORS
COLORADO TRUST FUND
FINANCIAL AND COMPLIANCE AUDIT
FISCAL YEAR ENDED JUNE 30, 2000

Rec No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1.	8	GOCO should work with the Division of Wildlife to define what payroll costs can be charged to GOCO projects.	State Board of the Great Outdoors Colorado Trust Fund; Colorado Division of Wildlife	Agree Agree	December 2000
2.	9	GOCO should prepare monthly financial statements for its defined contribution pension plan.	State Board of the Great Outdoors Colorado Trust Fund	Agree	November 2000
3.	10	The grant tracking system should be reconciled to the financial reporting system on a monthly basis.	State Board of the Great Outdoors Colorado Trust Fund	Agree	End of Fiscal Year 2001
4.	11	GOCO must focus efforts to ensure that expenditures are equal across the four categories.	State Board of the Great Outdoors Colorado Trust Fund	Agree	Fiscal Year 2002
5.	12	GOCO should review its process for awarding and appropriating grants to ensure that grants shown in the financial reporting system as appropriated are in fact expected to be paid out during the current fiscal year, from funds expected to be available during the current fiscal year. The financial reporting system should function as the controlling system for this process.	State Board of the Great Outdoors Colorado Trust Fund	Agree	End of Fiscal Year 2001

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

The Great Outdoors Colorado Trust Fund (GOCO) and the State Board that oversees GOCO were created by Article XXVII of the Colorado Constitution. Article XXVII is the result of the passage of the Great Outdoors Colorado Initiative (Amendment 8) during the November 3, 1992 election. Fiscal Year 2000 is the seventh year of operations for GOCO. During 1998, Senate Bill 3 extended the termination date of the State Lottery from July 1, 1999 to July 1, 2009, thus continuing funding for GOCO through July 1, 2009.

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

The State Board that oversees GOCO consists of two members of the public, appointed by the Governor, from each congressional district, a representative designated by the State Board of Parks and Outdoor Recreation, a representative designated by the Colorado Wildlife Commission, and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State. GOCO had a permanent staff of 18 during Fiscal Year 2000.

FINDINGS AND RECOMMENDATIONS

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

GOCO has established adequate controls and has met the provisions of Article XXVII of the Colorado Constitution.

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

1. GOCO should work with the Division of Wildlife to define how the cost of compensated absences should be charged to GOCO projects.
2. Monthly financial statements for the pension plan should be prepared.
3. Grant tracking information should be reconciled.
4. Grant allocations are not meeting Constitutional requirements for equal expenditures.
5. Grant appropriations exceeded funds available for expenditure.

These are discussed below.

PAYROLL REIMBURSEMENTS TO THE DIVISION OF WILDLIFE EXCEED AMOUNTS INCURRED

The Division of Wildlife utilizes its own personnel for some of the projects reimbursed by GOCO. The time charged to these projects is controlled by time sheets and testing indicated that the time charged agreed to the time sheets. However, for two of the projects tested, employees were working on a GOCO project during the month they retired. GOCO projects were charged for the employee's pay for that period, plus the payment of accumulated compensated absences upon retirement. In one instance, GOCO was charged \$33,244 when the normal salary was \$4,994 and in another project, GOCO was charged \$12,811 when the normal salary allocation was \$2,055. The Memorandum of Understanding with the Division does not clarify how such indirect costs should be reimbursed. However, these payments appeared unusual as they represent years of accumulated time.

FINDINGS AND RECOMMENDATIONS
The State Board of the Great Outdoors Colorado Trust Fund
Financial and Compliance Audit - June 2000

Recommendation No. 1:

GOCO should work with The Division of Wildlife to define what payroll costs can be charged to GOCO projects.

GOCO Response:

Agree. GOCO will work with the Division to confirm a policy that Division employees working on GOCO projects should be compensated with GOCO funds only for the time they work on GOCO projects and agreed upon amounts of corresponding leave time earned. We expect to have confirmed these policies by December 2000. Further, we expect to work with the Division to identify other instances, if any, of the practices discussed in Recommendation 1, and to implement financial adjustments to correct these irregular billings.

