



**REPORT OF
THE
STATE AUDITOR**

**STATE OF COLORADO
DEPARTMENT OF TREASURY
STATEMENT OF FEDERAL LAND
PAYMENTS**

For the Year Ended September 30, 2007

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STATE OF COLORADO

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February 13, 2008

Members of the Legislative Audit Committee:

This report contains the results of our audit of the Statement of Federal Land Payments. This audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of state agencies and programs.

Sally Symanski

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Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying Statement of Federal Land Payments of the State of Colorado for the federal fiscal year ended September 30, 2007. This Statement is the responsibility of the Colorado Governor's Office. The preparation of the report has been formally delegated to the Colorado Department of Treasury. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Federal Land Payments is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Federal Land Payments. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Statement was prepared on the basis of cash disbursements made by the State of Colorado to qualified local governmental subdivisions thereof (i.e., counties) during the period October 1, 2006, through September 30, 2007, under 31 U.S.C. 6901 et seq. This basis of reporting federal land payments is prescribed by the U.S. Department of the Interior Rules and Regulations (43 C.F.R. 1881.0-5), and is in accordance with the provisions of the October 16, 1978, Comptroller General of the United States Decision (B-167553), and as such, the statement is not intended to be presented in conformity with generally accepted accounting principles.

In our opinion, the Statement of Federal Land Payments referred to above presents fairly, in all material respects, the federal land payments for the State of Colorado, for the federal fiscal year ended September 30, 2007, on the basis of accounting described above.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008, on our consideration of the Colorado Governor's Office internal control over compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for filing with governmental agencies and should not be used for any other purpose.

STATEMENT OF FEDERAL LAND PAYMENTS
DURING THE PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007

FEDERAL AGENCY MAKING PAYMENT AND TYPE OF PAYMENT

COLORADO COUNTIES	FS/MMS TIMBER & SEC SCHLS TITLE I	USFS SECURE SCHOOLS TITLE III	FS BANKHEAD JONES	MMS/BLM MINERAL LEASING *	BLM SEC 3 TAYLOR GRAZING *	BLM SEC 15 TAYLOR GRAZING *	BLM BANKHD JONES	BLM SALE OF MATLS *	FERC PWR SALES *	FW REF REVENUE SHARING *	TOTAL	RECOMMENDED ADJUSTMENTS	RECOMMENDED FOR ACCEPTANCE
ADAMS COUNTY	0	0		272				0			272		272
ALAMOSA COUNTY	7,912	0		0				26			7,938		7,938
ARAPAHOE COUNTY	0	0		1,177				0			1,177		1,177
ARCHULETA COUNTY	94,848	16,738		33,546				0			145,133		145,133
BACA COUNTY	0	0		10,064				0			10,064		10,064
BENT COUNTY	0	0		4,560				0			4,560		4,560
BOULDER COUNTY	27,023	0		0				0			27,023		27,023
BROOMFIELD COUNTY	0	0		0				0			0		0
CHAFFEE COUNTY	12,395	0		27				254			12,676		12,676
CHEYENNE COUNTY	0	0		5,779				0			5,779		5,779
CLEAR CREEK COUNTY	184,127	34,524		0				0			218,651		218,651
CONEJOS COUNTY	87,645	0		0				97			87,742		87,742
COSTILLA COUNTY	54	0		0				0			54		54
CROWLEY COUNTY	0	0		0				0			0		0
CUSTER COUNTY	28,051	0		0				177			28,228		28,228
DELTA COUNTY	59,184	0		594,845				103			654,132		654,132
DENVER COUNTY	0	0		0				0			0		0
DOLORES COUNTY	86,515	0		319,914				7			406,435		406,435
DOUGLAS COUNTY	12,226	0		0				0			12,226		12,226

