

The State Board of the Great Outdoors Colorado Trust Fund



**Compliance Audit, Financial Statements, and
Report of Independent Certified Public Accountants**

June 30, 2007 and 2006



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

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Report of Independent Certified Public Accountants**

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August 31, 2007

Members of 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, 2007. 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. The basic financial statements of The State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2006, were audited by other auditors whose report dated August 10, 2006, expressed an unqualified opinion on those statements.

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.

The State Board of the Great Outdoors Colorado Trust Fund

June 30, 2007 and 2006

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The State Board of the Great Outdoors Colorado Trust Fund

Report Summary

Financial and Compliance Audit

For the Years Ended June 30, 2007 and 2006

Authority, Purpose and Scope

The 2007 audit of The State Board of the Great Outdoors Colorado Trust Fund (GOCO) was completed under the authority of Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of GOCO, and Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct annual audits of political subdivisions as required by law. The State Auditor has contracted with Anton Collins Mitchell LLP 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 through August 2007.

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 which 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.

We expressed an unqualified opinion on GOCO's financial statements for the Fiscal Year Ended June 30, 2007. Our opinion letter, dated August 31, 2007, is presented in the Financial Statement section of this report. GOCO's financial statements for the Fiscal Year Ended June 30, 2006, were audited by other auditors whose report dated August 10, 2006, expressed an unqualified opinion on those statements.

Summary of Current Year Findings and Recommendations

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 Fiscal Year Ended June 30, 2006, included one recommendation. The disposition of this audit recommendation is as follows:

Partially implemented

1

The State Board of the Great Outdoors Colorado Trust Fund

Recommendation Locator

Our recommendation is addressed to
The State Board of the Great Outdoors Colorado Trust Fund
Financial and Compliance Audit
Fiscal Years Ended June 30, 2007 and 2006

Rec No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	4	The Board should continue to monitor expenditures being substantially equal over a period of years. For funding categories that are below the 25 percent level, focus on increasing grant distributions by encouraging applicants and awardees to submit grant applications, complete projects and submit reimbursement requests, in a timely manner.	Agree	Ongoing

The State Board of the Great Outdoors Colorado Trust Fund

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

Fiscal Years Ended June 30, 2007 and 2006

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 2007 is the fourteenth year of operations for GOCO. During 2002, House Bill 1250 extended the termination date of the State Lottery from July 1, 2009 to July 1, 2024, thus continuing funding for GOCO through June 30, 2024.

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

The State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the Governor; a representative designated by the State Board of Parks and Outdoor Recreation; a representative designated by the Colorado Wildlife Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State. During Fiscal Year 2007, GOCO had a permanent staff of 13 and received \$51.3 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2007.

The State Board of the Great Outdoors Colorado Trust Fund

Finding and Recommendation

Fiscal Years Ended June 30, 2007 and 2006

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 a 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 area where additional efforts could be beneficial.

Constitutional Requirements for Spending

Article XXVII requires that "amounts expended for each of the [funding categories] over a period of years be substantially equal." The four finding categories are wildlife, state parks and outdoor recreation, open space and local governments. In Fiscal Year 2001, the auditors recommended that GOCO focus efforts to ensure that expenditures are equal across the four categories. On December 12, 2001, the GOCO Board passed a new Overdue Grants Policy to facilitate better "throughput" of projects, minimize the number of old but unexpended grants, and to align the four categories' grant authorizations more equally.

The following two charts show the cumulative amounts in two different stages of the grants. *Grants Authorized* represents the amount, by category, 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 categories. *Grants Expended* represent cumulative actual expenditures.

GOCO Grants Cumulative through Fiscal Year 2007 (in thousands)

Program Category	Grants Authorized		Grants Expended		Over (Under) 25% Expended
	Amount	%	Amount	%	
Category 1 – Wildlife	\$136,998	24.0%	\$111,431	23.4%	\$(7,504)
Category 2 – State parks and outdoor recreation	139,200	24.4%	121,920	25.6%	2,985
Category 3 – Competitive grants for open space	147,602	25.9%	123,501	26.0%	4,565
Category 4 – Competitive matching grants to local governments for open lands and parks	146,218	25.7%	118,889	25.0%	(46)
	570,018	100.0%	475,741	100.0%	
Noncategorized – Discretionary	1,070	N/A	1,070	N/A	
Total	\$571,088	100.0%	\$476,811	100.0%	

Source: Data provided by GOCO

The State Board of the Great Outdoors Colorado Trust Fund
Finding and Recommendation
Fiscal Years Ended June 30, 2007 and 2006

GOCO Grants Cumulative through Fiscal Year 2006 (in thousands)

Program Category	Grants Authorized		Grants Expended		Over (Under) 25% Expended
	Amount	%	Amount	%	
Category 1 – Wildlife	\$ 125,747	23.6%	\$ 103,905	24.2%	\$ (3,220)
Category 2 – State parks and outdoor recreation	127,855	24.0%	106,742	24.9%	(383)
Category 3 – Competitive grants for open space	139,181	26.1%	110,818	25.9%	3,693
Category 4 – Competitive matching grants to local governments for open lands and parks	139,881	26.3%	107,035	25.0%	(90)
	532,664	100.0%	428,500	100.0%	
Noncategorized – Discretionary	1,070	N/A	1,070	N/A	
Total	\$ 533,734	100.0%	\$ 429,570	100.0%	

