



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

**Financial and Compliance Audit
For the Years
June 30, 2023 and 2022**

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FUND**

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September 28, 2023

Members of the State Board of the Great Outdoors Colorado Trust Fund and 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, 2023 and 2022. 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.

Sincerely,

Eide Bailly LLP

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, 2023 and 2022

AUTHORITY, PURPOSE, AND SCOPE

The Office of the State Auditor, State of Colorado, engaged Eide Bailly LLP to conduct the financial and compliance audit of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”) for the Fiscal Years ended June 30, 2023 and 2022.

Eide Bailly LLP conducted the 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. The audit work was performed during the period from June 2023 through September 2023.

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 test GOCO’s compliance with certain rules and regulations governing the expenditures of State funds for the year ended June 30, 2023; (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.

AUDITOR’S OPINIONS AND REPORTS

An independent auditor’s report on the financial statements of GOCO, dated September 28, 2023, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2023 and 2022, and the change in financial position for the years 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 September 28, 2023, 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*.

SUMMARY OF AUDIT RECOMMENDATIONS

There were no prior year audit recommendations in fiscal year 2022 and no findings and recommendations reported for fiscal year 2023.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Recommendation Locator
Financial and Compliance Audit
For the Years Ended June 30, 2023 and 2022**

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
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There are no findings and recommendations reported for the year ended June 30, 2023.

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, 2023 and 2022

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 2023 was the thirtieth 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-Boulder-Greeley 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 2018, House Bill 18-066 extended the termination date of Lottery to July 1, 2049, thus continuing funding for GOCO through June 30, 2049.

As of June 30, 2023, the State Board that oversees GOCO consists of a total of nineteen members: two members of the public from each of the eight 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 (“State”). During Fiscal Year 2023, GOCO had a permanent staff of 23 and received \$75.7 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2023. During Fiscal Year 2022, GOCO had a permanent staff of 22 and received \$73.1 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2022.

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.

GOCO created a policy in Fiscal Year 2018 to define “substantially equal” and “a period of years,” to measure performance and establish a process for addressing issues of non-compliance. This policy sets tolerance thresholds of the percentage variance from 25% (exactly equal among four categories), with different timeframes for authorizations and expenditures. The policy states:

- For grant authorizations, substantially equal means a range of tolerance of +/- 1.25% of 25% per funding category, to be measured cumulatively from the organization’s inception to the forecasted end of a board-adopted multi-year spending plan.
- For grant expenditures, substantially equal means a range of tolerance of +/-2.5% of 25% per funding category, measured cumulatively from the organization’s inception to the end of the most recently closed fiscal year, as established via the annual financial audit of the organization.

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, 2023 and 2022**

As shown in the tables below and on the following page, GOCO complied with the above policy on authorized and expended grants as of Fiscal Year 2023. Authorized grants are measured for compliance as forecasted at the end of the multi-year spending plan (Fiscal Year 2025). GOCO’s policy for board action if the defined threshold for substantially equal is out of compliance is as follows:

- a. determine what circumstances are affecting its ability to maintain its cash balance as a percentage of outstanding grants, grant authorizations, or grant expenditures within established ranges; and,
- b. determine what actions it will take to bring cash balance, grant authorizations or grant expenditures within established ranges; and,
- c. determine a timeframe by which it will seek to return its cash balance as a percentage of outstanding grants, grant authorizations or grant expenditures back within established ranges.

In order to comply with policy, the Board passed a resolution on June 14, 2018, to bring local government authorizations back within substantially equal tolerance on authorizations no later than Fiscal Year 2023. This includes reducing local government spending in the Local Government Purpose in GOCO’s 2021 – 2025 spending plan. As of the end of Fiscal Year 2023, cumulative local government authorizations were within the equal tolerance policy.

The following chart shows the cumulative grants expended and authorized since GOCO’s inception in 1993. *Grants Authorized* represent 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.

GOCO Grants Cumulative through Fiscal Year 2023 (in thousands)

Funding Purpose	Grants Authorized		Grants Expended		Cumulative Difference
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 379,720	24.8%	\$ 355,491	24.9%	\$ 24,229
Purpose 2 – Parks and outdoor recreation	381,750	24.9	347,816	24.4	33,934
Purpose 3 – Competitive grants for open space	377,801	24.6	360,424	25.3	17,377
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>394,666</u>	<u>25.7</u>	<u>362,450</u>	<u>25.4</u>	<u>32,216</u>
Total	<u>\$ 1,533,937</u>	<u>100.0%</u>	<u>\$1,426,181</u>	<u>100.0%</u>	<u>\$ 107,756</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, 2023 and 2022**

The next two charts show the trend over the last five years of cumulative grants authorized by GOCO and grants expended by purpose.

