



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

**Financial and Compliance Audit
For the Fiscal Years Ended
June 30, 2016 and 2015**

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THE GREAT OUTDOORS COLORADO TRUST FUND**

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October 7, 2016

Members of the State Board of the Great Outdoors Colorado Trust Fund

We have completed the financial statement audit of the State Board of the Great Outdoors Colorado Trust Fund as of and for the year ended June 30, 2016. 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.

Sincerely,

EKS&H LLLP

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STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

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STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Report Summary Financial and Compliance Audit For the Years Ended June 30, 2016 and 2015

AUTHORITY, PURPOSE, AND SCOPE

The State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) contracted with EKS&H LLLP (“Contract Auditors”) to perform a financial and compliance audit of its Fiscal Year 2016 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We performed our audit work during the period from June 2016 through October 2016.

The purpose of this audit was (a) to perform a financial and compliance audit of GOCO, including a review of internal controls, as required by generally accepted auditing standards and *Government Auditing Standards*; (b) to review GOCO’s compliance with appropriate state and federal laws and rules and regulations that could have a material effect on GOCO’s financial statements; (c) to prepare audit findings and recommendations for improvements in internal controls, as applicable; and (d) to evaluate progress in implementing prior audit findings, as applicable.

AUDITORS’ OPINIONS AND REPORTS

An independent auditors’ report on the financial statements of GOCO, dated October 7, 2016, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2016, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated October 7, 2016, has also been issued, which states that the results of the Contract Auditors’ tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Description of the State Board of the Great Outdoors Colorado Trust Fund For the Years Ended June 30, 2016 and 2015

The Great Outdoors Colorado Trust Fund and the State Board, which oversees GOCO, were created by Article XXVII of the Colorado Constitution. Article XXVII is the result of the passage of the Great Outdoors Colorado Initiative (Amendment 8) during the November 3, 1992 election. Fiscal Year 2016 was the twenty-third year of operations for GOCO.

Article XXVII establishes procedures for the distribution of net proceeds from state-supervised Lottery games. The intent of Article XXVII is to use a portion of net State Lottery ("Lottery") proceeds to provide funding for wildlife, park, river, trail, and open space heritage. To help ensure this, Article XXVII allocated an amount of net Lottery proceeds to GOCO. The amount is adjusted annually based on the change from the 1992 Denver Consumer Price Index ("CPI"). In turn, GOCO is responsible for funding appropriate programs through designated state and local agencies as well as other qualifying entities. All of GOCO's revenues, with the exception of investment earnings and miscellaneous income, are from Lottery proceeds. During 2002, House Bill 1250 extended the termination date of Lottery to July 1, 2024, thus continuing funding for GOCO through June 30, 2024.

As of June 30, 2016, the State Board that oversees GOCO consists of two members of the public from each of the seven congressional districts, appointed by the Governor; a representative for outdoor recreation issues designated by the Colorado Parks and Wildlife Commission (the "Commission"); a representative for wildlife issues, also designated by the Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State of Colorado (the "State"). During Fiscal Year 2016, GOCO had a permanent staff of 15 and received \$63.7 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2016. During Fiscal Year 2015, GOCO had a permanent staff of 13 and received \$62.0 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2015.

CONSTITUTIONAL REQUIREMENTS FOR SPENDING

Article XXVII requires the State Board, which oversees GOCO, to assure that "amounts expended for each of the [funding] purposes over a period of years be substantially equal." The four funding purposes are wildlife, outdoor recreation, competitive grants for open space, and competitive matching grants to local governments for open lands and parks.

The following chart shows the cumulative grants expended and authorized since GOCO's inception in 1993. *Grants Authorized* represents the amount, by purpose, approved by the GOCO Board. This authorization process is used by the GOCO Board to achieve the goal of substantially equal expenditures across the four purposes. *Grants Expended* represents cumulative actual expenditures by purpose and is the measurement used for substantially equal.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Description of the State Board of the Great Outdoors Colorado Trust Fund
For the Years Ended June 30, 2016 and 2015**

GOCO Grants Cumulative through Fiscal Year 2016 (in thousands)

Funding Purpose	Grants Authorized		Grants Expended		Cumulative Difference between Grants Authorized and Expended
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 267,363	24.6%	\$ 243,920	25.4%	
Purpose 2 – Parks and outdoor recreation	258,337	23.7	219,649	22.9	
Purpose 3 – Competitive grants for open space	282,653	26.0	247,436	25.7	
Purpose 4 – Competitive matching grants to local governments for open lands and parks	279,223	25.7	249,979	26.0	
Non-categorized – Discretionary	<u>1,170</u>	<u>N/A</u>	<u>1,170</u>	<u>N/A</u>	
Total	<u>\$ 1,088,746</u>	<u>100.0%</u>	<u>\$ 962,154</u>	<u>100.0%</u>	<u>\$ 126,592</u>

Source: Data provided by GOCO

The next two charts show the trend over the last five years of cumulative grants authorized by GOCO and grants expended by purpose. Cumulative grants authorized for the competitive matching grants to local governments and for open lands and parks purpose moved closer to 25 percent from Fiscal Year 2015 to Fiscal Year 2016. Cumulative grants expended for all but the competitive matching grants to local governments for open lands and parks purpose moved closer to 25 percent from Fiscal Year 2015 to Fiscal Year 2016.