COLORADO COUNTIES	FS/MMS TIMBER & SEC SCHLS TITLE I	USFS SECURE SCHOOLS TITLE III	FS BANKHEAD JONES	MMS/BLM MINERAL LEASING *	BLM SEC 3 TAYLOR GRAZING *	BLM SEC 15 TAYLOR GRAZING *	BLM BANKHD JONES	BLM SALE OF MATLS *	FERC PWR SALES *	FW REF REVENUE SHARING *	TOTAL	RECOMMENDED ADJUSTMENTS	RECOMMENDED FOR ACCEPTANCE
EAGLE COUNTY	445,682	78,650		3,947				451			528,730		528,730
EL PASO COUNTY	14,899	0		0				0			14,899		14,899
ELBERT COUNTY	0	0		0				0			0		0
FREMONT COUNTY	17,262	0		0				2,234			19,496		19,496
GARFIELD COUNTY	377,122	66,551		543,750				61			987,484		987,484
GILPIN COUNTY	31,710	0		0				0			31,710		31,710
GRAND COUNTY	412,710	121,385		5,240				15,911			555,246		555,246
GUNNISON COUNTY	260,011	48,752		684,091				83			992,936		992,936
HINSDALE COUNTY	121,396	22,762		0				57			144,215		144,215
HUERFANO COUNTY	24,146	0		113,648				265			138,059		138,059
JACKSON COUNTY	179,478	31,673		191,975				2,458			405,584		405,584
JEFFERSON COUNTY	13,614	0		0				0			13,614		13,614
KIOWA COUNTY	0	0		8,950				0			8,950		8,950
KIT CARSON COUNTY	0	0		450				0			450		450
LA PLATA COUNTY	87,824	16,467		0				17,200			121,491		121,491
LAKE COUNTY	27,948	0		93				34			28,075		28,075
LARIMER COUNTY	105,129	19,712		1,768				16			126,625		126,625
LAS ANIMAS COUNTY	3,802	0		274,698				22			278,522		278,522
LINCOLN COUNTY	0	0		0				0			0		0
LOGAN COUNTY	0	0		3,450				0			3,450		3,450
MESA COUNTY	189,146	35,465		426,620				1,292			652,523		652,523
MINERAL COUNTY	130,187	18,857		0				0			149,045		149,045
MOFFAT COUNTY	26,920	0		543,750				60			570,731		570,731
MONTEZUMA COUNTY	66,479	0		543,750				43			610,272		610,272

COLORADO COUNTIES	FS/MMS TIMBER & SEC SCHLS TITLE I	USFS SECURE SCHOOLS TITLE III	FS BANKHEAD JONES	MMS/BLM MINERAL LEASING *	BLM SEC 3 TAYLOR GRAZING *	BLM SEC 15 TAYLOR GRAZING *	BLM BANKHD JONES	BLM SALE OF MATLS *	FERC PWR SALES *	FW REF REVENUE SHARING *	TOTAL	RECOMMENDED ADJUSTMENTS	RECOMMENDED FOR ACCEPTANCE
MONTROSE COUNTY	71,514	0		238,189				1,347			311,050		311,050
MORGAN COUNTY	0	0		3,324				0			3,324		3,324
OTERO COUNTY	0	0		0				0			0		0
OURAY COUNTY	28,770	0		1,659				0			30,429		30,429
PARK COUNTY	87,824	16,467		23,860				3,436			131,588		131,588
PHILLIPS COUNTY	0	0		944				0			944		944
PITKIN COUNTY	362,544	67,977		25,967				0			456,488		456,488
PROWERS COUNTY	0	0		2,185				0			2,185		2,185
PUEBLO COUNTY	5,651	0		0				162			5,813		5,813
RIO BLANCO COUNTY	192,441	45,280		543,750				3,228			784,699		784,699
RIO GRANDE COUNTY	81,686	0		5,298				7			86,992		86,992
ROUTT COUNTY	313,715	58,275		199,800				0			571,790		571,790
SAGUACHE COUNTY	214,065	40,137		670				1,540			256,412		256,412
SAN JUAN COUNTY	45,621	0		118				0			45,739		45,739
SAN MIGUEL COUNTY	30,631	0		385,304				258			416,193		416,193
SEDGWICK COUNTY	0	0		238				0			238		238
SUMMIT COUNTY	366,092	68,642		0				0			434,734		434,734
TELLER COUNTY	15,575	0		87				45			15,706		15,706
WASHINGTON COUNTY	0	0		13,910				0			13,910		13,910
WELD COUNTY	0	0		161,634				0			161,634		161,634
YUMA COUNTY	0	0		105,123				0			105,123		105,123
TOTAL	4,951,575	808,314	0	6,028,423	0	0	0	50,875	0	0	11,839,187	0	11,839,187

Department of Treasury
Notes to the Statement of Federal Land Payments
For the Federal Fiscal Year Ended September 30, 2007

- A. Although 100 percent of the Forest Service Timber receipts are distributed to counties, Section 30-29-101, Colorado Revised Statutes (C.R.S.), requires the counties to distribute at least 5 percent of amounts received to public schools in the county (See Exhibit III for statute.) In accordance with the 1978 Comptroller General's Decision (B-167553), these amounts are not considered received by the counties and, therefore, are not included in the Statement.