Source: Data provided by GOCO

This next chart compares the cumulative percentages in each category for Fiscal Year 2006 and Fiscal Year 2007 and calculates the variance of the percentages. During Fiscal Year 2007, three *Grants Expended* variances have moved further from compliance with the constitutional requirement of 25%. Specifically, Category 1 expenditures for wildlife fell from 24.2% to 23.4%. Category 2 expenditures for state parks and outdoor recreation increased from 24.9% to 25.6% while Category 3 expenditures for competitive grants for open space increased slightly from 25.9% to 26.0%. Category 4 expenditures for competitive grants to local governments did not experience a change as it remained at 25.0%.

The State Board of the Great Outdoors Colorado Trust Fund
Finding and Recommendation
Fiscal Years Ended June 30, 2007 and 2006

GOCO Grants Cumulative Comparison Fiscal Year 2006 and Fiscal Year 2007

Program Category	Grants Expended			
	FY2007	FY2006	Nominal Over (Under) 25% Expended FY2007	Nominal Over (Under) 25% Expended FY2006
Category 1 – Wildlife	23.4%	24.2%	(1.6)%	(0.8)%
Category 2 – State parks and outdoor recreation	25.6	24.9	0.6	0.1
Category 3 – Competitive grants for open space	26.0	25.9	1.0	(0.9)
Category 4 – Competitive grants to local governments	25.0	25.0	-	1.1
	100.0%	100.0%		
Noncategorized – Discretionary	N/A	N/A		

Source: Data provided by GOCO

Recommendation No. 1

The Board should continue to monitor expenditures being substantially equal over a period of years. For funding categories that are below the 25 percent level, focus on increasing grant distributions by encouraging applicants and awardees to submit grant applications, complete projects and submit reimbursement requests, respectively, in a timely manner.

GOCO Response

Agree. To be implemented on an ongoing basis. At the end of Fiscal Year 2007, three of the four funding purposes are within 1% of being substantially equal. Wildlife purpose expenditures for the fiscal year were significantly lower from the other purposes. The expenditures by purpose for the year ended June 30, 2007 are as follows:

Wildlife	\$ 7,526,042
State parks and outdoor recreation	15,178,224
Competitive grants for open space	12,682,662
Competitive grants to local governments	11,854,086
	\$ 47,241,014

Having the expenditures for funding purposes be substantially equal continues to be a significant goal for the GOCO Board. The issue is discussed and considered whenever the Board is making a financial decision on allocating funds for new grant awards. In addition, the Board continues to review procedures to evaluate if there are additional ways to encourage more timely requests for reimbursement of awards.

GOCO has addressed this area over the past several years:

The State Board of the Great Outdoors Colorado Trust Fund

Finding and Recommendation

Fiscal Years Ended June 30, 2007 and 2006

Previously, the Local Government grant expenditures were measured at about 23% of total grant expenditures. As a result of suggestions from the annual audit, the GOCO Board reviewed the procedures of the Local Government program. The result was GOCO began offering progress payments and advance payments to Local Government grantees to increase the timeliness of reimbursement requests. In addition, the Board instituted an Overdue Grant policy which also encourages more timely completion of projects. These changes have been positive in that, per the chart on page 6, the Local Government purpose expenditures are at 25%.

Throughout the fiscal year, the GOCO Board has been actively working with the Division of Wildlife staff and the Wildlife Commission to address the expenditure level of the Wildlife purpose. The majority of their outstanding balance is for capital and acquisition projects that have been delayed for various reasons. Division of Wildlife staff, with the encouragement of the Wildlife Commission, has made several internal procedural and staffing changes that we have been assured by the Division of Wildlife will improve their ability to complete acquisition projects in a timelier manner. It is our expectation that GOCO will see a substantial increase in Wildlife expenditures within the next six months.

In addition, the GOCO Board will consider options to improve expenditures from the Wildlife purpose. The GOCO Board will closely monitor the expenditure activity for all purposes throughout the year and will explore other options if the internal changes at the Division of Wildlife do not result in higher expenditures.

The State Board of the Great Outdoors Colorado Trust Fund

Disposition of Prior Audit Recommendation

Fiscal Years Ended June 30, 2007 and 2006

The following audit recommendation is from The State Board of the Great Outdoors Colorado Trust Fund financial and compliance audit for the Fiscal Year Ended June 30, 2006.

Recommendation	Disposition
1. Ensure that the percentage for grants authorized is at least 25 percent in the categories that are below the “substantially equal” expenditure level. Identify expenditure categories that are below the 25 percent level and focus on increasing those areas of spending by encouraging those divisions and entities to submit grant applications and to request reimbursement timely.	Partially implemented. While GOCO has made efforts to ensure that awards are equal across quadrants, expenditures remain unequal.

