

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

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

**June 30, 2009 and 2008**



**LEGISLATIVE AUDIT COMMITTEE**

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Crystal Dorsey  
*Legislative Auditor*

**Anton Collins Mitchell LLP**  
*Contract Auditors*

September 9, 2009

Members of the Board of Trustees and the Legislative Audit Committee:

We have completed the financial statement audit of The State Board of the Great Outdoors Colorado Trust Fund as of and for the years ended June 30, 2009 and 2008. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Article XXVII, Section 6(3), of the Colorado Constitution, which requires the State Auditor to conduct an annual audit of The State Board of the Great Outdoors Colorado Trust Fund. The reports that we have issued as a result of this engagement are set forth in the table of contents, which follows.

# The State Board of the Great Outdoors Colorado Trust Fund

June 30, 2009 and 2008

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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, 2009 and 2008

#### Authority, Purpose and Scope

The 2009 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 2009.

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 Years Ended June 30, 2009 and 2008. Our opinion letter, dated September 9, 2009, is presented in the Financial Statement section of this report. GOCO restated its financial statements for the year ended June 30, 2009, to reflect the investment earnings and grant expenditures not previously reported. The restatement had no effect on previously reported net assets.

#### Summary of Current Year Findings and Recommendations

We have identified three findings as follows:

##### **Findings**

1. 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.
2. GOCO should negotiate a new Memorandum of Agreement (MOA) with the Colorado Department of Natural Resources, and the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation (the “Divisions”), defining the process to be used by the State Treasurer when there is a negative balance in the Divisions’ cash accounts created due to the time elapsed between the Divisions’ expenditures and GOCO’s reimbursements.
3. GOCO should develop and implement written cutoff procedures relating to the accrual of grant expenditures and revenue events that include a final pre-issuance review of earlier determinations made during its year-end closing process.

#### Summary of Progress in Implementing Prior Audit Recommendations

The audit report for the Fiscal Year Ended June 30, 2008, 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 recommendations are addressed to**  
**The State Board of the Great Outdoors Colorado Trust Fund**  
**Financial and Compliance Audit**  
**Fiscal Years Ended June 30, 2009 and 2008**

Rec No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	6	The Board should ensure that <i>grants expended</i> achieve substantial equivalence over a period of years for each of the four funding categories.	Agree	Ongoing Implementation
2	8	GOCO should negotiate a new Memorandum of Agreement (MOA) with the Colorado Department of Natural Resources, and the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation (the "Divisions"), defining the process to be used by the State Treasurer when there is a negative balance in the Divisions' cash accounts created due to the time elapsed between the Divisions' expenditures and GOCO's reimbursements.	Partially Implemented	December 31, 2009
3	9	GOCO should develop and implement written cutoff procedures relating to the accrual of grant expenditures and revenue events that include a final pre-issuance review of earlier determinations made during its year-end closing process.	Partially Agree	October 1, 2009

# **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, 2009 and 2008**

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 2009 is the sixteenth 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 2009, GOCO had a permanent staff of 14 and received \$54.3 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2009.

# The State Board of the Great Outdoors Colorado Trust Fund

## Findings and Recommendations

### Fiscal Years Ended June 30, 2009 and 2008

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 areas where additional efforts could be beneficial.

#### 1. 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 funding categories are wildlife, parks and outdoor recreation, competitive grants for open space and competitive matching grants to local governments and other qualifying entities for open lands and parks.

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

#### ***GOCO Grants Cumulative through Fiscal Year 2009 (in thousands)***

Program Category	Grants Authorized (Unaudited)		Grants Expended (Restated)		Over (Under) 25% Expended
	Amount	%	Amount	%	
Category 1 – Wildlife	\$ 166,900	24.1%	\$ 150,036	25.5%	\$ 2,739
Category 2 –Parks and outdoor recreation	154,353	22.3%	139,123	23.6%	(8,175)
Category 3 – Competitive grants for open space	186,341	27.0%	153,660	26.1%	6,363
Category 4 – Competitive matching grants to local governments for open lands and parks	183,776	26.6%	146,370	24.8%	(927)
	691,370	100.0%	589,189	100.0%	
Noncategorized – Discretionary	1,220	NA	1,070	NA	
<b>Total</b>	<b>\$ 692,590</b>	<b>100.0%</b>	<b>\$ 590,259</b>	<b>100.0%</b>	

Source: Data provided by GOCO

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Findings and Recommendations**  
**Fiscal Years Ended June 30, 2009 and 2008**

***GOCO Grants Cumulative through Fiscal Year 2008 (in thousands)***

<b>Program Category</b>	<b>Grants Authorized (Unaudited)</b>		<b>Grants Expended (Restated)</b>		<b>Over (Under) 25% Expended</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	
Category 1 – Wildlife	\$ 158,374	24.2%	\$ 131,955	24.9%	\$ (434)
Category 2 –Parks and outdoor recreation	145,046	22.1%	133,590	25.2%	1,202
Category 3 – Competitive grants for open space	179,385	27.4%	135,288	25.6%	2,899
Category 4 – Competitive matching grants to local governments for open lands and parks	172,644	26.3%	128,722	24.3%	(3,667)
	655,449	100.0%	529,555	100.0%	
Noncategorized – Discretionary	1,070	NA	1,070	NA	
<b>Total</b>	<b>\$ 656,519</b>	<b>100.0%</b>	<b>\$ 530,625</b>	<b>100.0%</b>	

Source: Data provided by GOCO

This next chart compares the cumulative percentages in each category for Fiscal Years 2009 and 2008 expenditures and calculates the variance of the percentages. During Fiscal Year 2009, one *Grants Expended* variance has moved closer to compliance with the constitutional requirement of 25%. Specifically, Category 4 expenditures for competitive matching grants to local governments for open lands and parks increased from 24.3% to 24.8%. The other categories moved further from the 25% requirement.