A total of \$6,431,505 in Timber Payments was distributed to the counties during the federal fiscal year ended September 30, 2007. Of this amount, \$671,616 was subsequently distributed by the counties to public schools. The Statement reflects the total amount received by the counties less the amounts paid to the public schools, or \$4,951,575 listed as Title I plus \$808,314 listed as Title III, per *P.L.106-393, The Secure Rural Schools and Community Self-Determination Act of 2000*.

Under Section 30-29-101, C.R.S., the counties must distribute, at minimum 5 percent of their National Forest Service Timber receipts to the local school districts.

- Routt County underfunded its local school districts in the current and prior five federal fiscal years (2002 through 2007) by \$16,894. The following breakdown shows the underfunded amounts per federal fiscal year:

2002	\$2,741
2003	\$2,751
2004	\$2,784
2005	\$2,820
2006	\$2,884
2007	\$2,914

Under P.L. 106-393 a county could elect to receive a “full” or “partial” payment. The “full” payment amount is based on the average of the three highest timber payments made between federal Fiscal Years 1986 through 1999. By electing the “full” payment, the county must set aside at minimum 15 percent, but no more than 20 percent to fund projects under Title II or Title III of the Act. The “partial” payment amount is based on the current federal fiscal year’s timber sales, in which the county receives 25 percent of the generated revenue.

- Archuleta County underfunded its Title III projects in the current and prior federal fiscal years (2006 through 2007) by \$1,753. The following breakdown shows the underfunded amounts per federal fiscal year:

2006	\$872
2007	\$881

Department of Treasury
Notes to the Statement of Federal Land Payments
For the Federal Fiscal Year Ended September 30, 2007

- Eagle County underfunded its Title III projects in the current federal fiscal year by \$4,139.
- Garfield County underfunded its Title III projects in the current federal fiscal year by \$3,503.
- Jackson County underfunded its Title III projects in the current federal fiscal year by \$1,667.
- Mineral County underfunded its Title III projects in the current federal fiscal year by \$4,699.

B. The State of Colorado did not distribute any money to counties for the following:

FS Bankhead-Jones (distribution direct to counties by U.S.F.S.)
BLM Bankhead-Jones (distribution direct to counties by BLM)
Fish and Wildlife Refuge Revenue Sharing (distribution direct to counties by F&W)
FERC Power Sales (general purpose funds not distributed to counties)

To the best of Treasury's knowledge, there is no State law specifying how FS Bankhead-Jones, BLM Bankhead-Jones, and Fish and Wildlife Refuge Revenue Sharing payments are to be spent by the counties.

C. Section 35-45-109, C.R.S., requires the counties to deposit money received under provisions of the Taylor Grazing Act "...in a special fund to be known as the Range Improvement Fund of district no. ____." Therefore, distributions from the Taylor Grazing Act are not considered received by the counties and are not included in this Statement. (See Exhibit II for statute.)

D. The county portion of the Mineral Lease monies, totaling \$708,391, received from July through September 2006, was distributed to the counties in October 2006. This amount is included in this Statement as part of the \$6,028,423 shown as MMS/BLM Mineral Leasing payments.

The county portion of the Mineral Lease monies, totaling \$811,528, received from July through September 2007, was distributed to the counties in October 2007. This amount will be included in the Fiscal Year 2008 Statement.

E. The Department of Treasury does not produce a warrant for payments under \$5.00.

Audit Findings and Recommended Adjustments

There are no audit findings or recommended adjustments related to our audit of the Statement of Federal Land Payments for the federal Fiscal Year ended September 30, 2007.

In February 2007 the Office of the State Auditor notified the Routt County Board of Commissioners that under Section 30-29-101, C.R.S., the school districts were underfunded from federal Fiscal Years 2002 through 2006 by a total of \$13,980. In February 2008 the Office of the State Auditor notified the Routt County Board of Commissioners that the school districts were underfunded for federal Fiscal Year 2007 in the amount of \$2,914, for a six-year total of \$16,894.