GOCO Grants Authorized Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Authorized %					Five-Year Change
	2012	2013	2014	2015	2016	
Purpose 1 - Wildlife	24.5%	24.9%	24.8%	24.6%	24.6%	0.1%
Purpose 2 - Parks and outdoor recreation	22.0	22.9	23.1	23.8	23.7	1.7%
Purpose 3 - Competitive grants for open space	26.5	25.7	25.6	25.4	26.0	(0.5)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>27.0</u>	<u>26.5</u>	<u>26.5</u>	<u>26.2</u>	<u>25.7</u>	(1.3)%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Data provided by GOCO

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Description of the State Board of the Great Outdoors Colorado Trust Fund
For the Years Ended June 30, 2016 and 2015**

GOCO Grants Expended Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Expended %					Five-Year Change
	2012	2013	2014	2015	2016	
Purpose 1 - Wildlife	25.5%	25.7%	25.5%	25.5%	25.4%	(0.1)%
Purpose 2 - Parks and outdoor recreation	21.8	21.8	22.3	22.4	22.9	1.1%
Purpose 3 - Competitive grants for open space	26.7	26.6	26.6	26.4	25.7	(1.0)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.0</u>	<u>25.9</u>	<u>25.6</u>	<u>25.7</u>	<u>26.0</u>	0.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Data provided by GOCO

INDEPENDENT AUDITORS' REPORT

Members of the State Board of the Great Outdoors Colorado Trust Fund

REPORT ON THE FINANCIAL STATEMENTS

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of the State Board of the Great Outdoors Colorado Trust Fund

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of GOCO as of June 30, 2016 and 2015, and the respective changes in net financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of GOCO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GOCO's internal control over financial reporting and compliance.

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October 7, 2016
Denver, Colorado

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2016 and 2015

The State Board of the Great Outdoors Colorado Trust Fund's ("GOCO") management discussion and analysis is designed to provide a financial performance overview of GOCO's financial activities for the fiscal years ended June 30, 2016 and 2015. The management's discussion and analysis is intended to be read in conjunction with GOCO's financial statements beginning on page 12.

Financial Highlights

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

The following table highlights significant variances between Fiscal Year 2016, Fiscal Year 2015, and Fiscal Year 2014.

	Fiscal Year Ended June 30,			2016/2015 Variance	2015/2014 Variance
	2016	2015	2014		
Lottery revenues	\$ 63,714,505	\$ 61,992,978	\$ 60,321,412	\$ 1,721,527	\$ 1,671,566
Grant expenditures	\$ 44,934,958	\$ 50,803,068	\$ 41,410,211	\$ (5,868,110)	\$ 9,392,857

2016

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$63.7 million, per the constitutional cap. This represents an approximate \$1.7 million increase over Fiscal Year 2015 in Lottery proceeds to GOCO due to an increase in the Denver Consumer Price Index ("CPI").

Grant expenditures decreased by \$5.9 million from Fiscal Year 2015. Grant expenditures fluctuate year to year due to timing differences of project completions, but GOCO averages approximately \$50 million in grant disbursements per year. Fiscal Year 2016 expenditures were lower than the average primarily due to a decrease in project completion of competitive grants for open space.

2015

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$62.0 million, per the constitutional cap. This represents an approximate \$1.7 million increase over Fiscal Year 2014 in Lottery proceeds to GOCO due to an increase in the Denver CPI.

Grant expenditures increased by \$9.4 million from Fiscal Year 2014. Grant expenditures fluctuate year to year due to timing differences of project completions, but GOCO averages approximately \$50 million in grant disbursements per year. Fiscal Year 2015 expenditures were slightly higher than the average.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2016 and 2015

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of GOCO:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about GOCO's overall financial status.
- The governmental fund statements tell how operations were financed in the short term as well as what remains for future spending.

GOCO's primary source of income is the Lottery. Net Lottery proceeds are distributed as follows:

- 40% to the Conservation Trust Fund,
- 10% to the Colorado Parks and Wildlife ("CPW"),
- 50% to GOCO up to the constitutional limit.

GOCO's funding is capped at \$35 million using the base year of 1992, adjusted annually for inflation (\$63.7 million and \$62.0 million in Fiscal Year 2016 and Fiscal Year 2015, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Public School Capital Construction Assistance Fund for Fiscal Year 2016 and Fiscal Year 2015.

Government-Wide Statements

Statements of Net Position

The following table reflects the condensed statements of net position as of June 30, 2016, 2015, and 2014.