# The State Board of the Great Outdoors Colorado Trust Fund

## Findings and Recommendations

### Fiscal Years Ended June 30, 2009 and 2008

#### **GOCO Grants Cumulative Comparison Fiscal Year 2009 and Fiscal Year 2008**

Program Category	Grants Expended			
	FY2009	FY2008	Nominal Over (Under) 25% Expended FY2009	Nominal Over (Under) 25% Expended FY2008
Category 1 – Wildlife	25.5%	24.9%	0.5%	(0.1)%
Category 2 –Parks and outdoor recreation	23.6%	25.2%	(1.4)	0.2
Category 3 – Competitive grants for open space	26.1%	25.6%	1.1	0.6
Category 4 – Competitive matching grants to local governments for open lands and parks	24.8%	24.3%	(0.2)	(0.7)
	100.0%	100.0%		
Noncategorized – Discretionary	N/A	N/A		

Source: Data provided by GOCO

#### **Recommendation No. 1**

The Board should ensure that *grants expended* achieve substantial equivalence over a period of years for each of the four funding categories. To satisfy the constitutional requirement of substantially equivalent expenditures among the four funding categories, the Board and management should continue their efforts to encourage and assist authorized grantees in completing projects and submitting reimbursement requests in a timely manner, as appropriate.

#### **GOCO Response**

Agree, Ongoing Implementation

GOCO continues to progress toward satisfying its Constitutional requirement under Article XXVII “that the amounts expended for each of the [funding categories] over a period of years be substantially equal.” At the end of Fiscal Year 2009, expenditures for all of the four funding purposes are within 1.5% of being substantially equal. The expenditures by purpose for the year ended June 30, 2009 are as follows:

	Cumulative Grants Expended	
	Amount	Percentage
Wildlife	\$ 150,035,695	25.5%
Parks & Outdoor Recreation	139,123,681	23.6%
Open Space	153,659,763	26.1%
Local Government	146,370,132	24.8%
	\$ 589,189,271	100.0%

# The State Board of the Great Outdoors Colorado Trust Fund

## Findings and Recommendations

### Fiscal Years Ended June 30, 2009 and 2008

Having the expenditures for funding purposes be substantially equal continues to be a 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.

The Board takes a different approach within each funding purpose to help keep expenditures substantially equal. Both the Open Space and Local Government purposes have many eligible grantees (including all local governments in the state.) When expenditures in these purposes are lower than 25%, making additional awards beyond 25% would result in increasing the expenditures in these purposes. In addition changes to the overdue grant policies would impact the timing of reimbursements for both these purposes. The Board used this approach with Local Governments four years ago by awarding a higher percentage to this purpose.

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

Currently, the Outdoor Recreation expenditures through the Division of Parks and Outdoor Recreation are at 23.6% of total expenditures. During the past several years, GOCO had concerns about the internal controls within the Division and increased its financial scrutiny of DPOR expenditures. In July 2008, a performance audit issued by the State Auditor confirmed that internal control issues existed. In July 2008, the GOCO Board rescinded \$8.6 million in awards to the Division of Parks and Outdoor Recreation. The rescission of these awards is now being reflected in the current year with the lower grant expenditures. With improvements in internal controls and financial planning at the Division of Parks and Outdoor, it is anticipated that a large amount of capital funds will be awarded to Division of Parks and Outdoor Recreation in the near future and will have an impact on this percentage in the next few fiscal years.

## 2. Expired Memorandum of Understanding

From July 1, 1999 through June 30, 2009, the State Treasury has charged GOCO for \$1.9 million of interest under the terms of a Memorandum of Understanding (“MOU”) that expired on June 30, 1999. The MOU was entered into on May 13, 1997 by GOCO, the Colorado Department of Natural Resources (“DNR”), and the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation (the “Divisions”). The MOU provided that any interest charges that the State Treasurer might cause to be accrued to the accounts of the Divisions *due to the time elapsed between the time of the Divisions’ expenditure and the time of reimbursement* by GOCO to the Divisions [creating a negative balance] shall be debited [charged] to GOCO’s account in the State Treasury. Attempts to establish new Memoranda of Agreement (“MOA”) in 2003 and 2004 were not successful, as the MOAs were never executed by DNR.

During fiscal year 2009, GOCO discovered that since the expiration of the MOU on June 30, 1999, the State Treasurer has continued to charge GOCO’s account for interest accrued to the Divisions in the same manner as that contained in the expired MOU. The cumulative effect of these actions during the period from July 1, 1999 through June 30, 2009, is that approximately \$1.9 million has been netted against investment earnings allocated to GOCO by the State Treasury. The discovery was not made sooner, in part because account statements prepared by the State Treasury showed only the net amount of GOCO’s investment earnings instead of the gross amount less the interest charges calculated for the Division’s negative balances. GOCO has requested that DNR instruct the State Treasurer to cease charging GOCO’s account for interest on the Divisions’ negative balances.

In July 2009, GOCO’s Executive Committee approved charging the entire amount of past interest charges due to the Divisions’ negative balances to grant expenditures under the wildlife and the parks and outdoor recreation purposes. Consequently, GOCO has recorded in its financial statements for the year ended June 30, 2009, the amount of investment earnings and grant expenditures relating to the interest expense netted against interest earnings by the Colorado State Treasury. Additionally, GOCO restated its financial statements for the year ended June 30, 2008 to

# The State Board of the Great Outdoors Colorado Trust Fund

## Findings and Recommendations

### Fiscal Years Ended June 30, 2009 and 2008

reflect the investment earnings and grant expenditures not previously reported. The restatement had no effect on previously reported fund balances or net assets.

GOCO should negotiate a new MOU/MOA in order to avoid further adjustments to State Treasury's interest calculations and to finalize the agreement among all parties of the interest allocation. GOCO also should implement procedures to ensure annual reviews of its MOU(s)/MOA(s), and establish procedures to verify that no amounts are being withheld, deducted or expended from its cash account with State Treasury without GOCO's knowledge and approval.

#### ***Recommendation No. 2***

GOCO should negotiate a new MOU/MOA with the Colorado Department of Natural Resources, the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation, defining the process to be used by the State Treasurer when there is a negative balance in the Divisions' cash accounts created due to the time elapsed between the Divisions' expenditures and GOCO's reimbursements. GOCO also should implement procedures to ensure annual reviews of its MOU(s)/MOA(s), and establish procedures to verify that no amounts are being withheld, deducted or expended from its cash account with State Treasury without GOCO's knowledge and approval.

#### ***GOCO Response***

Agree – Partially implemented and completely implemented by December 31, 2009

In March 2009, GOCO implemented procedures to ensure that the activity in GOCO's Treasury account is being transparently recorded in GOCO's financial system. Procedures have been implemented to ensure that the activity in the Treasury account is being verified to ensure that all activity is being accurately accounted for in GOCO's financial system.