In February 2007 the office of the State Auditor notified Archuleta County Board of Commissioners that under Public Law 106-393, *The Secure Rural Schools and Community Self-Determination Act of 2000*, Title III projects were underfunded for federal Fiscal Year 2006 in the amount of \$872. In February 2008 the Office of the State Auditor notified the Archuleta County Board of Commissioners that the Title III projects were underfunded for federal Fiscal Year 2007 in the amount of \$881, for a two-year total of \$1,753.

In February 2008 the office of the State Auditor notified four county boards that under Public Law 106-393, *The Secure Rural Schools and Community Self-Determination Act of 2000*, Title III projects were underfunded for federal Fiscal Year 2007. The following counties were noted:

- Eagle County underfunded Title III projects in the amount of \$4,139.
- Garfield County underfunded Title III projects in the amount of \$3,503.
- Jackson County underfunded Title III projects in the amount of \$1,667.
- Mineral County underfunded Title III projects in the amount of \$4,699.

Exhibit I

Colorado Revised Statutes Title 34, Article 63 Royalties Under Federal Leasing

Section 34-63-101, C.R.S. **State treasurer to receive and distribute mineral leasing payments.** In accordance with the provisions of section 35 of the federal "Mineral Lands Leasing Act" of February 25, 1920, as amended, the state treasurer is directed to deposit and distribute any moneys now held or to be received by the state of Colorado from the United States as the state's share of sales, bonuses, royalties, and rentals of public lands within this state, for the benefit of the public schools and political subdivisions of this state and for other purposes in accordance with the provisions of sections 34-63-102 and 34-63-103.

Section 34-63-102, C.R.S. **Creation of mineral leasing fund - distribution - advisory committee.** (1)(a) On or after January 1, 1977, all moneys, including any interest earned therefrom, now held or to be received by the state treasurer pursuant to the provisions of the federal "Mineral Lands Leasing Act" of February 25, 1920, as amended, except those moneys described in section 34-63-104, shall be deposited by the state treasurer into a special fund to be known as the mineral leasing fund, which is hereby created, for use by state agencies, public schools, and political subdivisions of the state as described in this section for planning, construction, and maintenance of public facilities and for public services.

(b) In the appropriation and use of such moneys, priority shall be given to those public schools and political subdivisions socially or economically impacted by the development, processing, or energy conversion of fuels and minerals leased under said federal mineral lands leasing act.

(2) (a) Except as otherwise provided in paragraph (b) twenty-five percent of all moneys described in paragraph (a) of subsection (1) of this section together with any funds for public schools derived from the application of paragraph (b) of subsection (3) of this section shall, upon receipt, be paid into the state public school fund to be used for the support of the public schools of this state.

(b) For the purpose of repaying an additional expenditure of moneys from the state educational fund created in section 17 (4) (a) of article IX of the state constitution for the state's share of total program pursuant to article 54 of title 22, C.R.S., made for the 2001-02 fiscal year due to a projected shortfall in the amount of moneys described in paragraph (a) of subsection (1) of this section received by the state treasurer in said fiscal year, notwithstanding any provision of law to the contrary, upon receipt by the state treasurer of any moneys described in paragraph (a) of subsection (1) of this section during the 2002-03 fiscal year, of the portion of said moneys that

would otherwise be paid to the state public school fund pursuant to paragraph (a) of this subsection (2), the state treasurer shall first transfer an amount of said moneys equal to six million dollars to the state education fund created pursuant to section 17 (4) of article IX of the state constitution prior to paying said portion of moneys to the state public school fund in accordance with paragraph (a) of this subsection (2).

(3) (a) Fifty percent of all moneys described in paragraph (a) of subsection (1) of this section shall be distributed ten working days after receipt of the last monthly payment in each quarter among those respective counties of this state from which the federal leasing money is derived in proportion to the amount of said federal leasing money derived from each of the respective counties for use by said counties for the purposes described in subsection (1) of this section and for use by municipalities and school districts within said counties as provided in paragraph (c) of this subsection (3); except that no distribution under this paragraph (a) to any single county, including the amounts distributed under paragraph (c) of this subsection (3) to municipalities and school districts located therein, shall exceed one million two hundred thousand dollars in any calendar year. Unless the balance paid to the state public school fund pursuant to subparagraph (I) of paragraph (b) of this subsection (3) exceeds ten million seven hundred thousand dollars in a calendar year, distribution above two hundred thousand dollars to any single county pursuant to this paragraph (a) shall not take effect during that calendar year.