Colorado Division of Wildlife Response:

Agree. Under the expired agreement between GOCO and the Division of Wildlife regarding reimbursement for project expenses, the Division of Wildlife has no option for billing general administrative or indirect expenses to GOCO projects. The Division of Wildlife looks forward to working out an agreement with GOCO that addresses this recommendation and is consistent with applicable State and Federal guidelines.

PENSION PLAN FINANCIAL REPORTING

GOCO's Finance Committee and Executive Director are the trustees of GOCO's defined contribution pension plan and thus have fiduciary responsibility for investing and general operations of the plan. As of June 30, 2000, the plan's investments totaled \$436,255 and were administered by Colorado State Bank and Trust. GOCO contributed approximately \$92,000 to the plan during Fiscal Year 2000. During Fiscal Year 2000, the trustees received monthly statements from the trustee bank, but cumulative monthly financial statements were not prepared. Year end financial statements had to be compiled from the monthly bank statements. Without monthly statements which would reflect cumulative earnings, the plan trustees may not have adequate information to analyze investment return and perform their fiduciary responsibilities of directing investments of the plan.

Recommendation No. 2:

GOCO should prepare monthly financial statements for its defined contribution pension plan.

GOCO Response:

Agree. GOCO expects to have cumulative monthly statements prepared beginning November 2000.

FINDINGS AND RECOMMENDATIONS

The State Board of the Great Outdoors Colorado Trust Fund

Financial and Compliance Audit - June 2000

RECONCILIATION OF GRANT TRACKING INFORMATION

GOCO's grant tracking system (GTS) accumulates information on each grant such as the dollar amount of the award, expenditures to date and the balance left to be expended. It is an important tool used to monitor historical grant activity. The financial reporting system is the primary source for accumulating the actual expenditures of grants and is relied upon for financial decisions. The GTS must agree with the financial reporting system to ensure the grant information is accurate. While testing grant activity, we noted instances where the two systems did not agree. For example, on one grant the GTS reflected expenditures to date of \$248,863 while the financial reporting system showed \$295,150. On another grant, the GTS reflected accumulated expenditures of \$3,199,314 while the financial reporting system showed \$3,242,766. During Fiscal Year 2000, GOCO attempted to reconcile information contained in the grant tracking system to the financial reporting system. GOCO was not successful and concluded that a new software program to track the grant information is necessary. New software was purchased subsequent to June 30, 2000.

Recommendation 3:

The grant tracking system should be reconciled to the financial reporting system on a monthly basis.

GOCO Response:

Agree. GOCO expects to have its new grants management software (GIFTS for Windows) operational and reconciled to the financial reporting system by the end of Fiscal Year 2000-2001.

GRANT ALLOCATIONS ARE NOT MEETING CONSTITUTIONAL REQUIREMENTS

Article XXVII requires that "amounts expended for each of the [funding categories]...be substantially equal". Due in part to an improvement in reporting procedures by the State Division of Wildlife, GOCO has expended over \$25 million of accumulated reserves during the last two years; however, there continues to be a disparity in equality among grant categories for both the levels of grants expended and awarded. Cumulative expenditures and grants awarded through June 30, 2000 are as follows:

FINDINGS AND RECOMMENDATIONS
The State Board of the Great Outdoors Colorado Trust Fund
 Financial and Compliance Audit - June 2000

<u>Program Category</u>	<u>Grants Expended</u>	<u>Percent of Total Expended</u>	<u>Grants Awarded *</u>	<u>Percent of Total Awarded</u>
Category 1 - Wildlife \$	30,138,000	20.2%	\$ 38,165,029	21.8%
Category 2 - State parks and outdoor recreation	44,750,988	30.0%	49,548,199	28.3%
Category 3 - Competitive grants for open space and natural areas	40,645,314	27.3%	47,771,395	27.2%
Category 4 - Competitive grants to local governments	32,179,913	21.7%	38,530,781	22.0%
Noncategorized - Discretionary **	1,195,000	.8%	1,195,000	.7%
Awaiting categorization***	<u>28,787</u>		<u>80,000</u>	<u>-</u>
	<u>\$ 148,938,002</u>	<u>100.0%</u>	<u>\$ 175,290,404</u>	<u>100.0%</u>

* The term awarded means amounts appropriated for expenditure.