GOCO has been actively working with the Department of Natural Resources, Division of Wildlife and Division of Parks and Outdoor Recreation to finalize a Memorandum of Understanding ("MOU"). The parties had come to agreement on the administrative procedures and other matters contained in the MOU, however, the discovery of the interest issue and the need for its resolution has delayed a complete agreement. The only outstanding issue on the MOU negotiations is how to address the interest issue from here forward and we anticipate that to be resolved in the near future.

### **3. Grant Expense and Revenue Recognition**

GOCO recognizes grant expenses, and in certain instances, revenue events from activities of grantees when substantially all of the eligibility and reimbursement requirements have been met. All real estate transactions associated with a particular grant expenditure or revenue event must be closed in order to recognize either expense or revenue, respectively. At year end, management evaluates the status of real estate transactions and for those transactions that are closed, records accruals based on estimates of reimbursable costs and earned revenues.

Management's accrual at June 30, 2009, included a \$1 million open space grant expense and a \$3.6 million revenue event, both predicated on real estate closings which had not occurred as of June 30, 2009. The accruals originally were recorded because management believed that the real estate closings were imminent. Because closing is a precondition of revenue or expense recognition, the accruals should have been reversed as of June 30, 2009 since the closings had not occurred as of that date. GOCO does not have a formal written procedure in place to ensure a final "look-back" at the June 30<sup>th</sup> accruals at a date near completion of the annual audit to determine if any adjustments to those accruals should be made. By not ensuring a final look-back, this could affect GOCO's ability to record complete and accurate accruals.

# The State Board of the Great Outdoors Colorado Trust Fund

## Findings and Recommendations

### Fiscal Years Ended June 30, 2009 and 2008

#### *Recommendation No. 3*

GOCO should develop and implement written cutoff procedures relating to the accrual of grant expenditures and revenue events that include a final pre-issuance review of earlier determinations made during its year-end closing process. The pre-issuance review should provide staff the opportunity to re-evaluate their original determinations based on updated information.

#### *GOCO Response*

Partially agree – Partially implemented by October 1, 2009

GOCO has procedures in place to determine accruals for year end and they are consistently applied. GOCO agrees that documenting these procedures in one written document would be beneficial.

GOCO agrees that having the ability to do a pre-issuance “look back” would be beneficial; however, the current timing of the audit and audit field work conducted at GOCO makes this difficult to effectively implement. Currently the timing from our year end to the closing of our books and when audit field work is complete is too tight to effectively “look back” at the accruals. GOCO currently closes books four weeks from year end and all accruals are made by six weeks following GOCO’s year end with the auditors arriving for four days of field work within a few days of the accrual being made. The time between the accrual being made by GOCO and audit fieldwork being completed is approximately seven business days. It is unlikely that additional information would be provided that would change the accrual assumptions. GOCO believes we do the best we can within the current turnaround time as required by the State Auditor on the timing of our financial statement issuance. If there was additional time available, GOCO could effectively implement procedures to “look back” at all accruals made at year end.

#### *Auditors’ Addendum*

In accordance with accounting principles generally accepted in the United States of America, “Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued.” In addition, “An entity shall recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements.” GOCO risks not accurately recording year-end accruals without a final pre-issuance review process. GOCO originally recorded a grant payable of \$1 million and a note receivable of \$3.6 million, which entries were later reversed based on the results of the subsequent review procedures performed by the auditors.

# The State Board of the Great Outdoors Colorado Trust Fund

## Disposition of Prior Audit Recommendation

### Fiscal Years Ended June 30, 2009 and 2008

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, 2008.

Recommendation	Disposition
1. The Board should ensure that <i>grants expended</i> achieve substantial equivalence over a period of years for each of the four funding categories. To satisfy the constitutional requirement of substantially equivalent expenditures among the four funding categories, the Board and management should continue their efforts to encourage and assist authorized grantees in completing projects and submitting reimbursement requests in a timely manner, as appropriate.	Partially implemented. GOCO continues to work with authorized grantees in completing projects and submitting reimbursement requests timely.

***Financial Statements Section***



## Independent Auditors' Report

Members of the Board of Trustees and the Legislative Audit Committee:

We have audited the accompanying financial statements of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund ("GOCO"), as of and for the years ended June 30, 2009 and 2008, 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 audits.

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

As described in Note 15, GOCO has restated its fiscal year 2008 financial statements to record previously unreported investment income and grant expenditures.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund as of June 30, 2009 and 2008, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2009 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 13 through 16, and the major fund budgetary comparison information, on pages 33 and 34, are not a required part of the basic financial statements 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.

*Anton Collins Mitchell LLP*

September 9, 2009

Accountants & Consultants

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# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2009 and 2008

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, 2009 and 2008. The management's discussion and analysis is intended to be read in conjunction with the GOCO financial statements beginning on page 18.

## Financial Highlights

GOCO receives funding from net Lottery proceeds and makes investments and grants for projects that preserve, protect and enhance Colorado's wildlife, park, river, trail and open space heritage. Investments and grants are provided to four areas: wildlife; 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 2009, Fiscal Year 2008 and Fiscal Year 2007.

	<b>Fiscal Year Ended June 30,</b>			<b>2009/2008 Variance</b>	<b>2008/2007 Variance (Restated)</b>
	<b>2009</b>	<b>2008 (Restated)</b>	<b>2007 (Restated)</b>		
Lottery revenues	\$ 54,267,191	\$ 53,104,374	\$ 51,277,820	\$ 1,162,817	\$ 1,826,554
Grant expenditures	\$ 59,634,478	\$ 52,408,072	\$ 47,566,779	\$ 7,226,406	\$ 4,841,293

### 2009

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$54.3 million, per the Constitutional cap. This represents a \$1.2 million increase over Fiscal Year 2008 in Lottery proceeds to GOCO.
- Grant expenditures increased by \$7.2 million from Fiscal Year 2008. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year. The higher expenditures in Fiscal Year 2009 can be attributed to several larger than anticipated wildlife and open space purposes expenditures.

### 2008

- GOCO received its maximum allowable Lottery proceeds for the year of approximately \$53.1 million, per the Constitutional cap. This represents a \$1.8 million increase over Fiscal Year 2007 in Lottery proceeds to GOCO.
- Grant expenditures increased by 10% or \$4.8 million from Fiscal Year 2007. Grant expenditures fluctuate year to year due to timing differences of project completions but GOCO averages approximately \$50 million in grant disbursements per year. The lower expenditures in Fiscal Year 2007 can be attributed to lower than anticipated wildlife purpose expenditures.