(b) (I) Any balance of said fifty percent remaining after payment to the several counties as provided in paragraph (a) of this subsection (3) shall be paid by the state treasurer, on or before the last day of December of each year, into the state public school fund and used for the support of the public schools.

(II) Commencing January 1, 1983, one-half of any balance of said fifty percent in excess of ten million one hundred thousand dollars shall be paid by the state treasurer, on or before the last day of December of each year, into the local government mineral impact fund and used in accordance with the purposes described in subsection (1) of this section.

(III) An amount equal to twenty-five percent of the balance paid to the local government mineral impact fund pursuant to subparagraph (II) of this paragraph (b) shall be distributed annually to each county, in whose unincorporated area employees of a mine or related facility from which such money is derived reside, in the same proportion that the number of such employees bears to the total number of employees of such mines and related facilities who reside in the state and to each municipality, in which employees of such facilities reside, in the same proportion that the number thereof bears to the total number of employees of such mines and related facilities who reside in the state.

(IV) Repealed.

(c) (I) Except as provided in subparagraph (II) of this paragraph (c), in each calendar year, each county shall notify the state treasurer to have at least twenty-five percent of the moneys described in paragraph (a) of this subsection (3) distributed to any school district within the county

specified by the board of county commissioners for use in accordance with the purposes described in subsection (1) of this section. Except as provided in subparagraph (II) of this paragraph (c), in each calendar year, each county shall also notify the state treasurer to have at least thirty-seven and one-half percent of that part of the moneys described in paragraph (a) of this subsection (3) that exceeds two hundred fifty thousand dollars distributed among the municipalities within the county according to the percentage that the population within each municipality bears to the total population of all municipalities located within the county. The state treasurer shall not disburse funds to a county under this subsection (3) until such notification is received. For the purposes of this paragraph (c), "population" means the most recent population estimate at the time of the distribution of the mineral leasing fund as prepared by the demographic section of the division of local government.

(II) (A) Any county may elect to have its distributions from the mineral leasing fund made pursuant to this subparagraph (II) by notifying the state treasurer, in writing, of such election. Any election for distribution pursuant to this subparagraph (II) shall be effective until withdrawn by the county but shall be for a minimum of two full calendar years following receipt by the state treasurer of the notice of election from the county. After two full calendar years, a county may withdraw the election for distribution pursuant to this subparagraph (II) and return to distribution pursuant to subparagraph (I) of this paragraph (c) by giving the state treasurer written notice of such withdrawal in addition to any notice required to be given under subparagraph (I) of this paragraph (c). However, during the first calendar year after receiving such notice of withdrawal, the state treasurer shall distribute twenty-five percent of the moneys the county would otherwise receive to the cities within the county, twenty-five percent to the school districts within the county, and transfer the remaining fifty percent to the local government mineral impact fund.

(B) For the first full calendar year following receipt by the state treasurer of notification of the county's election pursuant to sub-subparagraph (A) of this subparagraph (II), the state treasurer shall transfer the moneys each county would otherwise receive pursuant to subparagraph (I) of this paragraph (c) to the local government mineral impact fund created in subsection (5) of this section.

(C) For the second full calendar year following receipt by the state treasurer of notification of the county's election pursuant to sub-subparagraph (A) of this subparagraph (II) and for each calendar year thereafter, unless a county has withdrawn its election for distribution pursuant to this subparagraph (II), the state treasurer shall distribute to each county making such election the moneys attributable to such county as described in paragraph (a) of this subsection (3) as follows: Fifty percent to school districts within the county and fifty percent to municipalities within the county. Where more than one school district exists within a county, the distribution to each school district shall be the percentage that the most recent funded pupil count, as determined pursuant to the "Public School Finance Act of 1994", article 54 of title 22, C.R.S., for pupils enrolled in the county attributable to that school district bears to the most recent total funded pupil count for all pupils attributable to the county. Where more than one municipality exists within a county, the distribution to each municipality shall be based on population as set forth in subparagraph (I) of this paragraph (c).

(4) Ten percent of all moneys described in paragraph (a) of subsection (1) of this section shall, upon receipt, be paid into the Colorado water conservation board construction fund created by section 37-60-121, C.R.S., for appropriation by the general assembly pursuant to the provisions of section 37-60-122, C.R.S., and for use in accordance with the purposes and priorities described in subsection (1) of this section.