** Includes \$1,070,000 related to a federal grant for agricultural easement purchases for which GOCO has acted as a pass through agent to the final grantee.

*** Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 2000.

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

Recommendation No. 4:

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

FINDINGS AND RECOMMENDATIONS

The State Board of the Great Outdoors Colorado Trust Fund

Financial and Compliance Audit - June 2000

GOCO Response:

Agree. GOCO notes that the rate of expenditure (that is, payout) of grants is a function influenced by both grantees (in this case, the Division of Wildlife) and GOCO. During Fiscal Year 2000, GOCO adopted a plan to bring the four funding quadrants into balance, in terms of grants authorized by GOCO, by Fiscal Year 2002. As the audit notes, these authorized grants (as opposed to appropriated, or ready-for-expenditure grants) are very close to being in balance across quadrants. As of June 30, 2000, GOCO's percentages of grants made to each quadrant were:

Division of Wildlife	23%
Division of State Parks and Outdoor Recreation	27%
Open Space	25%
Local Governments	25%

GRANT APPROPRIATIONS EXCEEDED FUNDS AVAILABLE FOR EXPENDITURE

Grant amounts have generally been appropriated for expenditure, and recorded in the financial reporting system as appropriated, when awarded by the State Board which oversees GOCO. This process has been used even though GOCO knows that certain grants will not be expended for more than a year and that the funding for those grants may be from future Lottery proceeds. Through June 30, 1999, unexpended grant appropriations did not exceed fund balance available for expenditure and such amounts were reflected as reserved fund balance.

With the increased level of expenditures in Fiscal Year 2000, GOCO reached a point where adequate funds were not available to cover all appropriated expenditures. At the end of Fiscal Year 2000, approximately \$36 million in appropriations were reversed, which represented expenditures to be paid from future Lottery proceeds. Internally, GOCO monitored cash flow on a spread sheet by identifying those grants which would not be expended currently. This ensured that adequate cash was always available to fund current expenditures. However, the financial reporting system still reflected total grants awarded as being appropriated. GOCO needs to change its authorization and appropriation process to better match project cash needs with available GOCO cash. The Board could authorize multi-year projects and appropriate funds as they are required to complete the projects.

Recommendation No. 5:

GOCO should review its process for awarding and appropriating grants to ensure that grants shown in the financial reporting system as appropriated are in fact expected to be paid out during the current fiscal year, from funds expected to be available during the current fiscal year. The financial reporting system should function as the controlling system for this process.

GOCO Response:

Agree. GOCO will review and revise its budgeting and accounting systems to better meet GOCO's current requirements by the end of Fiscal Year 2001.

**DISPOSITIONS OF PRIOR AUDIT
RECOMMENDATIONS**

The following audit recommendations are from the State Board of the Great Outdoors Colorado Trust Fund financial and compliance audit for the year ended June 30, 1999.

Recommendation

Disposition

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. The Division of Wildlife should provide detailed project information on all Legacy grants in their Project Status Reports to GOCO. | Implemented. Project Status Reports now contain detailed information for Legacy grants. |
| <hr/> | |
| 2. The Division of Wildlife should ensure that it is current in its expenditure reporting process on the Project Status Reports and reimbursement billings. | Implemented. The Division of Wildlife is now current in its expenditure reporting process. |
| <hr/> | |
| 3. The grant tracking system should be reconciled to the financial reporting system on a monthly basis. | Not implemented. GOCO attempted to reconcile information between the two systems and determined new grant tracking computer software was necessary. Subsequent to June 30, 2000 new software has been purchased. See current year recommendation 3. |
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| 4. Legal due diligence documentation should be retained in the project file. | Implemented. Due diligence documentation was contained in files tested for the year ended June 30, 2000. |
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FINANCIAL STATEMENT SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Audit Committee

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2000, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the State Board of the Great Outdoors Colorado Trust Fund's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State Board of the Great Outdoors Colorado Trust Fund at June 30, 2000 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

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

Van Schooneveld and Co., Inc.