	June 30,		
	2016	2015	2014
Current and other assets	\$ 95,533,739	\$ 74,429,953	\$ 53,143,814
Capital assets, net	78,361	92,350	65,839
Total assets	95,612,100	74,522,303	53,209,653
Liabilities	20,558,919	16,889,341	5,044,350
Net position			
Invested in capital assets	78,361	92,350	65,839
Restricted	-	328,398	550,000
Unrestricted	74,974,820	57,212,214	47,549,464
Total net position	\$ 75,053,181	\$ 57,632,962	\$ 48,165,303

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis June 30, 2016 and 2015

Government-Wide Statements (continued)

Statements of Net Position (continued)

2016

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash increased by approximately \$27.1 million during Fiscal Year 2016. Lottery proceeds receivable decreased to \$7.9 million at June 30, 2016 from \$13.9 million at June 30, 2015. The decrease in the receivable is due to the receipt of a large distribution of third quarter Lottery proceeds in June 2016. GOCO reached the constitutional cap amount in May for Fiscal Year 2016 and reached the constitutional cap amount in June for Fiscal Year 2015.

As of June 30, 2016, liabilities increased by \$3.7 million from June 30, 2015. The liabilities outstanding at fiscal year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). The amount includes an accrual for the January 2016 through June 2016 bills for Parks and Wildlife investments for Fiscal Year 2016. The amount accrued for Wildlife monthly bills and land transactions was \$1.8 million less in Fiscal Year 2016. The amount accrued for Parks monthly bills was \$3.3 million more in Fiscal Year 2016. The increase in the Parks accrual is largely due to increased Parks spending on capital projects. Open Space purposes had approximately \$1.4 million more accrued in Fiscal Year 2016. In addition, \$800 thousand more in local government grants was accrued in Fiscal Year 2016.

2015

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash increased by approximately \$17.9 million during Fiscal Year 2015. Lottery proceeds receivable increased to \$13.9 million at June 30, 2015 from \$10.5 million at June 30, 2014. The increase in the receivable is due to the increase in the constitutional cap and due to timing of Lottery revenues earned throughout the year. GOCO reached the constitutional amount in June for Fiscal Year 2015 and reached the constitutional amount in May for Fiscal Year 2014.

As of June 30, 2015, liabilities increased by \$11.8 million from June 30, 2014. The liabilities outstanding at fiscal year-end consisted mainly of monthly bills and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). The amount includes an accrual for the December 2014 through June 2015 bills for Parks and Wildlife investments for Fiscal Year 2015. The amount accrued for Wildlife monthly bills and land transactions was \$8.2 million more in Fiscal Year 2015. The amount accrued for Parks monthly bills was \$2.8 million more in Fiscal Year 2015. The increase in the Parks and Wildlife accruals is largely due to a delay in the CPW billing cycle while the agency undergoes a new accounting system implementation. Open Space purposes had approximately \$15 thousand more accrued in Fiscal Year 2015. In addition, \$840 thousand more in local government grants was accrued in Fiscal Year 2015.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Management's Discussion and Analysis
June 30, 2016 and 2015**

Government-Wide Statements (continued)

Statements of Net Position (continued)

2015 (continued)

Net Position-Restricted represents the remaining funds received in Fiscal Year 2013 from a \$750 thousand grant from the Colorado Health Foundation. These funds were restricted, and the remaining amount was utilized in Fiscal Year 2016 to reimburse these awards. The approximate \$220 thousand reduction in restricted fund balances in Fiscal Year 2015 is due to funds being expended.

Statements of Activities

The following table reflects the condensed statements of activities for the Fiscal Years ended June 30, 2016, 2015, and 2014.

	<u>Fiscal Years Ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue			
Lottery revenue	\$ 63,714,505	\$ 61,992,978	\$ 60,321,412
Miscellaneous income and investment earnings	<u>967,734</u>	<u>571,627</u>	<u>470,966</u>
Total revenue	<u>64,682,239</u>	<u>62,564,605</u>	<u>60,792,378</u>
Program expenses			
Grants expended	44,934,958	50,803,068	41,410,211
Personnel services and benefits	1,287,515	1,232,271	1,193,629
Operating and capital outlay	<u>1,039,547</u>	<u>1,061,607</u>	<u>625,668</u>
Total expenses	<u>47,262,020</u>	<u>53,096,946</u>	<u>43,229,508</u>
Change in net position	17,420,219	9,467,659	17,562,870
Beginning net position	<u>57,632,962</u>	<u>48,165,303</u>	<u>30,602,433</u>
Ending net position	<u>\$ 75,053,181</u>	<u>\$ 57,632,962</u>	<u>\$ 48,165,303</u>

2016

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2016 increased by approximately \$396 thousand as a result of an increase of approximately \$58 thousand in actual cash received for earnings and a higher unrealized gain in Fiscal Year 2016 of approximately \$359 thousand compared to Fiscal Year 2015. Grant expenditures in Fiscal Year 2016 decreased by \$5.9 million from Fiscal Year 2015 primarily due to a decrease in project completion of competitive grants for open space. Grant expenditures are made on a reimbursement basis.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Management's Discussion and Analysis
June 30, 2016 and 2015

Government-Wide Statements (continued)

Statements of Activities (continued)

2015

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2015 increased by approximately \$100 thousand as a result of an increase of approximately \$200 thousand in actual cash received for earnings offset by lower unrealized gain in Fiscal Year 2015 of approximately \$100 thousand compared to Fiscal Year 2014. Grant expenditures in Fiscal Year 2015 increased by \$9.4 million from Fiscal Year 2014. Grant expenditures are made on a reimbursement basis.