GOCO Grants Authorized Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Authorized %					Five-Year Change
	2019	2020	2021	2022	2023	
Purpose 1 – Wildlife	24.5%	24.6%	24.7%	24.6%	24.8%	0.3%
Purpose 2 - Parks and outdoor recreation	24.0	24.5	24.7	24.8	24.9	0.9%
Purpose 3 - Competitive grants for open space	24.6	24.3	24.3	24.6	24.6	(0.0)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.9</u>	<u>26.6</u>	<u>26.3</u>	<u>26.0</u>	<u>25.7</u>	(1.1)%
	<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

GOCO Grants Expended Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Expended %					Five-Year Change
	2019	2020	2021	2022	2023	
Purpose 1 – Wildlife	24.4%	24.6%	24.8%	24.9%	24.9%	0.5%
Purpose 2 - Parks and outdoor recreation	22.9	23.8	24.0	24.2	24.4	1.5%
Purpose 3 - Competitive grants for open space	26.1	25.3	25.1	24.9	25.3	(0.8)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.6</u>	<u>26.3</u>	<u>26.1</u>	<u>26.0</u>	<u>25.4</u>	(1.2)%
	<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

**Auditor's Findings and Recommendations
Financial and Compliance Audit
For the Years Ended June 30, 2023 and 2022**

There are no findings and recommendations reported for the years ended June 30, 2023 or June 30, 2022.



Independent Auditor's Report

Members of the State Board of the Great Outdoors Colorado Trust Fund and Legislative Audit Committee
Denver, Colorado

Report on the Audit of the Financial Statements

Opinions

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 years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of GOCO, as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GOCO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 2 and 16 to the financial statements, GOCO has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which has resulted in a restatement of the net position as of July 1, 2021. In accordance with GASB Statement No. 96, the financial statements as of and for the year ended June 30, 2022, have been restated to reflect this change. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GOCO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GOCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GOCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Members of the State Board of the Great Outdoors Colorado Trust Fund and the Description of the State Board of the Great Outdoors Colorado Trust Fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 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 solely 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 effectiveness of GOCO's 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.



Denver, Colorado
September 28, 2023

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management’s Discussion and Analysis
June 30, 2023 and 2022

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, 2023 and 2022. The management’s discussion and analysis is intended to be read in conjunction with GOCO’s 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 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 2023, Fiscal Year 2022, and Fiscal Year 2021.

	Fiscal Year Ended June 30,			2023/2022 \$ Variance	%	2022/2021 \$ Variance	%
	2023	2022	2021				
Lottery revenues	\$75,706,639	\$73,117,767	\$71,718,841	\$2,588,872	3.5%	\$1,398,926	2.0%
Grant expenditures	\$72,545,099	\$68,048,786	\$67,361,617	\$4,496,313	6.6%	\$687,169	1.0%

2023

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$75.7 million, per the constitutional cap. This represents a \$2.6 million increase over Fiscal Year 2022 in Lottery proceeds to GOCO due to an increase in the Denver-Aurora-Lakewood Consumer Price Index (“CPI”). Per Article XXVII, Section 3 of the Colorado Constitution, GOCO’s proceeds received from Lottery is capped at \$35 million using the base year of 1992, adjusted annually for inflation.

Grant expenditures increased by \$4.5 million from Fiscal Year 2022. GOCO’s grant expenditures fluctuate year to year primarily due to when dollars are programmed through the 5-year spending plan and because of timing differences of project completions.

The total Fiscal Year 2023 actual expenditures exceeded budgeted expenditures by \$10.7 million due to grant expenditures exceeding budget expectations. Although we do our best to project grant expenditures for the year, it is important to note that GOCO does not have much control over the timing in which grants get paid out beyond the timeframe delineated in grant agreements.

2022

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$73.1 million, per the constitutional cap. This represents a \$1.4 million increase over Fiscal Year 2021 in Lottery proceeds to GOCO due to an increase in the Denver-Aurora-Lakewood Consumer Price Index (“CPI”). Per Article XXVII, Section 3 of the Colorado Constitution, GOCO’s proceeds received from Lottery is capped at \$35 million using the base year of 1992, adjusted annually for inflation.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2023 and 2022

Grant expenditures increased by \$687,169 from Fiscal Year 2021. GOCO's grant expenditures fluctuate year to year primarily due to when dollars are programmed through the 5-year spending plan and because of timing differences of project completions.