September 5, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

COMBINED BALANCE SHEET

JUNE 30, 2000

	<u>Governmental Fund</u>	<u>Fiduciary Fund</u>	<u>Account Group</u>
	<u>Special Revenue Fund</u>	<u>Pension Trust Fund</u>	<u>General Fixed Assets</u>
<hr/>			
ASSETS			
Cash and investments	\$ 31,840,888	\$	\$
Cash and investments held by trustees		427,688	
Lottery proceeds receivable	7,702,861		
Notes receivable	3,770,000		
Federal grant receivable	491,818		
Other receivables		8,567	
Other assets	957		
Property and equipment			331,025
Total assets	<u>\$ 43,806,524</u>	<u>\$ 436,255</u>	<u>\$ 331,025</u>
<hr/>			
LIABILITIES AND EQUITY			
<hr/>			
LIABILITIES			
Approved grants payable	\$ 7,085,790	\$	\$
Accounts payable	22,193		
Compensated absences payable	<u>27,520</u>	_____	_____
Total liabilities	<u>7,135,503</u>	_____	_____
<hr/>			
FUND EQUITY			
Investment in general fixed assets			331,025
Fund balance			
Reserved for pension benefits		436,255	
Reserved for noncurrent notes receivable	3,770,000		
Reserved for awarded grants	26,352,402		
Unreserved and undesignated	<u>6,548,619</u>	_____	_____
Total fund equity	<u>36,671,021</u>	<u>436,255</u>	<u>331,025</u>
Total liabilities and fund equity	<u>\$ 43,806,524</u>	<u>\$ 436,255</u>	<u>\$ 331,025</u>

Totals	
(Memorandum Only)	
<u>2000</u>	<u>1999</u>
\$ 31,840,888	\$ 48,986,460
427,688	301,601
7,702,861	8,750,242
3,770,000	650,000
491,818	491,818
8,567	8,061
957	694
<u>331,025</u>	<u>299,950</u>
<u>\$ 44,573,804</u>	<u>\$ 59,488,826</u>

\$ 7,085,790	\$ 7,119,706
22,193	144,026
<u>27,520</u>	<u>39,521</u>
<u>7,135,503</u>	<u>7,303,253</u>

331,025	299,950
436,255	309,662
3,770,000	650,000
26,352,402	47,757,764
<u>6,548,619</u>	<u>3,168,197</u>
<u>37,483,301</u>	<u>52,185,573</u>
<u>\$ 44,573,804</u>	<u>\$ 59,488,826</u>

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

THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2000

	<u>2000</u>	<u>(Memorandum Only) 1999</u>
REVENUE		
State Lottery proceeds	\$ 43,488,104	\$ 31,231,743
Net investment and miscellaneous income	1,891,953	2,476,211
Federal grant proceeds	<u>78,782</u>	<u>821,218</u>
Total revenue	<u>45,458,839</u>	<u>34,529,172</u>
EXPENDITURES		
Grants expended	58,678,562	43,626,080
Personnel services and benefits	1,081,799	897,541
Operating expenditures	572,343	620,449
Capital outlay	<u>31,075</u>	<u>134,552</u>
Total expenditures	<u>60,363,779</u>	<u>45,278,622</u>
EXCESS REVENUE (UNDER) EXPENDITURES	(14,904,940)	(10,749,450)
FUND BALANCE - BEGINNING OF YEAR	<u>51,575,961</u>	<u>62,325,411</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,671,021</u>	<u>\$ 51,575,961</u>