Economic Factors and Next Year's Budget

Next year, GOCO is projecting approximately \$61.9 million in revenue from the Lottery, which is less than the constitutional cap projection for Fiscal Year 2017. Although the constitutional cap has historically been met, growth in Lottery sales has been decreasing since 2013, and discussions with Lottery staff indicate that this trend may continue and the cap may not be met in future years. Also, GOCO is budgeting \$2,985,000 for operating expenditures. This amount is classified as follows:

Personnel services and benefits	\$ 1,447,549
Operating expenditures	1,413,951
Capital outlay	<u>123,500</u>
	<u>\$ 2,985,000</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2016**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 86,549,551	\$ -	\$ 86,549,551
Lottery proceeds receivable	7,887,187	-	7,887,187
Note receivable	1,000,000	-	1,000,000
Other assets	97,001	-	97,001
Capital assets, net of accumulated depreciation	<u>-</u>	<u>78,361</u>	<u>78,361</u>
Total assets	<u>\$ 95,533,739</u>	<u>\$ 78,361</u>	<u>\$ 95,612,100</u>
Liabilities			
Grants payable	\$ 20,449,327	\$ -	\$ 20,449,327
Accounts payable	82,887	-	82,887
Compensated absences payable	<u>26,705</u>	<u>-</u>	<u>26,705</u>
Total liabilities	<u>20,558,919</u>	<u>-</u>	<u>20,558,919</u>
Commitments and contingencies			
Fund Balances/Net Position			
Fund balances			
Unrestricted	<u>74,974,820</u>	<u>(74,974,820)</u>	<u>-</u>
Total fund balances	<u>74,974,820</u>	<u>(74,974,820)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 95,533,739</u>		
Net position			
Invested in capital assets		78,361	78,361
Unrestricted		<u>74,974,820</u>	<u>74,974,820</u>
Total net position		<u>\$ 75,053,181</u>	<u>\$ 75,053,181</u>

See notes to financial statements.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2015**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 59,447,836	\$ -	\$ 59,447,836
Lottery proceeds receivable	13,912,352	-	13,912,352
Note receivable	1,000,000	-	1,000,000
Other assets	69,765	-	69,765
Capital assets, net of accumulated depreciation	<u>-</u>	<u>92,350</u>	<u>92,350</u>
Total assets	<u>\$ 74,429,953</u>	<u>\$ 92,350</u>	<u>\$ 74,522,303</u>
Liabilities			
Grants payable	\$ 16,792,167	\$ -	\$ 16,792,167
Accounts payable	57,022	-	57,022
Compensated absences payable	<u>40,152</u>	<u>-</u>	<u>40,152</u>
Total liabilities	<u>16,889,341</u>	<u>-</u>	<u>16,889,341</u>
Commitments and contingencies			
Fund Balances/Net Position			
Fund balances			
Restricted	328,398	(328,398)	-
Unrestricted	<u>57,212,214</u>	<u>(57,212,214)</u>	<u>-</u>
Total fund balances	<u>57,540,612</u>	<u>(57,540,612)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 74,429,953</u>		
Net position			
Invested in capital assets		92,350	92,350
Restricted		328,398	328,398
Unrestricted		<u>57,212,214</u>	<u>57,212,214</u>
Total net position		<u>\$ 57,632,962</u>	<u>\$ 57,632,962</u>

See notes to financial statements.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 44,934,958	\$ -	\$ 44,934,958
Personnel services and benefits	1,287,515	-	1,287,515
Operating expenditures	994,327	45,220	1,039,547
Capital outlay	31,231	(31,231)	-
Total expenditures/expenses	<u>47,248,031</u>	<u>13,989</u>	<u>47,262,020</u>
 Program revenues – State Lottery proceeds	 <u>63,714,505</u>	 <u>-</u>	 <u>63,714,505</u>
 Net program revenues (expenses)			 <u>16,452,485</u>
 General revenues			
Miscellaneous income	6,130	-	6,130
Investment earnings	961,604	-	961,604
Total general revenues	<u>967,734</u>	<u>-</u>	<u>967,734</u>
 Excess (deficiency) of expenditures over revenues	 17,434,208	 (17,434,208)	 -
Change in net position	<u>-</u>	<u>17,420,219</u>	<u>17,420,219</u>
 Fund balance/net position – beginning of the year	 <u>57,540,612</u>	 <u>92,350</u>	 <u>57,632,962</u>
 Fund balance/net position – end of the year	 <u>\$ 74,974,820</u>	 <u>\$ 78,361</u>	 <u>\$ 75,053,181</u>