The total Fiscal Year 2022 actual expenditures exceeded budgeted expenditures by \$7.9 million due to grant expenditures exceeding budget expectations. Although we do our best to project grant expenditures for the year, it is important to note that GOCO does not have much control over the timing in which grants get paid out beyond the timeframe delineated in grant agreements.

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 State 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 (\$75.7 million and \$73.1 million in Fiscal Year 2023 and Fiscal Year 2022, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Public School Capital Construction Assistance Fund, the Outdoor Equity Fund, the Wildlife Cash Fund, and the Parks and Outdoor Rec Fund for Fiscal Year 2023 and Fiscal Year 2022.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2023 and 2022

Government-Wide Statements

Statement of Net Position

The following table reflects the condensed statement of net position as of June 30, 2023, 2022, and 2021.

	June 30,		
	2023	2022*	2021
Current and other assets	\$ 93,459,091	\$ 90,301,659	\$ 98,046,093
Capital assets, net	<u>575,173</u>	<u>748,823</u>	<u>427,062</u>
Total assets	<u>94,034,264</u>	<u>91,050,482</u>	<u>98,473,155</u>
Other liabilities	14,166,610	12,209,691	15,827,671
Long-term leases and subscriptions	<u>574,231</u>	<u>708,225</u>	<u>349,100</u>
Total liabilities	<u>14,740,841</u>	<u>12,917,916</u>	<u>16,176,771</u>
Net investment in capital assets	942	40,598	77,962
Unrestricted	<u>79,292,481</u>	<u>78,091,968</u>	<u>82,218,422</u>
Total net position	<u>\$ 79,293,423</u>	<u>\$ 78,132,566</u>	<u>\$ 82,296,384</u>

*As restated due to GASB 96 (2022) implementation

2023

The significant portions of current and other assets are cash and advanced grants payments. Cash increased by approximately \$9.0 million during Fiscal Year 2023 due to a decrease in Lottery proceeds and notes receivable, increase in grants payable, and a large project reimbursement at year end. The Lottery proceeds receivable decreased by approximately \$4.5 million from June 30, 2022. In Fiscal Year 2023, the constitutional cap was met in March and all proceeds were received prior to the end of the fiscal year. Advanced grants payments were made during the year to grantees primarily for projects awarded under GOCO's Generation Wild, Resilient Communities, and Stewardship Impact programs. These advances will be recognized as grant expense once the contractual obligations are met by the grantees.

As of June 30, 2023, liabilities increased by approximately \$1.8 million from June 30, 2022. The liabilities outstanding at Fiscal Year End consisted mainly of monthly bills, grants payable, and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). Total liabilities consist mostly of an accrual for CPW's estimated April through June 2023 investments of approximately \$12.1 million, an increase of approximately \$3.0 million from the prior year. Compensated absences increased slightly due to an increase in staff accruing vacation during the year.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2023 and 2022

The capital assets and long-term liabilities reported for Fiscal Year 2023 decreased by \$173,650 and \$133,994, respectively. The decreases are due to the annual amortization of the lease and subscription assets and liability added with the implementation of GASB 87, *Leases*, and GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, which requires governments to recognize an asset and liability for right-to-use assets under long-term lease and subscription agreements. The asset and related liability are amortized over the life of the lease or subscription.

2022

The significant portions of current and other assets are cash, Lottery proceeds receivable, notes receivable and advanced grants payments. Cash decreased by approximately \$2.0 million during Fiscal Year 2022 due to an increase in operating costs and grants paid out. The Lottery proceeds receivable decreased by approximately \$2.3 million from June 30, 2021. This represents the amount of proceeds due from Lottery at the end of the year to meet the constitutional cap. In Fiscal Year 2022, the constitutional cap was met earlier in the month of April resulting in a lower amount due from Lottery at the end of Fiscal Year 2022. Advanced grants payments were made during the year to grantees primarily for projects awarded under GOCO's Generation Wild, Resilient Communities, and Stewardship Impact programs. These advances will be recognized as grant expense once the contractual obligations are met by the grantees.

As of June 30, 2022, liabilities decreased by \$3.3 million from June 30, 2021. The liabilities outstanding at Fiscal Year End consisted mainly of monthly bills, grants payable, and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). Total liabilities consist mostly of an accrual for CPW's estimated April through June 2022 investments of approximately \$9.1 million, a decrease over the prior year. Accounts payable and compensated absences increased slightly due to the timing of monthly bills and an increase in staff accruing vacation during the year.