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

THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

PENSION TRUST FUND

YEAR ENDED JUNE 30, 2000

	<u>2000</u>	<u>(Memorandum Only) 1999</u>
OPERATING REVENUE		
Contributions	\$ 91,641	\$ 71,317
Interest and investment income	<u>35,096</u>	<u>42,063</u>
Total operating revenue	<u>126,737</u>	<u>113,380</u>
OPERATING EXPENSES		
Distributions	<u>144</u>	<u>9,927</u>
NET INCOME	126,593	103,453
FUND BALANCE - BEGINNING OF YEAR	<u>309,662</u>	<u>206,209</u>
FUND BALANCE - END OF YEAR	<u>\$ 436,255</u>	<u>\$ 309,662</u>

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1) DEFINITION OF REPORTING ENTITY

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

GOCO follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

GOCO is a separate political subdivision of the State of Colorado as stated in Article XXVII. GOCO is not considered to be a component unit of the State for the purpose of the State's annual financial reporting.

NOTE 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of GOCO are described as follows:

a) **Fund Accounting**

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

Governmental Fund Type

Special Revenue Fund - Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Substantially all of GOCO's resources are obtained from net Lottery proceeds received from the Colorado State Lottery Division, as set forth in Article XXVII. GOCO's resources are intended for the purposes established in Article XXVII.

Fiduciary Fund Type

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

Account Group

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

b) Basis of Accounting

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

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

c) Budgets

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

d) Property and Equipment

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

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

e) Accrual for Compensated Absences

GOCO has a policy that allows permanent full-time employees to accumulate unused vacation benefits. GOCO also allows the accumulation of compensatory time up to a maximum of 40 hours. (Sick leave is forfeited upon termination of employment with GOCO and therefore is not accrued on GOCO's financial statements). A liability has been recorded for compensated absences in the financial statements.

f) State Lottery Proceeds

State Lottery proceeds are a distribution from the Colorado State Lottery Division based on the calculation of net proceeds and allocations established in Article XXVII. The calculation of net proceeds incorporates Lottery revenue, operation expenses, prize payments, and certain reserves. Article XXVII provides for net proceeds to be distributed not less than quarterly to the Conservation Trust Fund and Division of Parks and Outdoor Recreation in amounts allocable by statute as amended as of January 1, 1992; to certain debt service payments through November 1998; and to GOCO.

GOCO's share has been limited by Article XXVII to \$35 million annually plus increases in the Consumer Price Index compounded annually. The share for Fiscal Year 2000 was approximately \$43.5 million and has been estimated to be \$40.2 million for Fiscal Year 2001.

g) Fund Equity

Fund Balance

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

Reserved Fund Balance

An amount of the fund balance equal to the reported notes receivable is reserved to indicate that the notes are not current and do not constitute spendable resources even though the notes are a component of net assets.

The reserved fund balance in the Special Revenue Fund in the amount of \$26,352,402 represents the amount of grants awarded, but not yet expended.

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

h) Totals (Memorandum Only)

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

NOTE 3) CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

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

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

At June 30, 2000, GOCO's cash deposits had a bank balance and a carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash on hand	\$	\$ 202
Insured deposits - Category 1	100,000	100,000
Deposits collateralized in single institution pools - Category 2	<u>671,626</u>	<u>43,485</u>
	<u>\$ 771,626</u>	<u>\$ 143,687</u>

Investments

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

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

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

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

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

Category 1

Corporate stocks, bonds and notes	\$ 392,565
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Not Subject to Categorization

State Treasurer's cash pool	31,697,201
Money Market Mutual Funds - Pension	<u>35,123</u>
Total investments	<u>\$ 32,124,889</u>

Pension Trust Fund investments representing five percent or more of plan net assets at June 30, 2000 consist of corporate notes and bonds, as follows:

Baxter International, Inc.	\$ 25,333
Citigroup, Inc.	24,265
Du Pont, Inc.	24,319
New England Telephone and Telegraph Co.	<u>22,725</u>
	<u>\$ 96,642</u>

State Treasurer's Cash Pool

Article XXVII created and established the Great Outdoors Colorado Trust Fund (Trust Fund) in the Treasury of the State of Colorado. Article XXVII requires that all net Lottery proceeds are to be deposited into the Trust Fund to be used for the purposes set forth in Article XXVII. The State Treasurer has invested the monies held in the Trust Fund in the State Treasurer's cash pool. A detailed composition of the cash and investments is available in the annual State Treasurers' Report.

Summary

Total cash deposits and investments at June 30, 2000 are as follows:

Cash deposits	\$ 143,687
Investments	<u>32,124,889</u>
	<u>\$ 32,268,576</u>

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

Cash and investments	\$ 31,840,888
Cash and investments held by trustees	<u>427,688</u>
	<u>\$ 32,268,576</u>

NOTE 4) LOTTERY PROCEEDS RECEIVABLE

At June 30, 2000, GOCO had distributions owed from the Colorado State Lottery amounting to \$7,702,861. This represents GOCO's allocation of net proceeds from the Colorado State Lottery Division for the months of April through June 2000. GOCO received these revenues in September.

NOTE 5) NOTES RECEIVABLE

Article XXVII provides GOCO with the discretion to make expenditures that it considers necessary and proper to the accomplishment of the objectives of Article XXVII. In this capacity, GOCO has four loans outstanding at June 30, 2000 for \$3,770,000. An analysis of loan activity during the year ended June 30, 2000 is as follows:

Balance at July 1, 1999	\$ 650,000
Loans made	<u>3,120,000</u>
Balance at June 30, 2000	<u>\$ 3,770,000</u>

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

Larimer County - \$650,000 under two notes which enabled the County to purchase a conservation easement on the Blue Mountain Bison Ranch. Interest is as follows:

	\$300,000 Due February 18, 2001	\$350,000 Due February 18, 2002
February 18, 1999 - February 17, 2000	3%	0%
February 18, 2000 - February 17, 2001	Colorado State Treasurer's Rate	3%
February 18, 2001 - February 18, 2002		Colorado State Treasurer's Rate

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

The Conservation Fund - \$1,020,000 due August 21, 2001 which enabled The Conservation Fund (Fund) to acquire conservation easements over two properties adjacent to the Black Canyon of the Gunnison National Monument. The Fund will hold the easements for up to two years until the National Park Service has funding to buy them from the Fund. Interest is as follows:

August 23, 1999 - February 23, 2000	0%
February 24, 2000 - August 23, 2000	3%
August 24, 2000 - August 23, 2001	Colorado State Treasurer's Rate

NOTE 6) PROPERTY AND EQUIPMENT

An analysis of the changes in property and equipment for the year ended June 30, 2000 follows:

	Balance at July 1, 1999	Additions	Retirements	Balance at June 30, 2000
Equipment	\$ 131,466	\$ 21,068	\$	\$ 152,534
Software	33,317	1,519		34,836
Furniture	54,149	8,488		62,637
Improvements	<u>81,018</u>			<u>81,018</u>
	<u>\$ 299,950</u>	<u>\$ 31,075</u>	<u>\$ -0-</u>	<u>\$ 331,025</u>

NOTE 7) AWARDED GRANTS AND EXPENDED GRANTS

The following is a summary of grants awarded and grants expended from inception in 1995 through June 30, 2000:

Grants Awarded:

	Cumulative Awarded Grants at June 30, 1999	Transfers/ Additions	Transfers/ Deletions	Cumulative Awarded Grants at June 30, 2000
Colorado Division of Wildlife	\$ 27,336,640	\$ 15,771,941	\$ 4,943,552	\$ 38,165,029
Colorado State Parks and Outdoor Recreation	36,619,416	13,118,792	190,009	49,548,199
Open space	37,472,243	10,642,478	343,326	47,771,395
Local governments	35,392,687	3,280,230	142,136	38,530,781
Noncategorized-Discretionary	1,116,218	78,782		1,195,000
Awaiting categorization**	80,000			80,000
	<u>\$ 138,017,204</u>	<u>\$ 42,892,223</u>	<u>\$ 5,619,023</u>	<u>\$ 175,290,404</u>

** Relates to multi-category Legacy Grant Program awards which had not been categorized as of June 30, 2000.

Grants Expended:

	Cumulative Expended for Grants at June 30, 1999	Net Additions and Transfers	Cumulative Expended for Grants at June 30, 2000
Colorado Division of Wildlife	\$ 19,349,529	\$ 10,788,471	\$ 30,138,000
Colorado State Parks and Outdoor Recreation	23,116,112	21,634,876	44,750,988
Open space	26,188,559	14,456,755	40,645,314
Local governments	20,489,022	11,690,891	32,179,913
Noncategorized - Discretionary	1,116,218	107,569	1,223,787
	<u>\$ 90,259,440</u>	<u>\$ 58,678,562</u>	<u>\$ 148,938,002</u>

Fund balance is reserved for grants as they are approved and awarded by GOCO. An analysis of the changes in reserved fund balance for approved grants for the year ended June 30, 2000 follows:

Reserved fund balance at June 30, 1999	\$47,757,764
Net approved grants for the year ended June 30, 2000	37,273,200
Grant expenditures for the year ended June 30, 2000	<u>(58,678,562)</u>
Reserved fund balance at June 30, 2000	<u>\$26,352,402</u>

NOTE 8) COMMITMENTS AND CONTINGENCIES

Operating Lease

GOCO leases facilities under an operating lease which expires in April 2004 with a one year renewal option. Total facilities and equipment rental lease expense for the year ended June 30, 2000 was \$139,399. The future minimum lease payments under the facilities lease are as follows:

Fiscal year ended June 30,	2001	\$	138,574
	2002		138,574
	2003		138,574
	2004		<u>127,026</u>
		\$	<u>542,748</u>

NOTE 9) PENSION PLANS

As a political subdivision of the State, GOCO has elected not to use the Public Employees Retirement Association of Colorado (PERA). GOCO has established a retirement plan that consists of an employer funded Defined Contribution Pension Plan and an employee funded Deferred Compensation Plan.

Defined Contribution Plan

The employees of GOCO participate in a defined contribution plan maintained and administered by the Trust Division of the Colorado State Bank and Trust. At June 30, 2000, there were 28 plan members. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. GOCO's Defined Contribution Pension Plan covers all permanent employees with no probationary period for the employees to become participants in the plan. GOCO contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus annual performance awards). Employees become vested at a rate of 50% after one year of employment and 100% after two years of employment. GOCO contributions for employees who leave employment before two years of participation are forfeited by the employee. These forfeitures can be used to reduce GOCO's required contributions one year after the employee's separation date. There is no liability for benefits under the plan beyond GOCO's required contributions. A committee comprised of GOCO's Finance Committee and Executive Director act as trustees for the plan, directing investments of the plan. Plan provisions and contribution requirements are established and may be amended by GOCO.

GOCO's contributions were calculated using the gross salaries total of \$898,441. GOCO made the required 10.2% contribution amounting to \$91,641.

Deferred Compensation Plan

GOCO has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by a financial institution at the direction of each employee for his/her own account. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement or death or unforeseen emergencies.

Contributions to the plan are made by GOCO's employees through a pre-tax payroll deduction. Contributions to the plan are mandatory for all permanent employees with a minimum required contribution of 6.2% of each employee's gross salary. Contributions above 6.2% are allowed on a voluntary basis. No vesting period is required for the Deferred Compensation Plan. Assets of the plan are held in trust for the exclusive benefit of participating employees. Therefore, the plan assets are not reflected as an asset of GOCO.