(5)(a)(I) The remaining fifteen percent of all moneys described in paragraph (a) of subsection (1) of this section, any moneys received pursuant to subparagraph (II) of paragraph (b) of subsection (3) of this section, and any moneys received pursuant to subparagraph (II) of paragraph (c) of subsection (3) of this section shall, upon receipt, be paid into the local government mineral impact fund, which is hereby created. The executive director of the department of local affairs shall distribute moneys from such fund pursuant to subsection (3) of this section; except that the remainder provided for in this paragraph (a) shall be distributed in accordance with the purposes and priorities described in subsection (1) of this section. Notwithstanding any other provision of this paragraph (a) to the contrary, the executive director shall distribute moneys from such fund to the uranium mill tailings remedial action program fund in accordance with the provisions of section 39-29-116(3), C.R.S.

(II) On or after July 1, 2001, all income derived from the deposit and investment of the moneys in the local government mineral impact fund shall be credited to the fund.

(b)(I) There is hereby created within the department of local affairs an energy impact assistance advisory committee. The committee shall be composed of the executive director of the department of local affairs, the executive director of the department of natural resources, the commissioner of education, the executive director of the department of transportation, and five residents of areas impacted by energy conversion or mineral resource development. The five residents shall be appointed by the governor for terms not exceeding four years to serve at the pleasure of the governor. The executive director of the department of local affairs shall act as chairman of the committee. Members of the committee shall serve without additional compensation; except that the five members from energy impact areas shall be entitled to reimbursement for actual and necessary expenses. Any member of the committee who is a state official may designate representatives of his agency to serve on the committee in his absence. The chairman shall convene the advisory committee from time to time as he deems necessary. Such advisory committee shall continuously review the existing and potential impact of the development, processing, or energy conversion of mineral and fuel resources on various areas of the state, including those areas indirectly affected, and shall make continuing recommendations to the department of local affairs, including, but not limited to, those actions deemed reasonably necessary and practicable to assist impacted areas with the problems occasioned by such development, processing, or energy conversion, the immediate and projected problems which the local governments are experiencing in providing governmental services, the extent of local tax resources available to each unit of local government, the extent of local tax effort in solving energy impacted problems, and other problems which the areas have experienced, such as housing and environmental considerations, which have developed as a direct result of energy impact.

(II) Repealed.

(c) The executive director of the department of local affairs shall file with the general assembly annually before February 1 a detailed accounting of the distribution of funds for the previous year.

(6) Repealed.

(7) No state agency or office shall expend any moneys received from the local government mineral impact fund unless such expenditure is authorized by legislative appropriation separate from the provisions of this section; except that, if the executive director of the department of local affairs with the concurrence of the governor determines that a local government emergency exists, the state agency or office may expend any moneys received from the local government mineral impact fund without further appropriation. In the event moneys are expended based on a determination that a local government emergency exists, the department of local affairs shall notify the legislative council of the expenditure.

Exhibit II

Colorado Revised Statutes Title 35, Article 45 Public Domain Range

Section 35-45-108, C.R.S. **Distribution of receipts.** (1) All moneys received by the state treasurer as the state's share of the amounts collected by the federal government under the provisions of sections 3 and 15 of the "Taylor Grazing Act", and any act amendatory thereof, and under the provisions of Public Law 136, 82nd congress, approved August 31, 1951, shall be credited to a clearing account.

(2) Moneys received under the provisions of section 3 of the "Taylor Grazing Act" which are derived from each grazing district in the state shall be paid over to the counties in which such grazing districts are located, in the proportion that the acreage of each county lying within a particular grazing district bears to the total acreage of such grazing district, as such acreages are certified by the federal agency administering such provisions.

(3) Moneys received under the provisions of section 15 of the "Taylor Grazing Act" and under the provisions of Public Law 136, 82nd congress, shall be paid over to the several counties of the state from which such moneys were derived, as certified in reports furnished by the federal agency administering said provisions.

(4) All such payments shall be calculated by the state treasurer and shall be made to the respective county treasurers during the month of September of each year.