Financial Statements Section



Independent Auditors' Report

Members of 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, as of and for the year ended June 30, 2007, which collectively comprise The State Board of the Great Outdoors Colorado Trust Fund's basic financial statements as listed in the foregoing table of contents. These 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 financial statements based on our audit. The basic financial statements of The State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2006, were audited by other auditors whose report dated August 10, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Great Outdoors Colorado's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007 on our consideration of The State Board of the Great Outdoors Colorado Trust Fund'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 the 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.

Management's discussion and analysis, on pages 11 through 14, and the major fund budgetary comparison information, on pages 31 and 32, are not a required part of the basic financial statements of The State Board of the Great Outdoors Colorado Trust Fund but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The aforementioned other auditors disclaimed an opinion on the 2006 major fund budgetary comparison information in their report dated August 10, 2006.

Anton Collins Mitchell LLP

August 31, 2007

Accountants & Consultants

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The State Board of the Great Outdoors Colorado Trust Fund

Management's Discussion and Analysis

June 30, 2007 and 2006

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, 2007 and 2006. The management's discussion and analysis is intended to be read in conjunction with the GOCO financial statements beginning on page 16.

Financial Highlights

GOCO is primarily a pass-through entity; it receives funding from net Lottery proceeds and grants them for projects that preserve, protect and enhance Colorado's wildlife, park, river, trail and open space heritage. Grants are provided to four areas: wildlife; state parks and outdoor recreation; open space and natural areas; local governments' open space, parks and environmental education. The following table highlights significant variances between Fiscal Year 2007, Fiscal Year 2006 and Fiscal Year 2005.

	<u>Fiscal Year Ended June 30,</u>			<u>2007/2006</u> <u>Variance</u>	<u>2006/2005</u> <u>Variance</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>		
Lottery revenues	\$51,277,820	\$ 50,230,238	\$ 50,176,516	\$ 1,047,582	\$ 53,722
Grant expenditures	\$47,241,014	\$ 57,540,024	\$ 58,682,461	\$ (10,299,010)	\$ (1,142,437)

2007

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$51.3 million, per the Constitutional cap. This represents a \$1.0 million increase over Fiscal Year 2006 in Lottery proceeds to GOCO.
- Grant expenditures decreased by 18% or \$10.3 million from Fiscal Year 2006. The lower expenditures in Fiscal Year 2007 can be attributed to lower than anticipated wildlife purpose expenditures and grant expenditures being higher in Fiscal Year 2006 and 2005 due to large-scale projects closing.

2006

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$50.2 million, per the Constitutional cap. This represents a \$54,000 increase over Fiscal Year 2005 in Lottery proceeds to GOCO.
- Grant expenditures decreased by 1.9% or \$1.1 million from Fiscal Year 2005. The higher expenditures in Fiscal Year 2005 can be attributed to two large projects closing for a total of \$14 million. Additional large-scale projects that were awarded in December 2004 continued to close during Fiscal Year 2006 and therefore the high level of grant expenditures was maintained from Fiscal Year 2005.

The State Board of the Great Outdoors Colorado Trust Fund

Management's Discussion and Analysis

June 30, 2007 and 2006

Overview of the Financial Statements

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 & Outdoor Recreation,
- The remaining 50% to GOCO up to the Constitutional limit.

GOCO's funding is capped at \$35 million a year adjusted for inflation based on 1992 (\$51.3 million and \$50.2 million in Fiscal Year 2007 and Fiscal Year 2006); any remaining net Lottery proceeds in excess of the cap are distributed to the State Public School Fund.

Government-wide Statement

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2007, 2006, and 2005.

<i>June 30,</i>	2007	2006	2005
Current and other assets	\$ 54,854,740	\$ 49,570,519	\$ 54,196,244
Capital assets	84,083	105,984	90,754
Total assets	54,938,823	49,676,503	54,286,998
Current liabilities	9,365,620	8,256,953	4,900,820
Net assets			
Invested in capital assets	84,083	105,984	90,754
Unrestricted	45,489,120	41,313,566	49,295,424
Total net assets	\$ 45,573,203	\$ 41,419,550	\$ 49,386,178

2007

The significant portions of current and other assets are cash and the Lottery proceeds receivable. Lottery proceeds receivable increased to \$6.1 million in Fiscal Year 2007 from \$1.9 million in Fiscal Year 2006. The cash balance increased to \$47.7 million in Fiscal Year 2007 from \$46.7 million in Fiscal Year 2006. The increase in the receivable is due to the timing of when the Constitutional cap is reached. In Fiscal Year 2006 the maximum Lottery proceeds were reached in April, whereas in Fiscal Year 2007, the Constitutional amount was reached in May. This resulted in Fiscal Year 2007 having a substantially higher receivable at year-end.