The restated capital assets and long-term liabilities reported for Fiscal Year 2022 increased by \$321,761 and \$359,125, respectively, due to the implementation of GASB 87, *Leases*, which requires governments to recognize a lease liability and an underlying leased asset for leases that were previously classified as operating. These balances were also restated due to the implementation of GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")* which changes the accounting and reporting for Subscription-Based Information Technology Arrangements ("SBITAs") by governments. Similar to GASB 87, this statement requires governments to calculate the present value of any multi-year IT subscription agreements and amortize the related asset and liability over the life of the agreement. The new SBITA standard, implemented in Fiscal Year 2023 was implemented retroactively to reflect significant SBITA agreements as of July 1, 2021.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2023 and 2022

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years ended June 30, 2023, 2022 and 2021.

	Fiscal Years Ended June 30,		
	2023	2022*	2021
Program revenues			
Lottery revenue	\$ 75,706,639	\$ 73,117,767	\$ 71,718,841
General revenues			
Investment earnings (loss)	(151,650)	(3,934,020)	(972,832)
Miscellaneous income	2,851	1,120	80,196
Project reimbursements	<u>3,667,701</u>	<u>-</u>	<u>-</u>
Total revenue	<u>79,225,541</u>	<u>69,184,867</u>	<u>70,826,205</u>
Program expenses			
Grants expended	72,545,099	68,048,786	67,361,617
Personnel services and benefits	2,548,490	2,231,697	1,818,140
Operating	<u>2,971,095</u>	<u>3,068,202</u>	<u>3,112,417</u>
Total expenses	<u>78,064,684</u>	<u>73,348,685</u>	<u>72,292,174</u>
Change in net position	1,160,857	(4,163,818)	(1,465,969)
Beginning net position	<u>78,132,566</u>	<u>82,296,384</u>	<u>83,762,353</u>
Ending net position	<u>\$ 79,293,423</u>	<u>\$ 78,132,566</u>	<u>\$ 82,296,384</u>

*As restated due to GASB 96 implementation

2023

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Investment earnings in Fiscal Year 2023 was a net loss of \$151,650 and the Fiscal Year 2022 net loss was \$3.9 million, resulting in an increase in investment earnings of \$3.8 million. During the year, GOCO received \$3.7 million in project reimbursements from the proceeds of land sales from a grantee, as stipulated in their grant agreements from prior years.

Grant expenditures in Fiscal Year 2023 increased by \$4.5 million from Fiscal Year 2022. GOCO anticipated that grant expenditures would start to increase as the current spending plan was designed to backload larger grant awards in the last few years of the plan. As we begin to award the larger Centennial Program grants in Fiscal Years 2024 – 2025, grant expenditures are expected to continue to increase.

GOCO's personnel services and benefits expenditures increased slightly from Fiscal Year 2022 due to anticipated increases in staffing as well as an increase in travel and meeting expenditures as we continue to implement the regional program model.

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2022

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Investment earnings in Fiscal Year 2022 decreased by \$3 million. This decrease is largely due to the fact that GOCO's investments held by the State Treasury experienced a decrease in the unrealized loss on investments of \$4.8 million which was offset by earned interest income in the amount of \$862,002.

Grant expenditures in Fiscal Year 2022 increased by \$687,169 from Fiscal Year 2021. GOCO anticipated that grant expenditures would level off as the spending plan was designed to backload larger grant awards in Fiscal Years 2023 - 2025. As we begin to award the larger Centennial Program grants, these expenditures are expected to increase.

GOCO's personnel services and benefits expenditures increased slightly from Fiscal Year 2021 due to anticipated increase in staffing as well as an increase in travel and meeting expenditures as we saw the COVID-19 restrictions ease during the last half of Fiscal Year 2022.

Capital Assets and Debt Administration

Capital Assets (See Note 7)

The following table reflects capital assets at year-end net of depreciation and amortization as of June 30, 2023, 2022 and 2021.

	<u>2023</u>	<u>2022*</u>	<u>2021</u>
Furniture and equipment	\$ 33,594	\$ 36,741	\$ 42,166
Leasehold improvements	1,763	4,786	7,808
Intangible assets	32,416	32,416	32,416
Leased assets	503,065	666,209	344,672
Subscription assets	<u>4,335</u>	<u>8,671</u>	<u>-</u>
Total, net capital assets	<u>\$ 575,173</u>	<u>\$ 748,823</u>	<u>\$ 427,062</u>

*As restated due to GASB 96 implementation, effective as of July 1, 2021

2023

GOCO reported net capital assets of \$575,173 for Fiscal Year 2023. This amount represents a net decrease of \$173,650 from Fiscal Year 2022. The most significant reason for this decrease was due to the depreciation of subscription and leased assets added in the implementation of GASB 96, *SBITAs* and GASB 87, *Leases*. The balance of the leased and subscription assets was \$503,065 and \$4,335, respectively, net of accumulated amortization for Fiscal Year 2023.