## 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.

# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2009 and 2008

GOCO's funding is capped at \$35 million using the base year of 1992 adjusted annually for inflation (\$54.3 million and \$53.1 million in Fiscal Year 2009 and Fiscal Year 2008, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Lottery Proceeds Contingency Reserve Fund for Fiscal Year 2008 and to the Public School Capital Construction Assistance Fund for Fiscal Year 2009.

## Government-wide Statement

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2009, 2008, and 2007.

<i>June 30,</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 48,885,924	\$ 54,610,798	\$ 54,854,740
Capital assets, net	39,093	59,834	84,083
Total assets	48,925,017	54,670,632	54,938,823
Current liabilities	7,575,232	7,772,840	9,365,620
Net assets			
Invested in capital assets	39,093	59,834	84,083
Unrestricted	41,310,692	46,837,958	45,489,120
Total net assets	\$ 41,349,785	\$ 46,897,792	\$ 45,573,203

### 2009

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash decreased by approximately \$8.7 million during Fiscal Year 2009. The decrease in cash is primarily attributable to the additional \$7.2 million in grant expenditures that occurred in Fiscal Year 2009 over 2008. Lottery proceeds receivable increased to \$8.5 million at June 30, 2009 from \$5.5 million at June 30, 2008. The increase in the receivable is due to the timing of when the Constitutional cap is reached. The maximum was received in both years and the Constitutional amount was reached in May for both years.

As of June 30, 2009 current liabilities decreased by \$0.2 million from June 30, 2008. The liabilities outstanding at year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by the Colorado Division of Parks and Outdoor Recreation and the Colorado Division of Wildlife. The amount includes the last quarter of bills from the Colorado Division of Parks and Outdoor Recreation and the June bill for the Colorado Division of Wildlife.

### 2008

The significant portions of current and other assets are cash and the Lottery proceeds receivable. Both the cash and the receivable amounts were consistent from Fiscal Year 2008 to Fiscal Year 2007. Lottery proceeds receivable decreased to \$5.5 million at June 30, 2008 from \$6.1 million at June 30, 2007. The decrease in the receivable is due to the timing of when the Constitutional cap is reached. The maximum was received in both years and the Constitutional amount was reached in May for both years. The cash balance increased to \$48.1 in Fiscal Year 2008 from \$47.7 million in Fiscal Year 2007.

As of June 30, 2008 the current liabilities decreased by \$1.6 million from June 30, 2007. The liabilities outstanding 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 2007, each agency had the May and June 2007 bills outstanding and the bills for Colorado Division of Parks and Outdoor Recreation were outstanding for February, March and April 2007. In Fiscal Year 2008, both agencies had bills outstanding for May and June 2008. In addition, the Colorado Division of Parks and Outdoors Recreation bills for March and April 2008 were outstanding. This resulted in one month less of accruals for the agencies as of June 30, 2008.

# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2009 and 2008

#### **Statement of Activities**

The following table reflects the condensed statement of activities for the Fiscal Years Ended June 30, 2009, 2008, and 2007. GOCO restated its financial statements for fiscal years ended June 30, 2008 and 2007, to reflect the investment earnings and grant expenditures not previously reported. The restatement had no effect on previously reported net assets.

<i>June 30,</i>	<b>2009</b>	<b>2008 (Restated)</b>	<b>2007 (Restated)</b>
<b>Revenue</b>			
Lottery revenue	\$ 54,267,191	\$ 53,104,374	\$ 51,277,820
Miscellaneous income and investment earnings	1,484,696	2,400,059	2,175,564
<b>Total revenue</b>	<b>55,751,887</b>	<b>55,504,433</b>	<b>53,453,384</b>
<b>Program expenses</b>			
Grants expended	59,634,478	52,408,072	47,566,779
Personnel services and benefits	1,102,689	1,151,989	1,062,476
Operating	562,727	619,783	670,476
<b>Total expenses</b>	<b>61,299,894</b>	<b>54,179,844</b>	<b>49,299,731</b>
Change in net assets	(5,548,007)	1,324,589	4,153,653
Beginning net assets	46,897,792	45,573,203	41,419,550
<b>Ending net assets</b>	<b>\$ 41,349,785</b>	<b>\$ 46,897,792</b>	<b>\$ 45,573,203</b>

#### **2009**

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings decreased substantially in Fiscal Years 2009. Investment earnings in Fiscal Year 2009 decreased by \$0.8 million, due to lower interest rates and reduced cash balances. Unrealized gains recorded on GOCO's investment account in Fiscal Year 2009 decreased by \$0.2 million. Grant expenditures in Fiscal Year 2009 increased by \$7.2 million from Fiscal Year 2008. Grant expenditures are made on a reimbursement basis.

#### **2008**

Revenue was consistent with Lottery net proceeds reaching the Constitutional cap each year since Fiscal Year 2004. Investment earnings increased substantially in Fiscal Years 2007 and 2008. The increase is due to the unrealized gain / loss recorded on GOCO's investment account. Actual cash received from interest increased by approximately \$50,000 in Fiscal Year 2008 from Fiscal Year 2007. Grant expenditures in Fiscal Year 2008 increased by \$4.8 million from Fiscal Year 2007. Grant expenditures are made on a reimbursement basis.