As of June 30, 2007 the current liabilities increased by \$1.1 million from June 30, 2006. The liabilities incurred at year-end consisted mainly of monthly bills that are owed to the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife. In Fiscal Year 2006, each agency had the May and June 2006 bills outstanding and the bills for Division of Parks and Outdoor Recreation for March and April 2006. In Fiscal Year 2007, both agencies had bills outstanding for the same number of months mentioned previously. In addition, the Division of Parks and Outdoor Recreation also had a bill outstanding for the month of February. This resulted in an increase in the year-end amount of current liabilities as of June 30, 2007.

The State Board of the Great Outdoors Colorado Trust Fund

Management's Discussion and Analysis

June 30, 2007 and 2006

2006

The significant portions of current and other assets are cash and the Lottery proceeds receivable. Lottery proceeds receivable decreased to \$1.9 million in Fiscal Year 2006 from \$12.2 million in Fiscal Year 2005. The cash balance increased to \$46.7 million in Fiscal Year 2006 from \$42 million in Fiscal Year 2005. The decrease in the receivable is due to the timing of when the Constitutional cap is reached. In Fiscal Year 2006, the Constitutional amount was reached in April, whereas in Fiscal Year 2005 the maximum Lottery proceeds were reached in June resulting in a substantially higher receivable in Fiscal Year 2005 at year-end.

Additionally, GOCO entered into a zero interest promissory note with the City of Colorado Springs, Colorado in the amount of \$1,000,000 for the acquisition of Red Rock Canyon property which is reported as a note receivable as of June 30, 2006.

As of June 30, 2006 the current liabilities increased by \$3.4 million from June 30, 2005. The liabilities incurred at year-end consist mainly of monthly bills that are owed to the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife. In Fiscal Year 2005, each agency had the May and June 2005 bills outstanding. In Fiscal Year 2006, in addition to the May and June bills, the bills for Division of Parks and Outdoor Recreation for March and April 2006 were also in process at that time and therefore accrued. This resulted in an increase in the year-end amount of current liabilities as of June 30, 2006.

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years Ended June 30, 2007, 2006, and 2005.

<i>June 30,</i>	2007	2006	2005
Revenue			
Lottery revenue	\$ 51,277,820	\$ 50,230,238	\$ 50,176,516
Investment earnings	1,849,799	1,026,064	956,365
Total revenue	53,127,619	51,256,302	51,132,881
Program expenses			
Grants expended	47,241,014	57,540,024	58,682,461
Personnel services and benefits	1,062,476	1,036,103	1,080,384
Operating	670,476	646,803	423,699
Total expenses	48,973,966	59,222,930	60,186,544
Change in net assets	4,153,653	(7,966,628)	(9,053,663)
Beginning net assets	41,419,550	49,386,178	58,439,841
Ending net assets	\$ 45,573,203	\$ 41,419,550	\$ 49,386,178

The State Board of the Great Outdoors Colorado Trust Fund

Management's Discussion and Analysis

June 30, 2007 and 2006

2007

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year from Fiscal Year 2004. Investment income increased substantially in Fiscal Year 2007. The increase is due to the unrealized gain / loss recorded on GOCO's investment account. Actual cash received from interest increased by approximately \$85,000 from Fiscal Year 2006. Operating expenses were increased in Fiscal Year 2007 due to expenses related to GOCO's website and the Open Space Mapping project being completed in conjunction with Colorado State University. Grant expenditures in Fiscal Year 2007 decreased by \$10.3 million from Fiscal Year 2006. Grant expenditures are incurred on a reimbursement basis. The decrease incurred in Fiscal Year 2007 is mainly due to lower than anticipated expenditures from the Colorado Division of Wildlife purpose.

2006

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year from Fiscal Year 2004. Operating expenses were increased in Fiscal Year 2006 due to expenses related to GOCO's Open Space Mapping project completed in conjunction with Colorado State University. The GOCO Board agreed to undertake the mapping project at the request of Governor Bill Owens. It will provide an inventory of protected lands in Colorado, thereby providing an important planning tool to state agencies, local governments and trusts for future land conservation work. It will provide a depth of information not previously gathered. Close coordination between GOCO, CSU's Natural Resource Ecology Laboratory, the Department of Natural Resources and others ensures that it complements and avoids duplicating data already collected. The project is estimated to be completed in June 2007. As of June 30, 2006, the Board had spent approximately \$130,000 on this project. It is estimated that an additional \$40,000 to \$80,000 will be invested.