NOTE 10) RELATED PARTIES-STATE AGENCIES

Board Composition and Approval of Grants

The Board of GOCO is composed of fifteen members, twelve of whom are public members appointed by the Governor, subject to the consent of the Senate. The three ex-officio members include the Executive Director of the Colorado Department of Natural Resources; a representative designated by the State Board of Parks and Outdoor Recreation; and a representative designated by the Colorado Wildlife Commission. The State Board of Parks and Outdoor Recreation and the Colorado Wildlife Commission are the governing bodies of the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife, respectively. These State agencies are under the administrative direction of the Colorado Department of Natural Resources.

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

NOTE 11) RISK MANAGEMENT

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

NOTE 12) TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and all local governments. In the same general election, Article XXVII was passed creating GOCO. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments.

The General Assembly determined, in CRS 24-77-102(17)(b)(ix), that the net proceeds from the Colorado Lottery that are deposited in GOCO are excluded from the scope of "state fiscal year spending" for purposes of TABOR. The Colorado Supreme Court, in response to an interrogatory from the General Assembly, approved that determination.

TABOR is complex and subject to further legislative and judicial interpretation. GOCO believes it is in compliance with both of these constitutional amendments.

NOTE 13) FEDERAL GRANT RECEIVABLE

GOCO participated in a federal grant program for the purpose of agricultural easements. Grant reimbursements receivable as of June 30, 1999 were scrutinized by the federal government during the year ended June 30, 2000. Additional information is now to be included in the easement contracts before the reimbursement will be made. GOCO is reviewing all remedies available to meet the requirements of the federal government and believes the amount receivable (\$491,818) will be collected.

SUPPLEMENTAL INFORMATION

THE STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL

SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2000

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUE			
State Lottery proceeds	\$ 41,900,000	\$ 43,488,104	\$ 1,588,104
Net investment and miscellaneous income	2,004,000	1,891,953	(112,047)
Federal grant proceeds	<u> </u>	<u>78,782</u>	<u>78,782</u>
Total revenue	<u>43,904,000</u>	<u>45,458,839</u>	<u>1,554,839</u>
EXPENDITURES			
Grants	64,560,000	58,678,562	5,881,438
Personnel services and benefits	1,129,161	1,081,799	47,362
Operating expenditures	683,858	572,343	111,515
Capital outlay	<u>91,198</u>	<u>31,075</u>	<u>60,123</u>
Total expenditures	<u>66,464,217</u>	<u>60,363,779</u>	<u>6,100,438</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(22,560,217)	(14,904,940)	7,655,277
FUND BALANCE - BEGINNING OF YEAR	<u>51,575,961</u>	<u>51,575,961</u>	<u> </u>
FUND BALANCE - END OF YEAR	<u>\$ 29,015,744</u>	<u>\$ 36,671,021</u>	<u>\$ 7,655,277</u>

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

Members of the Legislative Audit Committee

We have audited the accompanying general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) as of and for the year ended June 30, 2000 and have issued our report thereon dated September 5, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether GOCO's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the Members of the Legislative Audit Committee in the Findings and Recommendations section as listed in the foregoing Table of Contents.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Van Schooneveld and Co., Inc.

September 5, 2000

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Colorado Society of Certified Public Accountants

September 5, 2000

Members of the Legislative Audit Committee

We have audited the general purpose financial statements of the State Board of the Great Outdoors Colorado Trust Fund (GOCO) for the year ended June 30, 2000. Generally accepted auditing standards require that we communicate the following matters related to our audits with the audit committee. The matters discussed herein are those that we have noted as of September 5, 2000. We have not updated our procedures regarding these matters since that date to the current date. Accordingly, we advise you of the following with respect to The State Board of the Great Outdoors Colorado Trust Fund for the year ended June 30, 2000:

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

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

Disagreements with Management

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

Audit Process

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

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

Van Schooneveld and Co., Inc.

Certified Public Accountants

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