Section 35-45-109, C.R.S. **Range improvement fund - board of district advisers.** (1) All moneys paid to the counties shall be deposited with the county treasurer in a special fund to be known as the range improvement fund of district no. _____. The county treasurer of any county in which a district is located shall be the ex officio district treasurer and custodian of moneys received and shall be liable upon his official bond for all moneys deposited in said range improvement fund. The county treasurer, as ex officio district treasurer, shall pay out such money in said range improvement fund upon the warrant of the chairman or vice-chairman of the district grazing advisory board or a board of district advisers established pursuant to subsection (2) of this section and after consultation with the district manager of the grazing district in which county the moneys were deposited. Said district grazing advisory boards are established pursuant to Public Law 94-579 (43 U.S.C. 1753) or its successor, as may be established by the secretary of the interior pursuant to the "Federal Advisory Committee Act", Public Law 92-463 (86 Stat. 770; Title 5, App.).

(2)(a) In the event that the grazing advisory boards cease to exist, the commissioner of agriculture shall establish and maintain a board of district advisers for each grazing district upon the

petition of a simple majority of the livestock lessees and permittees within the jurisdiction of the district. The function of the board of district advisers shall be to determine the use of the range improvement fund in accordance with section 35-45-110.

(b) The number of advisers on each board and the number of years an adviser may serve shall be determined by the commissioner. Each board shall consist of livestock representatives who shall be lessees or permittees in the district under the board's jurisdiction and shall be chosen by the lessees and permittees in the district through an election prescribed by the commissioner. Each board of district advisers shall meet at least once annually.

Exhibit III

Colorado Revised Statutes

Title 30, Article 29

Apportionment of Federal Moneys from Public Lands

Section 30-29-101, C.R.S. **Receipts from national forests.** (1) All moneys received by the state treasurer from federal government under provisions of the act of congress of May 23, 1908, as amended, relating to receipts from national forests, shall be credited to a clearing account.

(2) During the month of September of each year, the state treasurer shall pay over the moneys specified in subsection (1) of this section to the treasurers of the several counties of the state in which national forests are located, on the basis of the acreage of national forest land located in each county and in accordance with information provided by the appropriate agency of the federal government as to source and amount.

(3) The boards of county commissioners of the counties receiving the payments specified in subsection (2) of this section shall allocate the amount thereof between the county road and bridge fund and the public schools in the county, but not less than five percent of the amount received annually shall ever be allocated for either purpose. If there is more than one school district in the county, the amount allocated to each district shall be in the proportion which its pupil enrollment during the preceding school year bears to the aggregate pupil enrollment in all districts in the county during said preceding school year.



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February 13, 2008

Independent Auditor's Report on Compliance and Other Matters on Internal Control Over Financial Reporting Based on an Audit of the Statement of Federal Land Payments Performed in Accordance With *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the Statement of Federal Land Payments of the State of Colorado, as of and for the federal fiscal year ended September 30, 2007, and have issued our report thereon dated February 13, 2008. This Statement is the responsibility of the Colorado Governor's Office. The preparation of the report has been formally delegated to the Colorado Department of Treasury. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Colorado's Statement of Federal Land Payments is 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 *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Colorado Governor's Office and the Colorado Department of Treasury's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement of Federal Land Payments 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 amounts that would be material in relation to the Statement of Federal Land Payments 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.



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February 13, 2008

Independent Auditor's Report on Compliance with Requirements Applicable to Major Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Legislative Audit Committee:

Compliance

We have audited the compliance of the State of Colorado with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to the major federal programs related to the Statement of Federal Land Payments for the federal fiscal year ended September 30, 2007. The State of Colorado's major federal programs are identified in the summary of auditor's results section of the *State of Colorado Statewide Single Audit* for the year ended June 30, 2007. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs related to the Statement is the responsibility of the Colorado Governor's Office. The preparation of the report has been formally delegated to the Colorado Department of Treasury. Our responsibility is to express an opinion on the State of Colorado's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Colorado's compliance with those requirements.

In our opinion, the State of Colorado complied, in all material respects, with the requirements referred to above that are applicable to the major federal programs related to the Statement of Federal Land Payments for the federal fiscal year ended September 30, 2007.

Internal Control Over Compliance

The management of the Colorado Governor's Office and the Colorado Department of Treasury are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs related to the Statement of Federal Land Payments. In planning and performing our audit, we considered the Colorado Governor's Office and the Colorado Department of Treasury's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

A handwritten signature in black ink, appearing to read "Kelly J. Manski". The signature is written in a cursive style with a long horizontal line extending to the right.

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 1928