Economic Factors and Next Year's Budget

GOCO's projections for Lottery proceeds that will be available to GOCO are 1.5% lower than the Colorado Lottery's projections. Next year, GOCO is projecting \$52.3 million in revenue from the Lottery, while the Constitutional cap for Fiscal Year 2007 is projected to be \$53.1 million. Also, GOCO is budgeting \$1,781,889 for operating expenditures. This amount is classified as follows:

Salaries and benefits	\$ 1,182,356
Operating expenses	585,033
Capital expenditures	14,500
	\$ 1,781,889

Basic Financial Statements

The State Board of the Great Outdoors Colorado Trust Fund
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2007

	General Fund	Adjustments (Note 3)	Statement of Net Assets
Assets			
Cash and investments	\$ 47,695,752	\$ -	\$ 47,695,752
Lottery proceeds receivable	6,133,152	-	6,133,152
Note receivable	1,000,000	-	1,000,000
Other assets	25,836	-	25,836
Capital assets, net of accumulated depreciation	-	84,083	84,083
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 54,854,740</u>	<u>84,083</u>	<u>54,938,823</u>
Liabilities			
Grants payable	\$ 9,221,212	-	9,221,212
Accounts payable	107,444	-	107,444
Compensated absences payable	36,964	-	36,964
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,365,620</u>	<u>-</u>	<u>9,365,620</u>
Fund Balances/Net Assets			
Fund balances			
Designated for subsequent year's expenditures	2,633,347	(2,633,347)	-
Unreserved and undesignated	42,855,773	(42,855,773)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>45,489,120</u>	<u>(45,489,120)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 54,854,740</u>	<u> </u>	<u> </u>
Net assets			
Invested in capital assets		84,083	84,083
Unrestricted		45,489,120	45,489,120
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u> </u>	<u>\$ 45,573,203</u>	<u>\$ 45,573,203</u>

See accompanying notes to the financial statements.

The State Board of the Great Outdoors Colorado Trust Fund
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2006

	General Fund	Adjustments (Note 3)	Statement of Net Assets
Assets			
Cash and investments	\$ 46,694,274	\$ -	\$ 46,694,274
Lottery proceeds receivable	1,852,837	-	1,852,837
Note receivable	1,000,000	-	1,000,000
Other assets	23,408	-	23,408
Capital assets, net of accumulated depreciation	-	105,984	105,984
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 49,570,519</u>	<u>105,984</u>	<u>49,676,503</u>
Liabilities			
Grants payable	\$ 8,192,981	-	8,192,981
Accounts payable	29,023	-	29,023
Compensated absences payable	34,949	-	34,949
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>8,256,953</u>	<u>-</u>	<u>8,256,953</u>
Fund Balances/Net Assets			
Fund balances			
Designated for subsequent year's expenditures	12,366,880	(12,366,880)	-
Unreserved and undesignated	28,946,686	(28,946,686)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>41,313,566</u>	<u>(41,313,566)</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 49,570,519</u>		
Net assets			
Invested in capital assets		105,984	105,984
Unrestricted		41,313,566	41,313,566
		<u> </u>	<u> </u>
Total net assets		<u>\$ 41,419,550</u>	<u>\$ 41,419,550</u>

See accompanying notes to the financial statements.

The State Board of the Great Outdoors Colorado Trust Fund
Statement of Activities and Governmental Fund Revenues, Expenditures, and
Changes In Fund Balance
For the Year Ended June 30, 2007

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 47,241,014	\$ -	\$ 47,241,014
Personnel services and benefits	1,062,476	-	1,062,476
Operating	628,206	42,270	670,476
Capital outlay	20,369	(20,369)	-
	<u>48,952,065</u>	<u>21,901</u>	<u>48,973,966</u>
Total expenditures/expenses			
Program revenues - State lottery proceeds	<u>51,277,820</u>	<u>-</u>	<u>51,277,820</u>
Net program revenues (expenses)			2,303,854
General revenues - Investment earnings	<u>1,849,799</u>	<u>-</u>	<u>1,849,799</u>
Excess of revenues over expenditures	4,175,554	(4,175,554)	-
Change in net assets	<u>-</u>	<u>4,153,653</u>	<u>4,153,653</u>
Fund balance/net assets - beginning of the year	<u>41,313,566</u>	<u>105,984</u>	<u>41,419,550</u>
Fund balance/net assets - end of the year	<u>\$ 45,489,120</u>	<u>\$ 84,083</u>	<u>\$ 45,573,203</u>

See accompanying notes to the financial statements.

The State Board of the Great Outdoors Colorado Trust Fund
Statement of Activities and Governmental Fund Revenues, Expenditures, and
Changes In Fund Balance
For the Year Ended June 30, 2006

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 57,540,024	\$ -	\$ 57,540,024
Personnel services and benefits	1,036,103	-	1,036,103
Operating	622,306	24,497	646,803
Capital outlay	39,727	(39,727)	-
Total expenditures/expenses	<u>59,238,160</u>	<u>(15,230)</u>	<u>59,222,930</u>
Program revenues - State lottery proceeds	<u>50,230,238</u>	-	<u>50,230,238</u>
Net program revenues (expenses)			(8,992,692)
General revenues - Investment earnings	<u>1,026,064</u>	-	<u>1,026,064</u>
Excess of revenues over expenditures	(7,981,858)	7,981,858	-
Change in net assets	<u>-</u>	<u>(7,966,628)</u>	<u>(7,966,628)</u>
Fund balance/net assets - beginning of the year	<u>49,295,424</u>	<u>90,754</u>	<u>49,386,178</u>
Fund balance/net assets - end of the year	<u>\$ 41,313,566</u>	<u>\$ 105,984</u>	<u>\$ 41,419,550</u>

See accompanying notes to the financial statements.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

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, 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 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 does not have any component units.