See notes to financial statements.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 50,803,068	\$ -	\$ 50,803,068
Personnel services and benefits	1,232,271	-	1,232,271
Operating expenditures	1,013,086	48,521	1,061,607
Capital outlay	<u>75,032</u>	<u>(75,032)</u>	<u>-</u>
Total expenditures/expenses	<u>53,123,457</u>	<u>(26,511)</u>	<u>53,096,946</u>
 Program revenues – State Lottery proceeds	 <u>61,992,978</u>	 <u>-</u>	 <u>61,992,978</u>
 Net program revenues (expenses)			 <u>8,896,032</u>
 General revenues			
Miscellaneous income	51,471	-	51,471
Investment earnings	<u>520,156</u>	<u>-</u>	<u>520,156</u>
Total general revenues	<u>571,627</u>	<u>-</u>	<u>571,627</u>
 Excess (deficiency) of expenditures over revenues	 9,441,148	 (9,441,148)	 -
Change in net position	<u>-</u>	<u>9,467,659</u>	<u>9,467,659</u>
 Fund balance/net position – beginning of the year	 <u>48,099,464</u>	 <u>65,839</u>	 <u>48,165,303</u>
 Fund balance/net position – end of the year	 <u>\$ 57,540,612</u>	 <u>\$ 92,350</u>	 <u>\$ 57,632,962</u>

See notes to financial statements.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 1 - Definition of Reporting Entity

The State Board of the Great Outdoors Colorado Trust Fund (“GOCO”), a political subdivision of the State of Colorado (the “State”), was established as a result of 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 State Lottery (“State Lottery” or “Lottery”) to GOCO in trust. Article XXVII authorizes GOCO to use these funds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space, and natural areas by making strategic investments, fostering partnerships among diverse interests, and supporting education about the outdoor environment of the State.

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

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

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies of GOCO are described as follows:

Government-Wide and Fund Financial Statements

Because GOCO is a special-purpose government engaged in a single governmental program, it has presented its government-wide financial statements and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of GOCO.

Both of the government-wide financial statements are designed to report functions of GOCO that are principally supported by intergovernmental revenues and operating grants (governmental activities). The primary governmental activities of GOCO include the distribution of funds to preserve and enhance Colorado parks, wildlife, trails, rivers, open space, and natural areas.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, GOCO considers revenues to be available if they are collectible within approximately 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

GOCO reports the following major governmental fund:

The general fund is the only fund. It accounts for all general operating financial resources of GOCO. There are no resources required to be accounted for in any other fund.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Estimates

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

Budget

GOCO's budget is adopted by the Board.

Capital Assets

The capital assets of GOCO consist primarily of furniture and fixtures, computer hardware and software, equipment, and leasehold improvements used in the routine operation of GOCO. Durable items with a useful life greater than one year and a cost greater than \$2,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets of GOCO are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Furniture and fixtures	10
Computer hardware and software	3
Equipment	5 - 7

Leasehold improvements are amortized over the life of the lease or expected useful life, whichever is less.

Accrual for Compensated Absences

GOCO has a policy that allows permanent employees to accumulate unused vacation benefits up to a maximum of 280 hours. Sick leave is forfeited upon termination of employment with GOCO and, therefore, is not accrued on GOCO's financial statements. A liability has been recorded for compensated absences in the financial statements.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balances and Net Position

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

Net position is presented in the following categories:

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

Restricted – consists of the net position that is restricted by a grantor to reimburse awards under GOCO's school play-yard initiative. There were no restricted amounts as of June 30, 2016.

Unrestricted – consists of the remaining net position that is available for unrestricted use

State Lottery Proceeds

Lottery proceeds are a distribution from the Colorado State Lottery based on the calculation of net proceeds and allocations established in Article XXVII. The calculation of net proceeds incorporates Lottery revenue, operation expenses, prize payments, and certain reserves. Net proceeds are distributed not less than quarterly to the Conservation Trust Fund, Colorado Parks and Wildlife, and GOCO in amounts allocable by statute.

GOCO's share of Lottery proceeds is limited by Article XXVII to \$35 million annually, adjusted for changes in the CPI compounded annually based on the 1992 base-year CPI. GOCO's share of Lottery proceeds for Fiscal Years 2016 and 2015 was approximately \$63.7 million and \$62.0 million, respectively, which was the maximum amount allowable under the State Constitution. GOCO has estimated Lottery proceeds to be \$61.9 million, which is less than the maximum allowable of \$64.5 million, for Fiscal Year 2017 due to an expected downward trend in the growth of Lottery sales.

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 Position

The governmental fund balance sheet and statement of net position includes an adjustment between fund balance total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$78,361 and \$92,350 adjustments to capital assets as of June 30, 2016 and 2015, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of Certain Differences Between the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The statement of governmental fund revenues, expenditures, and changes in fund balance and statement of activities includes an adjustment between net changes in fund balance - total governmental fund and change in net position of governmental activities as reported in the government-wide statement of activities. The only element of that adjustment pertains to capital assets.

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This adjustment represents the amount by which depreciation expense exceeded capital outlays (capital outlays exceeded depreciation expense) in the periods presented. The details of this adjustment are as follows:

	For the Fiscal Years Ended June 30,	
	2016	2015
Capital outlay	\$ (31,231)	\$ (75,032)
Depreciation expense	41,583	39,968
Loss on disposal	3,637	8,553
 Net adjustment to decrease (increase) net changes in fund balances - total governmental fund to arrive at change in net position of governmental activities	 <u>\$ 13,989</u>	 <u>\$ (26,511)</u>

Note 4 - Cash Deposits and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. The 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 Divisions of Banking and Financial Services within the Colorado Department of Regulatory Agencies are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 4 - Cash Deposits and Investments (continued)

Cash Deposits (continued)

As of June 30, 2016, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2016	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 119
Insured deposits	<u>232,155</u>	<u>94,120</u>
	<u>\$ 232,155</u>	<u>\$ 94,239</u>

As of June 30, 2015, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2015	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 86
Insured deposits	<u>137,773</u>	<u>44,597</u>
	<u>\$ 137,773</u>	<u>\$ 44,683</u>

Because GOCO's deposits are either FDIC insured or collateralized under the PDPA in single institution pools, none are deemed to be exposed to custodial credit risk under GASB 40, *Deposit and Investment Risk Disclosures*.