# The State Board of the Great Outdoors Colorado Trust Fund

## Management's Discussion and Analysis

### June 30, 2009 and 2008

#### Economic Factors and Next Year's Budget

GOCO's projections for Lottery proceeds that will be available to GOCO are equal to the Colorado Lottery's projections. Next year, GOCO is projecting \$56.4 million in revenue from the Lottery, which is equal to the Constitutional Cap projection for Fiscal Year 2010. Also, GOCO is budgeting \$1,779,136 for operating expenditures. This amount is classified as follows:

Salaries and benefits	\$ 1,246,466
Operating expenses	524,170
Capital expenditures	8,500
	<u>\$ 1,779,136</u>

## ***Basic Financial Statements***

**The State Board of the Great Outdoors Colorado Trust Fund**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**June 30, 2009**

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<b>Assets</b>			
Cash and investments	\$ 39,335,992	\$ -	\$ 39,335,992
Lottery proceeds receivable	8,510,377	-	8,510,377
Note receivable	1,000,000	-	1,000,000
Other assets	39,555	-	39,555
Capital assets, net of accumulated depreciation	-	39,093	39,093
	<u>\$ 48,885,924</u>	<u>39,093</u>	<u>48,925,017</u>
Total assets	<u>\$ 48,885,924</u>	<u>39,093</u>	<u>48,925,017</u>
<b>Liabilities</b>			
Grants payable	7,410,740	-	7,410,740
Accounts payable	123,719	-	123,719
Compensated absences payable	40,773	-	40,773
	<u>7,575,232</u>	<u>-</u>	<u>7,575,232</u>
Total liabilities	<u>7,575,232</u>	<u>-</u>	<u>7,575,232</u>
<b>Fund Balances/Net Assets</b>			
Fund balances			
Designated for subsequent year's expenditures	796,903	(796,903)	-
Unreserved and undesignated	40,513,789	(40,513,789)	-
	<u>41,310,692</u>	<u>(41,310,692)</u>	<u>-</u>
Total fund balances	<u>41,310,692</u>	<u>(41,310,692)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 48,885,924</u>		
Net assets			
Invested in capital assets		39,093	39,093
Unrestricted		41,310,692	41,310,692
		<u>41,349,785</u>	<u>41,349,785</u>
Total net assets		<u>\$ 41,349,785</u>	<u>\$ 41,349,785</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, 2008**

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<b>Assets</b>			
Cash and investments	\$ 48,052,626	\$ -	\$ 48,052,626
Lottery proceeds receivable	5,532,016	-	5,532,016
Note receivable	1,000,000	-	1,000,000
Other assets	26,156	-	26,156
Capital assets, net of accumulated depreciation	-	59,834	59,834
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 54,610,798</u>	<u>59,834</u>	<u>54,670,632</u>
<b>Liabilities</b>			
Grants payable	7,688,927	-	7,688,927
Accounts payable	47,891	-	47,891
Compensated absences payable	36,022	-	36,022
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>7,772,840</u>	<u>-</u>	<u>7,772,840</u>
<b>Fund Balances/Net Assets</b>			
Fund balances			
Unreserved and undesignated	<u>46,837,958</u>	<u>(46,837,958)</u>	<u>-</u>
Total fund balances	<u>46,837,958</u>	<u>(46,837,958)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 54,610,798</u>		
Net assets			
Invested in capital assets		59,834	59,834
Unrestricted		46,837,958	46,837,958
		<u>                    </u>	<u>                    </u>
Total net assets		<u>\$ 46,897,792</u>	<u>\$ 46,897,792</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, 2009**

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 59,634,478	\$ -	\$ 59,634,478
Personnel services and benefits	1,102,689	-	1,102,689
Operating	534,435	28,292	562,727
Capital outlay	7,551	(7,551)	-
	<u>61,279,153</u>	<u>20,741</u>	<u>61,299,894</u>
Total expenditures/expenses			
Program revenues - State lottery proceeds	<u>54,267,191</u>	<u>-</u>	<u>54,267,191</u>
Net program revenues (expenses)			(7,032,703)
General revenues			
Miscellaneous income	132,505	-	132,505
Investment earnings	1,352,191	-	1,352,191
	<u>1,484,696</u>	<u>-</u>	<u>1,484,696</u>
Total general revenues			
Excess of revenues over expenditures	(5,527,266)	5,527,266	-
Change in net assets	<u>-</u>	<u>(5,548,007)</u>	<u>(5,548,007)</u>
Fund balance/net assets - beginning of the year	<u>46,837,958</u>	<u>59,834</u>	<u>46,897,792</u>
Fund balance/net assets - end of the year	<u>\$ 41,310,692</u>	<u>\$ 39,093</u>	<u>\$ 41,349,785</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, 2008**

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended - Restated	\$ 52,408,072	\$ -	\$ 52,408,072
Personnel services and benefits	1,151,989	-	1,151,989
Operating	589,534	30,249	619,783
Capital outlay	6,000	(6,000)	-
	<u>54,155,595</u>	<u>24,249</u>	<u>54,179,844</u>
Total expenditures/expenses			
Program revenues - State lottery proceeds	<u>53,104,374</u>	<u>-</u>	<u>53,104,374</u>
Net program revenues (expenses)			(1,075,470)
General revenues - Investment earnings - Restated	<u>2,400,059</u>	<u>-</u>	<u>2,400,059</u>
Excess of revenues over expenditures	1,348,838	(1,348,838)	-
Change in net assets	<u>-</u>	<u>1,324,589</u>	<u>1,324,589</u>
Fund balance/net assets - beginning of the year	<u>45,489,120</u>	<u>84,083</u>	<u>45,573,203</u>
Fund balance/net assets - end of the year	<u>\$ 46,837,958</u>	<u>\$ 59,834</u>	<u>\$ 46,897,792</u>

*See accompanying notes to the financial statements.*

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants, contributions, and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or programs are reported separately as general revenues.

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

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

***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 GASB.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

***Budgets***

GOCO's budget is adopted by the Board of Trustees.

***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. Prior to 2007, the capitalization threshold was \$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:

<b>Asset Type</b>	<b>Years</b>
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, 2009 and 2008

#### ***Accrual for compensated absences***

GOCO has a policy that allows permanent employees to accumulate unused vacation benefits up to a maximum of 240 hours. Sick leave is forfeited upon termination of employment with GOCO and therefore is not accrued on GOCO's financial statements. A liability has been recorded for compensated absences in the financial statements.

#### ***State 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 Denver/Boulder Consumer Price Index compounded annually based on 1992. GOCO's share for Fiscal Years 2009 and 2008 was approximately \$54.3 million and \$53.1 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$56.4 million, the maximum allowable, for Fiscal Year 2010.

#### ***Miscellaneous income***

In 1996, the Colorado Division of Parks and Recreation ("Parks") received funds which were used to acquire an 85-acre parcel of land located in the City of Fruita as part of the Colorado Riverfront Greenway Legacy Grant. The City of Fruita and Parks later agreed to a non-simultaneous exchange of this land for a similar parcel owned by the City. The goal, essentially, was to swap evenly-valued properties with the new parcel owned by Parks to be used as part of the future river-front trail system. Parks was unable to find land of similar value, but agreed to purchase two properties valued at \$132,505 less than the current appraised value of the land originally purchased by Parks, using GOCO funds. The City transferred the land, and paid \$132,505 to Parks at closing. Because GOCO provided 100% of the original transaction's funding, Parks returned the cash payment to the GOCO Trust Fund in December 2008.