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 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 nonfiduciary activities of GOCO.

Both of the government-wide financial statements are designed to distinguish functions of GOCO that are principally supported by intergovernmental revenues and operating grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type 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. GOCO has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are 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.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

Measurement focus, basis of accounting and financial statement presentation

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

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

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

GOCO reports the following major governmental fund:

The general fund is the primary operating 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 Governmental Accounting Standards Board (GASB).

Budgets

GOCO's budget is not legislatively adopted.

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 for 2007 but was previously \$1,000. 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.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

Accrual for compensated absences

GOCO has a policy that allows permanent employees to accumulate unused vacation benefits up to a maximum of 160 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 Lottery proceeds

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

GOCO's share is limited by Article XXVII to \$35 million annually, adjusted for changes in the Consumer Price Index compounded annually based on 1992. GOCO's share for Fiscal Years 2007 and 2006 was approximately \$51.3 million and \$50.2 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$52.3 million for Fiscal Year 2008 which is less than the estimated maximum amount allowable of approximately \$53.1 million for that year.

Fund equity

Designations of unreserved fund balances indicate GOCO's intention for future utilization of such funds and are subject to change by GOCO. The designated fund balance in the General Fund in the amount of \$2,633,347 and \$12,366,880 as of June 30, 2007 and 2006, respectively, represents the amount of budgeted subsequent year expenditures in excess of revenues.

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 statement of net assets and governmental fund balance sheet 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 \$84,083 and \$105,984 adjustments as of June 30, 2007 and 2006, respectively, to capital assets, net of accumulated depreciation, represent the capital assets of GOCO, net of accumulated depreciation.

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities

The statement of activities and governmental fund revenues, expenditures, and changes in fund balance 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.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

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:

<i>Year Ended June 30,</i>	2007	2006
Loss on disposal	\$ 10,552	\$ -
Capital outlay, net of proceeds on sale of fixed assets of \$0 and \$65 for 2007 and 2006, respectively	(20,369)	(39,662)
Depreciation expense	31,718	24,432
Net adjustment to (increase) decrease net changes in fund balances – total governmental fund to arrive at change in net assets of governmental activities	\$ 21,901	\$ (15,230)

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.

As of June 30, 2007, GOCO's cash deposits had bank and carrying balances as follows:

<i>June 30, 2007</i>	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 247
Insured deposits	100,000	51,629
Deposits collateralized in single institution pools	38,839	-
	\$ 138,839	\$ 51,876

As of June 30, 2006, GOCO's cash deposits had bank and carrying balances as follows:

<i>June 30, 2006</i>	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 267
Insured deposits	100,000	12,746
Deposits collateralized in single institution pools	425,653	-
	\$ 525,653	\$ 13,013

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*.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

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 US. 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

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

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 Treasurers' 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:

<i>June 30,</i>	2007	2006
Cash deposits	\$ 51,876	\$ 13,013
Investments	47,643,876	46,681,261
	\$ 47,695,752	\$ 46,694,274

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

Investment Earnings

Investment earnings are composed of the following:

<u>Year Ended June 30,</u>	<u>2007</u>	<u>2006</u>
Investment income	\$ 1,557,551	\$ 1,473,187
Net unrealized gains (losses) on investments held by the State	292,248	(447,123)
	<u>\$ 1,849,799</u>	<u>\$ 1,026,064</u>

Investment income in 2007 was sufficient to cover all operating costs. In 2006, the net unrealized loss on investments held by the State for 2006, resulted in investment earnings not being sufficient to cover personnel services, benefits, and other operating expenditures. Accordingly, State Lottery proceeds were used to fund the excess expenditures in 2006.

Note 5: Lottery Proceeds Receivable

As of June 30, 2007 and 2006, GOCO had distributions owed from the Colorado State Lottery amounting to \$6,133,152 and \$1,852,837, respectively. For the receivable as of June 30, 2007, this represents GOCO's allocation of net proceeds from the Colorado State Lottery for the month of April and May 2007, the month in which GOCO reached the Constitutional cap (Note 2). For the receivable as of June 30, 2006, this represents GOCO's allocation of net proceeds from the Colorado State Lottery for the partial month of April 2006. 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.