Investments

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

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 4 - Cash Deposits and Investments (continued)

State Treasurer's Cash Pool

GOCO invests its net Lottery proceeds with the State Treasurer. The State Treasurer has invested the monies held in the Trust Fund in the State Treasurer's pooled cash account. GOCO does not control investment decisions associated with this account, and GOCO's monies represent approximately 1% of the pooled cash account. The State of Colorado Comprehensive Annual Financial Report provides disclosures regarding investment risk for GOCO's investments held by the State Treasurer in the pooled cash account.

The State Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The State Treasurer has provided the following recurring fair value measurements related to its pooled cash account in which GOCO monies are held as of June 30, 2016 (unaudited):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities	\$ -	\$ 3,633,084,620	\$ -	\$ 3,633,084,620
Commercial paper	-	846,606,464	-	846,606,464
Corporate bonds	-	1,668,441,771	-	1,668,441,771
Asset-backed securities	-	1,025,405,593	-	1,025,405,593
Mortgages	-	4,919,040	-	4,919,040
Mutual funds	<u>230,000,000</u>	<u>-</u>	<u>-</u>	<u>230,000,000</u>
	<u>\$ 230,000,000</u>	<u>\$ 7,178,457,488</u>	<u>\$ -</u>	<u>\$ 7,408,457,488</u>

Summary

Total cash deposits and investments are as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Cash deposits	\$ 94,239	\$ 44,683
Investments	<u>86,455,312</u>	<u>59,403,153</u>
	<u>\$ 86,549,551</u>	<u>\$ 59,447,836</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 4 - Cash Deposits and Investments (continued)

Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2016	2015
Investment income	\$ 589,774	\$ 507,432
Net unrealized gain on investments held by the State	<u>371,830</u>	<u>12,724</u>
	<u>\$ 961,604</u>	<u>\$ 520,156</u>

Note 5 - Lottery Proceeds Receivable

As of June 30, 2016 and 2015, GOCO had distributions owed from the Lottery amounting to \$7,887,187 and \$13,912,352, respectively. For the receivable as of June 30, 2016, this represents GOCO's allocation of net proceeds from the Lottery for the months of April 2016 and May 2016, the month in which GOCO reached the constitutional cap (Note 2). For the receivable as of June 30, 2015, this represents GOCO's allocation of net proceeds from the Lottery for the months of April 2015, May 2015 and June 2015, 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 - Note Receivable

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 7 - Capital Assets

An analysis of the changes in capital assets for the year ended June 30, 2016 follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2016</u>
Equipment	\$ 46,870	\$ 7,224	\$ (13,639)	\$ 40,455
Software	103,229	24,007	(7,684)	119,552
Furniture	31,033	-	-	31,033
Leasehold improvements	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>14,560</u>
	195,692	31,231	(21,323)	205,600
Less: accumulated depreciation	<u>(103,342)</u>	<u>(41,583)</u>	<u>17,686</u>	<u>(127,239)</u>
Total capital assets, net	<u>\$ 92,350</u>	<u>\$ (10,352)</u>	<u>\$ (3,637)</u>	<u>\$ 78,361</u>

An analysis of the changes in capital assets for the year ended June 30, 2015 follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Equipment	\$ 70,782	\$ -	\$ (23,912)	\$ 46,870
Software	134,755	75,032	(106,558)	103,229
Furniture	31,033	-	-	31,033
Leasehold improvements	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>14,560</u>
	251,130	75,032	(130,470)	195,692
Less: accumulated depreciation	<u>(185,291)</u>	<u>(39,968)</u>	<u>121,917</u>	<u>(103,342)</u>
Total capital assets, net	<u>\$ 65,839</u>	<u>\$ 35,064</u>	<u>\$ (8,553)</u>	<u>\$ 92,350</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 8 - Authorized Grants and Expended Grants

The following is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2016 and 2015:

Grants Authorized (Unaudited)