#### ***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 \$796,903 and \$0 as of June 30, 2009 and 2008, 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 \$39,093 and \$59,834 adjustments to capital assets as of June 30, 2009 and 2008, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### **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.

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>	<b>2009</b>	<b>2008</b>
Loss on disposal	\$ 105	\$ -
Capital outlay	(7,551)	(6,000)
Depreciation expense	28,187	30,249
Net adjustment to decrease net changes in fund balances – total governmental fund to arrive at change in net assets of governmental activities	\$ 20,741	\$ 24,249

#### **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 Division 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, 2009, GOCO’s cash deposits had bank and carrying balances as follows:

<i>June 30, 2009</i>	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash on hand	\$ -	\$ 314
Insured deposits	110,220	36,459
Deposits collateralized in single institution pools	-	-
	\$ 110,220	\$ 36,773

As of June 30, 2008, GOCO’s cash deposits had bank and carrying balances as follows:

<i>June 30, 2008</i>	<b>Bank Balance</b>	<b>Carrying Balance</b>
Cash on hand	\$ -	\$ 126
Insured deposits	100,000	75,441
Deposits collateralized in single institution pools	328,662	-
	\$ 428,662	\$ 75,567

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

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 ("GASB 40"), *Deposit and Investment Risk Disclosures*.

#### **Investments**

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

- Obligations of the United States and certain 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

#### **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>	<b>2009</b>	<b>2008</b>
Cash deposits	\$ 36,773	\$ 75,567
Investments	39,299,219	47,977,059
	<b>\$ 39,335,992</b>	<b>\$ 48,052,626</b>

#### **Investment Earnings**

Investment earnings are composed of the following:

<i>Year Ended June 30,</i>	<b>2009</b>	<b>2008</b> <b>(Restated)</b>
Investment income	\$ 1,159,333	\$ 1,930,674
Net unrealized gains on investments held by the State	192,858	469,385
	<b>\$ 1,352,191</b>	<b>\$ 2,400,059</b>

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### Note 5: Lottery Proceeds Receivable

As of June 30, 2009 and 2008, GOCO had distributions owed from the Colorado State Lottery amounting to \$8,510,377 and \$5,532,016, respectively. For the receivable as of June 30, 2009, this represents GOCO's allocation of net proceeds from the Colorado State Lottery for the months of April and May 2009, the month in which GOCO reached the Constitutional cap (Note 2). These revenues are both measurable and available to finance expenditures of the fiscal period. No allowance for doubtful accounts is considered necessary as management believes the receivables are fully collectible.

#### Note 6: Notes Receivable

On June 9, 2006, GOCO entered into a zero interest promissory note (with annually renewable one year terms) with the City of Colorado Springs, Colorado (the "City") in the amount of \$1,000,000 for the acquisition of Red Rock Canyon property in El Paso County, Colorado. Because the City utilized Certificates of Participation ("COPs") to purchase the property, an easement on the property cannot be recorded until the COPs are paid in full. Accordingly, the easement has been placed in escrow and will remain there until the COPs have been paid in full by the City, estimated to be in 2018. Upon the due date of the note, the note will be considered paid in full without the transfer of any principal or interest to GOCO provided that: 1) the COPs have been redeemed, 2) all other terms (relating to items such as project scope, loan/grant conditions, budget, timeline, etc.) of the loan agreement have been satisfied and 3) there is no event of default. Under GASB 33, *Accounting and Financial Reporting for 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, 2009, follows:

	Balance at July 1, 2008	Additions	Retirements	Balance at June 30, 2009
Equipment	\$ 74,034	\$ 7,551	\$ (2,703)	\$ 78,882
Software	110,388	-	(3,133)	107,255
Furniture	31,194	-	-	31,194
Leasehold improvements	81,018	-	-	81,018
	296,634	7,551	(5,836)	298,349
Less: accumulated depreciation	(236,800)	(28,187)	5,731	(259,256)
Total capital assets, net	\$ 59,834	\$ (20,636)	\$ (105)	\$ 39,093

An analysis of the changes in capital assets for the Year Ended June 30, 2008, follows:

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008
Equipment	\$ 74,034	\$ -	\$ -	\$ 74,034
Software	104,388	6,000	-	110,388
Furniture	31,194	-	-	31,194
Leasehold improvements	81,018	-	-	81,018
	290,634	6,000	-	296,634
Less: accumulated depreciation	(206,551)	(30,249)	-	(236,800)
Total capital assets, net	\$ 84,083	\$ (24,249)	\$ -	\$ 59,834

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### 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, 2009 and June 30, 2008:

#### Grants Awarded (Unaudited)

	Cumulative Authorized Grants at June 30, 2008	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2009
Wildlife Purpose	\$ 158,374,716	\$ 8,587,000	\$ (61,651)	\$ 166,900,065
Parks and Outdoor Recreation Purpose	145,045,897	10,563,836	(1,256,886)	154,352,847
Open Space Purpose	179,384,704	8,061,629	(1,105,359)	186,340,974
Local Government Purpose	172,643,927	12,041,499	(909,542)	183,775,884
Noncategorized – Discretionary	1,070,174	150,000	-	1,220,174
	<b>\$ 656,519,418</b>	<b>\$ 39,403,964</b>	<b>\$ (3,333,438)</b>	<b>\$ 692,589,944</b>

	Cumulative Authorized Grants at June 30, 2007	Transfers/ Additions	Transfers/ Deletions	Cumulative Authorized Grants at June 30, 2008
Wildlife Purpose	\$ 137,550,420	\$ 20,841,106	\$ (16,810)	\$ 158,374,716
Parks and Outdoor Recreation Purpose	140,053,792	5,120,497	(128,392)	145,045,897
Open Space Purpose	147,601,422	34,397,238	(2,613,956)	179,384,704
Local Government Purpose	146,217,816	29,428,247	(3,002,136)	172,643,927
Noncategorized – Discretionary	1,070,174	-	-	1,070,174
	<b>\$ 572,493,624</b>	<b>\$ 89,787,088</b>	<b>\$ (5,761,294)</b>	<b>\$ 656,519,418</b>