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 Nonexchange 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, 2007, follows:

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2007</u>
Equipment	\$ 81,428	\$ 15,902	\$ (23,296)	\$ 74,034
Software	103,264	2,467	(1,343)	104,388
Furniture	29,194	2,000	-	31,194
Leasehold improvements	81,018	-	-	81,018
	<u>294,904</u>	<u>20,369</u>	<u>(24,639)</u>	<u>290,634</u>
Less: accumulated depreciation	(188,920)	(31,718)	14,087	(206,551)
Total capital assets, net	<u>\$ 105,984</u>	<u>\$ (11,349)</u>	<u>\$ (10,552)</u>	<u>\$ 84,083</u>

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

Note 7: Capital Assets (Continued)

An analysis of the changes in capital assets for the Year Ended June 30, 2006, follows:

	Balance at July 1, 2005	Additions	Retirements	Balance at June 30, 2006
Equipment	\$ 85,225	\$ 13,053	\$ (16,850)	\$ 81,428
Software	77,789	25,475	-	103,264
Furniture	27,995	1,199	-	29,194
Leasehold improvements	81,018	-	-	81,018
	272,027	39,727	(16,850)	294,904
Less: accumulated depreciation	(181,273)	(24,432)	16,785	(188,920)
Total capital assets, net	\$ 90,754	\$ 15,295	\$ (65)	\$ 105,984

Note 8: Awarded Grants and Expended Grants

The following is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2007 and June 30, 2006:

Grants Awarded

	Cumulative Authorized Grants at June 30, 2006	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2007
Colorado Division of Wildlife	\$ 125,747,652	\$ 11,481,968	\$ (231,968)	\$ 136,997,652
Colorado State Parks and Outdoor Recreation	127,854,666	11,370,443	(24,651)	139,200,458
Open space	139,180,755	9,573,021	(1,152,354)	147,601,422
Local governments	139,880,701	7,929,407	(1,592,292)	146,217,816
Noncategorized – Discretionary	1,070,174	-	-	1,070,174
	\$ 533,733,948	\$ 40,354,839	\$ (3,001,265)	\$ 571,087,522

	Cumulative Authorized Grants at June 30, 2005	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2006
Colorado Division of Wildlife	\$ 116,526,092	\$ 10,250,000	\$ (1,028,440)	\$ 125,747,652
Colorado State Parks and Outdoor Recreation	115,636,782	12,472,018	(254,134)	127,854,666
Open space	132,150,353	7,341,284	(310,882)	139,180,755
Local governments	133,515,373	7,866,623	(1,501,295)	139,880,701
Noncategorized – Discretionary	1,070,174	-	-	1,070,174
	\$ 498,898,774	\$ 37,929,925	\$ (3,094,751)	\$ 533,733,948

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements June 30, 2007 and 2006

Grants Expended

	Cumulative Expended Grants at June 30, 2006	Transfers/ Additions	Cumulative Expended Grants at June 30, 2007
Colorado Division of Wildlife	\$ 103,904,460	\$ 7,526,042	\$ 111,430,502
Colorado State Parks and Outdoor Recreation	106,742,042	15,178,224	121,920,266
Open space	110,818,263	12,682,662	123,500,925
Local governments	107,034,839	11,854,086	118,888,925
Noncategorized – Discretionary	1,070,174	-	1,070,174
	\$ 429,569,778	\$ 47,241,014	\$ 476,810,792

	Cumulative Expended Grants at June 30, 2005	Transfers/ Additions	Cumulative Expended Grants at June 30, 2006
Colorado Division of Wildlife	\$ 93,719,900	\$ 10,184,560	\$ 103,904,460
Colorado State Parks and Outdoor Recreation	91,487,151	15,254,891	106,742,042
Open space	97,175,697	13,642,566	110,818,263
Local governments	88,576,832	18,458,007	107,034,839
Noncategorized – Discretionary	1,070,174	-	1,070,174
	\$ 372,029,754	\$ 57,540,024	\$ 429,569,778

Note 9: Commitments and Contingencies

Operating Lease

GOCO leases facilities, copy machines, and vehicles under operating leases that expire in April 2011, March 2009, August 2008, and June 2012, respectively. Additionally, GOCO leases a postage meter under an operating lease that does not have an expiration date. Total facilities and equipment rental lease expense for the Years Ended June 30, 2007 and 2006 was \$120,160 and \$127,002, respectively. Future minimum lease payments under the leases are as follows:

	Amount
2008	\$ 121,465
2009	122,155
2010	122,327
2011	108,078
2012	6,492
Total	\$ 480,517

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

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. 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 plan are held in trust for the exclusive benefit of participating employees. Therefore, the plan assets are not reflected as an asset of GOCO.

GOCO contributed \$82,272 and \$84,245 to the plan for the Years Ended June 30, 2007 and 2006, respectively.

Deferred Compensation Plan

GOCO has a State Board of the Great Outdoors Colorado Trust Fund Deferred Compensation Plan 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 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 not to exceed a maximum permissible amount. Assets of the plan are held in trust for the exclusive benefit of participating employees. Therefore, the plan assets are not reflected as an asset of GOCO.

Note 11: Related Parties — State Agencies

Board Composition and Approval of Grants

The Board of GOCO is composed of seventeen members, fourteen of whom are public members (two from each congressional district) 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 nonprofit land conservation organizations.