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2015</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2016</u>
Purpose 1 - Wildlife	\$ 252,583,491	\$ 15,280,585	\$ (501,031)	\$ 267,363,045
Purpose 2 - Outdoor recreation	244,275,860	15,280,185	(1,219,220)	258,336,825
Purpose 3 - Competitive grants for open space	260,708,745	22,881,264	(937,057)	282,652,952
Purpose 4 - Competitive matching grants to local governments for open lands and parks	268,408,359	10,850,000	(35,851)	279,222,508
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$1,027,146,629</u>	<u>\$ 64,292,034</u>	<u>\$ (2,693,159)</u>	<u>\$ 1,088,745,504</u>
<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2015</u>
Purpose 1 - Wildlife	\$ 241,008,429	\$ 11,800,000	\$ (224,938)	\$ 252,583,491
Purpose 2 - Outdoor recreation	225,264,816	19,654,712	(643,668)	244,275,860
Purpose 3 - Competitive grants for open space	248,892,023	14,111,187	(2,294,465)	260,708,745
Purpose 4 - Competitive matching grants to local governments for open lands and parks	258,679,265	10,075,845	(346,751)	268,408,359
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 975,014,707</u>	<u>\$ 55,641,744</u>	<u>\$ (3,509,822)</u>	<u>\$ 1,027,146,629</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 8 - Authorized Grants and Expended Grants (continued)

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2015	Transfers/ Additions	Cumulative Expended Grants at June 30, 2016
Purpose 1 - Wildlife	\$ 233,202,445	\$ 10,717,620	\$ 243,920,065
Purpose 2 - Outdoor recreation	205,096,032	14,552,907	219,648,939
Purpose 3 - Competitive grants for open space	242,069,845	5,366,020	247,435,865
Purpose 4 - Competitive matching grants to local governments for open lands and parks	235,680,444	14,298,411	249,978,855
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 917,218,940</u>	<u>\$ 44,934,958</u>	<u>\$ 962,153,898</u>
Funding Purpose	Cumulative Expended Grants at June 30, 2014	Transfers/ Additions	Cumulative Expended Grants at June 30, 2015
Purpose 1 - Wildlife	\$ 220,851,204	\$ 12,351,241	\$ 233,202,445
Purpose 2 - Outdoor recreation	192,519,980	12,576,052	205,096,032
Purpose 3 - Competitive grants for open space	230,658,949	11,410,896	242,069,845
Purpose 4 - Competitive matching grants to local governments for open lands and parks	221,215,565	14,464,879	235,680,444
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 866,415,872</u>	<u>\$ 50,803,068</u>	<u>\$ 917,218,940</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 9 - Commitments and Contingencies

Operating Lease

GOCO leases facilities, copy machines, vehicles, and a postage meter under operating leases that expire in September 2016, March 2017, August 2017, and June 2017, respectively. GOCO entered into a new lease for facilities at a different location beginning September 2016 and expiring in January 2024. Total facilities and equipment rental lease expense for the Fiscal Years ended June 30, 2016 and 2015 was \$176,057 and \$160,836, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 112,202
2018	114,543
2019	116,999
2020	120,302
2021	123,606
Thereafter	<u>334,204</u>
Total	<u>\$ 921,856</u>

Contractual Obligation

During Fiscal Year 2016, GOCO signed a multi-year contract with Suple Advertising & Design for services on a marketing campaign. The research and strategy phase of the campaign started in Fiscal Year 2016 and extended into Fiscal Year 2017. The remainder of the services will occur in Fiscal Year 2017, and may continue into Fiscal Year 2018. In Fiscal Year 2016, GOCO's expenses on the marketing campaign were approximately \$102,000. Expected costs for Fiscal Years 2017 and 2018 range from \$265,000 to \$591,000. This contract may be terminated upon advance notice with payment required on any active projects.

Note 10 - Pension Plans

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

Defined Contribution Pension Plan

As of July 1, 2002, GOCO amended and restated the State Board of the Great Outdoors Colorado Trust Fund Pension Plan (the "Pension Plan"). Unified Trust Company administers this plan at the direction of each employee for his/her own account.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 10 - Pension Plans (continued)

Defined Contribution Pension Plan (continued)

Benefit terms, including contribution requirements, for the Pension Plan are established and may be amended by GOCO. There are no age or service requirements determining eligibility, and participation is mandatory. Employer contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus performance awards). Assets of the Pension Plan are held in trust for the exclusive benefit of participating employees. Therefore, the Pension Plan's assets are not reflected as an asset of GOCO. GOCO recognized pension expense of \$11,480 and \$11,356 for the Fiscal Years Ended June 30, 2016 and 2015, respectively.

Employees are vested on a two-year schedule based on 1,000 hours of service. Non-vested GOCO contributions are forfeited upon termination of employment. Such forfeitures are used to first pay any pension plan administrative expenses and then to reduce any employer contribution. For the Fiscal Years ended June 30, 2016 and 2015, respectively, forfeitures reduced GOCO's pension expense by \$169 and \$12,170. GOCO contributed \$102,162 and \$79,668 to the Pension Plan for the Fiscal Years ended June 30, 2016 and 2015, respectively, which approximates the required contribution. As of June 30, 2016, GOCO had no liability to the Pension Plan.

Deferred Compensation Plan

The State Board of the Great Outdoors Colorado Trust Fund Deferred Compensation Plan (the "Deferred Plan") was created in accordance with Internal Revenue Code Section 457. This plan is administered by Unified Trust Company at the direction of each employee for his/her own account. The Deferred Plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergencies.