#### Grants Expended

	Cumulative Expended Grants at June 30, 2008	Transfers/ Additions	Cumulative Expended Grants at June 30, 2009
Wildlife Purpose	\$ 131,955,001	\$ 18,080,694	\$ 150,035,695
Parks and Outdoor Recreation Purpose	133,589,290	5,534,391	139,123,681
Open Space Purpose	135,288,214	18,371,549	153,659,763
Local Government Purpose	128,722,288	17,647,844	146,370,132
Noncategorized – Discretionary	1,070,174	-	1,070,174
	<b>\$ 530,624,967</b>	<b>\$ 59,634,478</b>	<b>\$ 590,259,445</b>

	Cumulative Expended Grants at June 30, 2007	Transfers/ Additions	Cumulative Expended Grants at June 30, 2008
Wildlife Purpose	\$ 111,983,271	\$ 19,971,730	\$ 131,955,001
Parks and Outdoor Recreation Purpose	122,773,600	10,815,690	133,589,290
Open Space Purpose	123,500,925	11,787,289	135,288,214
Local Government Purpose	118,888,925	9,833,363	128,722,288
Noncategorized – Discretionary	1,070,174	-	1,070,174
	<b>\$ 478,216,895</b>	<b>\$ 52,408,072</b>	<b>\$ 530,624,967</b>

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### Note 9: Commitments and Contingencies

##### ***Operating Lease***

GOCO leases facilities, copy machines, and vehicles under operating leases that expire in April 2011, June 2012, and August 2011 respectively. Additionally, GOCO leases a postage meter under an operating lease that does not have an expiration date. Total facilities and equipment rental lease expense for the Years Ended June 30, 2009 and 2008 was \$130,227 and \$121,843, respectively. Future minimum lease payments under the leases are as follows:

	<b>Amount</b>
2010	\$ 131,945
2011	117,575
2012	6,534
2013	930
2014	930
Total	\$ 257,914

#### 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 \$88,143 and \$91,386 to the plan for the Years Ended June 30, 2009 and 2008, respectively, which approximates the required contribution.

##### ***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.

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

#### **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.

#### **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.

#### **Note 14: Subsequent Event**

In December 2004, the GOCO Board awarded a loan/grant in the amount of \$5,200,000 to Clear Creek County ("County") for the fee-title purchase of the 1,442-acre Beaver Brook Watershed property. At the time the County was awarded the grant, it was understood that the United States Forest Service ("USFS") was interested in purchasing the property from the County. Per the terms of the grant/loan agreement with the County, if the USFS did purchase the property, the County would repay to GOCO an amount equal to the Board's investment in whatever portion of the property was sold to USFS. In June 2005, GOCO management determined it was unlikely GOCO would be repaid this funding, and a management decision was made to reflect this transaction as a grant for financial statement purposes. In October 2008, GOCO was notified by the County that the USFS had abandoned its acquisition plan due to the lack of funding availability, at which time GOCO converted the loan to a grant in the agreement. In June 2009, GOCO was notified that USFS had presented the County with an option agreement to purchase all of the County's

# The State Board of the Great Outdoors Colorado Trust Fund

## Notes to Financial Statements

### June 30, 2009 and 2008

Beaver Brook Watershed lands in one or more purchases through 2011. On July 9, 2009, the County and USFS executed the agreement, at which time GOCO converted the grant back to a loan. GOCO received payment in the amount of \$3,605,534 from the County in August 2009. The amount reflects GOCO's 90% share of the net sales proceeds based on the fair market value of the property being conveyed.

#### Note 15: Restatement

From July 1, 1999 through June 30, 2009, the State Treasury has charged GOCO for \$1.9 million of interest under the terms of a Memorandum of Understanding ("MOU") that expired on June 30, 1999. The MOU was entered into on May 13, 1997 by GOCO, the Colorado Department of Natural Resources ("DNR"), and the Colorado Division of Wildlife, and the Colorado Division of Parks and Outdoor Recreation (the "Divisions"). The MOU provided that any interest charges that the State Treasurer might cause to be accrued to the accounts of the Divisions *due to the time elapsed between the time of the Divisions' expenditure and the time of reimbursement* by GOCO to the Divisions [creating a negative balance] shall be debited [charged] to GOCO's account in the State Treasury. Attempts to establish new Memoranda of Agreement ("MOA") in 2003 and 2004 were not successful, as the MOAs were never executed by DNR.

During fiscal year 2009, GOCO discovered that since the expiration of the MOU on June 30, 1999, the State Treasurer has continued to charge GOCO's account for interest accrued to the Divisions in the same manner as that contained in the expired MOU. The cumulative effect of these actions during the period from July 1, 1999 through June 30, 2009, is that approximately \$1.9 million has been netted against investment earnings allocated to GOCO by the State Treasury. The discovery was not made sooner, in part because account statements prepared by the State Treasury showed only the net amount of GOCO's investment earnings instead of the gross amount less the interest charges calculated for the Division's negative balances. GOCO has requested that DNR instruct the State Treasurer to cease charging GOCO's account for interest on the Divisions' negative balances.

In July 2009, GOCO's Executive Committee approved charging the entire amount of past interest charges due to the Divisions' negative balances to grant expenditures under the wildlife and the parks and outdoor recreation purposes. Consequently, GOCO has recorded in its financial statements for the year ended June 30, 2009, the amount of investment earnings and grant expenditures relating to the interest expense netted against interest earnings by the Colorado State Treasury. Additionally, GOCO restated its financial statements for the year ended June 30, 2008 to reflect the investment earnings and grant expenditures not previously reported. The restatement had no effect on previously reported fund balances or net assets.