The State Board of the Great Outdoors Colorado Trust Fund

Notes to Financial Statements

June 30, 2007 and 2006

Note 12: Risk Management

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

Note 13: Tax, Spending and Debt Limitations

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and all local governments. In the same general election, 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 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

The State Board of the Great Outdoors Colorado Trust Fund
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues				
State lottery proceeds	\$ 45,840,000	\$ 45,840,000	\$ 51,277,820	\$ 5,437,820
Net investments and miscellaneous income	705,000	705,000	1,849,799	1,144,799
Total revenues	<u>46,545,000</u>	<u>46,545,000</u>	<u>53,127,619</u>	<u>6,582,619</u>
Expenditures				
Grants expended	57,000,000	57,000,000	47,241,014	9,758,986
Personnel services and benefits	1,230,473	1,230,473	1,062,476	167,997
Operating expenditures	605,907	665,907	628,206	37,701
Capital outlay	15,500	15,500	20,369	(4,869)
Total expenditures	<u>58,851,880</u>	<u>58,911,880</u>	<u>48,952,065</u>	<u>9,959,815</u>
Excess (deficiency) of revenues over expenditures	(12,306,880)	(12,366,880)	4,175,554	16,542,434
Fund balance – beginning of year	<u>19,680,499</u>	<u>19,680,499</u>	<u>41,313,566</u>	<u>21,633,067</u>
Fund balance – end of year	<u><u>\$ 7,373,619</u></u>	<u><u>\$ 7,313,619</u></u>	<u><u>\$ 45,489,120</u></u>	<u><u>\$ 38,175,501</u></u>

The State Board of the Great Outdoors Colorado Trust Fund
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2006

	Original/Final Budget	Actual	Variance—Favorable (Unfavorable)
Revenues			
State lottery proceeds	\$ 46,460,000	\$ 50,230,238	\$ 3,770,238
Net investments and miscellaneous income	725,000	1,026,064	301,064
Total revenues	<u>47,185,000</u>	<u>51,256,302</u>	<u>4,071,302</u>
Expenditures			
Grants expended	55,000,000	57,540,024	(2,540,024)
Personnel services and benefits	1,104,652	1,036,103	68,549
Operating expenditures	703,610	622,306	81,304
Capital outlay	15,500	39,727	(24,227)
Total expenditures	<u>56,823,762</u>	<u>59,238,160</u>	<u>(2,414,398)</u>
Excess (deficiency) of revenues over expenditures	(9,638,762)	(7,981,858)	1,656,904
Fund balance – beginning of year	<u>29,319,261</u>	<u>49,295,424</u>	<u>19,976,163</u>
Fund balance – end of year	<u><u>\$ 19,680,499</u></u>	<u><u>\$ 41,313,566</u></u>	<u><u>\$ 21,633,067</u></u>

Independent Auditor's' 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 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 year ended June 30, 2007, which collectively comprise The State Board of Great Outdoors Colorado Trust Fund's basic financial statements and have issued our report thereon dated August 31, 2007. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GOCO's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of GOCO's financial statements that is more than inconsequential will not be prevented or detected by GOCO's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by GOCO's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Outdoors Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted one matter that we reported to the Members of the Legislative Audit Committee in the Finding and Recommendation section as listed in the foregoing Table of Contents.

This report is intended solely for the information and use of the State of Colorado's Legislative Audit Committee, the State Auditor, and Great Outdoors Colorado 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.

Anton Collins Mitchell LLP

August 31, 2007

Required Communications to the Legislative Audit Committee

Professional standards require us to advise you of the following matters relating to our recently completed audit. The matters discussed herein are those that we have noted as of August 31, 2007 and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our contract dated May 3, 2007, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of GOCO's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Critical and Significant Accounting Policies

We have reviewed the accounting policies that management has identified to be the most critical, and concur with management's assessment. These include recognition of funding received from the Colorado State Lottery, grant awards and expenditures, and impairment of long-lived assets.

Management Judgments and Accounting Estimates

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 markedly from management's current judgments. We noted no unusual accounting policies or accounting estimates used by GOCO.

There were no material contingencies, as defined in FASB Statement No. 5, for which we had questions or concerns about the reasonableness of the accounting or the adequacy of the financial statement disclosure.

Audit Adjustments and Financial Statement Disclosures

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by the GOCO because they are not material to the current financial statements but might be potentially material to future financial statements.

During our audit, no audit adjustments were noted.

Disagreements with Management

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

Consultation with Other Accountants

There may be circumstances where GOCO considers consulting with other accountants about accounting and auditing matters. We are not aware of any situation where this occurred during the period.

Accountants & Consultants

17th & Grant Building • 303 East 17th Avenue, Suite 600 • Denver, Colorado 80203
303.830.1120 • Fax 303.830.8130



Major Issues Discussed with Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.

Alternative Accounting Treatments Discussed with Management

During the past year, there were no significant transactions that required a discussion with management as to alternative accounting treatments.

Difficulties Encountered in Performing the Audit

We are pleased to inform you that there were no significant delays encountered during the course of the audit. All records and information requested by Anton Collins Mitchell LLP were freely available for inspection. Management and other personnel provided full cooperation.

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of the Legislative Audit Committee, the Office of the State Auditor, the Board of Directors, and the Management, the State Board of the Great Outdoors Colorado Trust Fund, and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

Anton Collins Mitchell LLP

August 31, 2007

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.

Report Control Number 1890