Contributions to the Deferred Plan are made by GOCO's employees through a payroll deduction. Contributions to the Deferred Plan are mandatory for all permanent employees, with a minimum required contribution of 6.2% of each employee's gross salary. Contributions above 6.2% are allowed on a voluntary basis not to exceed a maximum permissible amount. Assets of the Deferred Plan are held in trust for the exclusive benefit of participating employees. Therefore, the Deferred Plan's assets are not reflected as an asset of GOCO.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to Financial Statements June 30, 2016 and 2015

Note 11 - Related Parties - State Agencies

Board Composition and Approval of Grants

The GOCO Board is composed of 17 members, 14 of whom are public members (2 from each congressional district) appointed by the Governor, subject to the consent of the State Senate. The 3 ex-officio members include the Executive Director of the Colorado Department of Natural Resources, a representative for Parks and Outdoor Recreation issues designated by the Colorado Parks and Wildlife Commission (the "Commission"), and a representative for wildlife issues, also designated by the Commission. The Commission is the governing body of CPW. This state agency is under the administrative direction of the Colorado Department of Natural Resources.

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

Note 12 - Risk Management

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

Note 13 - Tax, Spending, and Debt Limitations

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the State and all local governments. In the same general election, Amendment 8 was passed creating GOCO. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments. The General Assembly determined, in Section 24-77-102(17)(b)(ix) C.R.S., that the net proceeds from the Lottery that are deposited in GOCO are excluded from the scope of "state fiscal year spending" for purposes of TABOR. The Colorado Supreme Court, in response to an interrogatory from the General Assembly, approved that determination.

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues			
State Lottery proceeds	\$ 61,200,000	\$ 63,714,505	\$ 2,514,505
Investment earnings and miscellaneous income	<u>300,000</u>	<u>967,734</u>	<u>667,734</u>
Total revenues	<u>61,500,000</u>	<u>64,682,239</u>	<u>3,182,239</u>
Expenditures			
Grants expended	60,000,000	44,934,958	15,065,042
Personnel services and benefits	1,422,399	1,287,515	134,884
Operating expenditures	775,361	994,327	(218,966)
Capital outlay	<u>26,240</u>	<u>31,231</u>	<u>(4,991)</u>
Total expenditures	<u>62,224,000</u>	<u>47,248,031</u>	<u>14,975,969</u>
(Deficiency) excess of revenues over expenditures	(724,000)	17,434,208	18,158,208
Fund balance – beginning of year	<u>71,221,927</u>	<u>57,540,612</u>	<u>(13,681,315)</u>
Fund balance – end of year	<u>\$ 70,497,927</u>	<u>\$ 74,974,820</u>	<u>\$ 4,476,893</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 61,500,000	\$ 61,992,978	\$ 492,978
Investment earnings and miscellaneous income	<u>260,000</u>	<u>571,627</u>	<u>311,627</u>
Total revenues	<u>61,760,000</u>	<u>62,564,605</u>	<u>804,605</u>
Expenditures			
Grants expended	50,000,000	50,803,068	(803,068)
Personnel services and benefits	1,314,223	1,232,271	81,952
Operating expenditures	744,777	1,013,086	(268,309)
Capital outlay	<u>123,000</u>	<u>75,032</u>	<u>47,968</u>
Total expenditures	<u>52,182,000</u>	<u>53,123,457</u>	<u>(941,457)</u>
Excess of revenues over expenditures	9,578,000	9,441,148	(136,852)
Fund balance – beginning of year	<u>61,643,927</u>	<u>48,099,464</u>	<u>(13,544,463)</u>
Fund balance – end of year	<u>\$ 71,221,927</u>	<u>\$ 57,540,612</u>	<u>\$ (13,681,315)</u>

**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 State Board of the Great Outdoors Colorado Trust Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the State Board of the Great Outdoors Colorado Trust Fund ("GOCO"), as of and for the Fiscal Year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements, and have issued our report thereon dated October 7, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered GOCO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GOCO's internal control. Accordingly, we do not express an opinion on the effectiveness of GOCO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the State Board of the Great Outdoors Colorado Trust Fund

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether GOCO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS&H LLLP

EKS&H LLLP

October 7, 2016
Denver, Colorado

**REQUIRED COMMUNICATIONS TO THE MEMBERS OF THE STATE
BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND**

Members of the State Board of the Great Outdoors Colorado Trust Fund

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") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Governmental Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our contract dated May 27, 2016. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by GOCO are described in Note 2 to the financial statements. GOCO adopted new accounting guidance, GASB Statement No. 72, Fair Value Measurement and Application, in Fiscal Year 2016. The application of existing policies was not changed during Fiscal Year 2016. We noted no transactions entered into by GOCO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's use of estimates is disclosed in the notes to financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Members of the State Board of the Great Outdoors Colorado Trust Fund

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such audit adjustments for the year ended June 30, 2016.

Disagreements with Management

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

Management Representations

We have requested certain representations from GOCO's management that are included in the management representation letter dated October 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to GOCO's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consulting accountant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as GOCO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which is required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Members of the State Board of the Great Outdoors Colorado Trust Fund

This information is intended solely for the information and use of the GOCO Board and management and others within GOCO and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the GOCO Board.

EKS+H LLLP

EKS&H LLLP

October 7, 2016
Denver, Colorado