The allocation to interest income and grant expense by purpose and by year is as follows:

	<b>Wildlife Purpose</b>	<b>Park and Outdoor Recreation Purpose</b>	<b>Total</b>
FY 1999-2007	\$ 552,769	\$ 853,334	\$ 1,406,103
FY 2007-2008	57,432	265,438	322,870
FY 2008-2009	25,350	114,028	139,378
	<b>\$ 635,551</b>	<b>\$ 1,232,800</b>	<b>\$ 1,868,351</b>

Investment earnings for the fiscal year 2009 without the above interest income adjustment would be as follows:

<b>Year Ended June 30,</b>	<b>2009</b>	<b>2008</b>
Investment income	\$ 1,019,955	\$ 1,607,804
Net unrealized gains on investments held by the State	192,858	469,385
	<b>\$ 1,212,813</b>	<b>\$ 2,077,189</b>

***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, 2009**

	Original and Final Budget	Actual	Variance– Favorable (Unfavorable)
<b>Revenues</b>			
State lottery proceeds	\$ 54,800,000	\$ 54,267,191	\$ (532,809)
Miscellaneous income and investment earnings	850,000	1,484,696	634,696
Total revenues	<u>55,650,000</u>	<u>55,751,887</u>	<u>101,887</u>
<b>Expenditures</b>			
Grants expended	48,000,000	59,634,478	(11,634,478)
Personnel services and benefits	1,232,126	1,102,689	129,437
Operating expenditures	547,196	534,435	12,761
Capital outlay	20,500	7,551	12,949
Total expenditures	<u>49,799,822</u>	<u>61,279,153</u>	<u>(11,479,331)</u>
Excess (deficiency) of revenues over expenditures	5,850,178	(5,527,266)	(11,377,444)
Fund balance – beginning of year	<u>4,680,272</u>	<u>46,837,958</u>	<u>42,157,686</u>
Fund balance – end of year	<u><u>\$ 10,530,450</u></u>	<u><u>\$ 41,310,692</u></u>	<u><u>\$ 30,780,242</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, 2008**

	Original and Final Budget	Actual	Variance– Favorable (Unfavorable)
<b>Revenues</b>			
State lottery proceeds	\$ 52,298,542	\$ 53,104,374	\$ 805,832
Miscellaneous income and investment earnings - Restated	850,000	2,400,059	1,550,059
Total revenues	53,148,542	55,504,433	2,355,891
<b>Expenditures</b>			
Grants expended - Restated	54,000,000	52,408,072	1,591,928
Personnel services and benefits	1,182,356	1,151,989	30,367
Operating expenditures	585,033	589,534	(4,501)
Capital outlay	14,500	6,000	8,500
Total expenditures	55,781,889	54,155,595	1,626,294
Excess (deficiency) of revenues over expenditures	(2,633,347)	1,348,838	3,982,185
Fund balance – beginning of year	7,313,619	45,489,120	38,175,501
Fund balance – end of year	\$ 4,680,272	\$ 46,837,958	\$ 42,157,686



## **Independent Auditors' 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 Board of Trustees and the Legislative Audit Committee:

We have audited the financial statements of the governmental activities and major fund of The State Board of the Great Outdoors Colorado Trust Fund ("GOCO") as of and for the year ended June 30, 2009, which collectively comprise The State Board of Great Outdoors Colorado Trust Fund's basic financial statements and have issued our report thereon dated September 9, 2009. 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.

**Accountants & Consultants**

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether GOCO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 three matters that we reported to GOCO's Board of Trustees and the Members of the Legislative Audit Committee in the Findings and Recommendations section as listed in the foregoing Table of Contents.

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

*Anton Collins Mitchell LLP*

Certified Public Accountants  
September 9, 2009



## Required Communications to Members of the Board of Trustees and 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 September 9, 2009 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 March 31, 2009, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable – not absolute – 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.

### Required Communications – Internal Control Over Financial Reporting

In conjunction with our audit of the financial statements of GOCO, we considered GOCO's internal control over financial reporting ("ICFR") 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 ICFR. Accordingly, we do not express an opinion on the effectiveness of GOCO's ICFR. However, we are required to communicate, in writing, to those charged with corporate governance all material weaknesses and significant deficiencies that have been identified during our audit. The definitions of material weakness, significant deficiency and control deficiency follow.

<b>Material Weakness</b>	<p>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.</p> <p><i>Note: The term remote likelihood as used in the definitions of the terms significant deficiency and material weakness has the same meaning as the term remote as used in Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 5, Accounting for Contingencies.</i></p>
<b>Significant Deficiency</b>	<p>A control deficiency, or combination of control deficiencies, that adversely affects the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected.</p> <p><i>See note under Material Weakness above.</i></p>
<b>Control Deficiency</b>	<p>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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively. Control deficiencies may involve one or more of the five interrelated components of internal control.</p>

We noted no material weaknesses in our audit for the year ended June 30, 2009.

### Accountants & Consultants

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Required Communications

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

Auditor's judgment about the quality of the Organization's accounting policies, estimates and financial statement disclosures

In accordance with applicable auditing standards, a discussion was held with those charged with governance regarding the quality of financial reporting, which included GOCO's significant accounting practices, estimates and financial statement disclosures.

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 revenue recognition, grant expenditures in compliance with applicable guidelines and procedures, recording of the grants payable, and the constitutional requirement for substantially equal distributions of grant expenditures over time for the four purposes.

Adoption of a change in accounting principles

There were no situations involving the adoption of, or a change in, accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on GOCO's financial statements.

Material, corrected misstatements brought to the attention of management by the auditor

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 GOCO because they are not material to the current financial statements but might be potentially material to future financial statements.

During our audit, we proposed adjustments to reverse the accrual of income related to the sale of the Beaver Brook Watershed Property (\$3.6 million), and to reverse the accrual of grant expense related to the acquisition of an open space property (\$1 million).

Unrecorded misstatements, other than those the auditor believes to be trivial

No unrecorded misstatements were noted during our audit.

Other information in documents containing the Organization's audited financial statements

Our responsibility for other information in documents containing GOCO's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information.

Disagreements with Management

There were no disagreements with management on financial accounting and/or reporting matters and auditing procedures that, if not satisfactorily resolved, would cause a modification of our auditors' reports.

Consultation with Other Accountants

We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.



Required Communications

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

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.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit. All records and information requested by Anton Collins Mitchell LLP were freely available for inspection. Management and other personnel provided full cooperation.

Material alternative accounting treatments discussed with management

There was no discussion with management concerning alternative accounting treatments.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 9, 2009.

Other issues arising from the audit the auditor considers significant and relevant to those charged with governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

\*\*\*\*

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 members of the Board of Trustees and management of the State Board of the Great Outdoors Colorado Trust Fund, members of the Legislative Audit Committee, and the Office of the State Auditor, and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

*Anton Collins Mitchell LLP*

September 9, 2009

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