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2022

GOCO reported a restated net capital assets of \$748,823 for Fiscal Year 2022, which is a net increase of \$321,761 from Fiscal Year 2021 (see Note 7). The most significant reason for this increase was that subscription assets were added for the implementation of GASB 96, *SBITAs* and due to the restructuring of the lease of GOCO's Denver office space in March 2022, which resulted in an increase in the value of leased assets under GASB 87, *Leases*. The balance of the leased and subscription assets was \$666,209 and \$8,671, respectively, net of accumulated amortization for Fiscal Year 2022.

Long-term Lease and Subscription Liabilities

2023

GOCO reported long-term leases and subscriptions of \$574,231 for Fiscal Year 2023, a decrease of \$133,994 over Fiscal Year 2022 (see Note 9). This decrease is primarily due to the amortization of the lease liabilities previously recorded through the implementation of GASB 87, *Leases* and GASB 96, *SBITAs*.

2022

GOCO reported restated long-term leases and subscriptions of \$708,225 for Fiscal Year 2022, an increase of \$359,125 over Fiscal Year 2021 (see Note 9). This increase is primarily due to the retroactive implementation of GASB 96, *SBITAs* which resulted in an increase of \$13,006 in the net subscription liability as well as the restructuring of the lease of GOCO's Denver office space in March 2022, which resulted in an increase of \$350,545 in the net lease liability under GASB 87, *Leases*.

Economic Factors and Next Year's Budget

Next year, GOCO is projecting approximately \$80.1 million in revenue from the Lottery, which is less than the constitutional cap projection for Fiscal Year 2024. Although the constitutional cap has historically been met, GOCO prefers to budget conservatively, as Lottery revenues are unpredictable. Grant expenditures are expected to start increasing in the next two years as the 5-year spending plan has been structured to award higher funds in Fiscal Years 2024 and 2025.

As GOCO enters the fourth year of its current 5-year spending plan, focus will continue to be on the Generation Wild, Youth Corps, and RESTORE programs as well as the Centennial, Community Impact, Land Acquisition, Planning and Capacity, and Stewardship Impact program funding from GOCO's new program portfolio established under the 2021 strategic plan.

As noted above, the current 5-year spending plan is structured to award higher funds in the later years of the plan (Fiscal Years 2024 – 2025) in order to identify and prepare large impactful projects for the new Centennial Program. The Centennial Program is GOCO's strategic initiative aimed at encouraging multi-purpose, transformational projects. Priority will continue to be placed on compliance with its constitutional requirement that expenditures in each of the four purposes over a period of years be substantially equal (article XXVII).

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Also, GOCO is budgeting \$5.9 million for Fiscal Year 2024 operating expenditures. The increase from the prior year is primarily due to the continued rollout of the regional program model. Part of GOCO's strategic plan implementation includes expanding program staff into different areas of Colorado to work collaboratively with grantees and partners and Fiscal Year 2024 will mark the first year that GOCO has fully funded seven regional officer positions. The Fiscal Year 2024 budget also includes an increase in salaries for most full-time employees.

2024 budgeted operating expenditures are classified as follows:

Personnel services and benefits	\$ 2,827,097
Operating expenditures	1,055,251
Generation Wild media campaign	2,000,000
Capital outlay	<u>56,500</u>
 Total 2024 Budgeted Operating Expenditures	 <u>\$ 5,938,848</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2023**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 89,487,566	\$ -	\$ 89,487,566
Prepaid items	79,984	-	79,984
Other assets	25,531	-	25,531
Advanced grant payments	3,866,010		3,866,010
Capital assets, net of accumulated depreciation	-	575,173	575,173
	<hr/>	<hr/>	<hr/>
Total assets	\$ 93,459,091	\$ 575,173	\$ 94,034,264
Liabilities			
Grants payable	13,859,083	-	13,859,083
Accounts payable	151,802	-	151,802
Compensated absences payable	155,725	-	155,725
Long-term leases and subscriptions			
Due within one year	-	162,636	162,636
Due in more than one year	-	411,595	411,595
	<hr/>	<hr/>	<hr/>
Total liabilities	14,166,610	574,231	14,740,841
Fund Balances/Net Position			
Fund balances			
Nonspendable	79,984	(79,984)	-
Assigned	79,212,497	(79,212,497)	-
	<hr/>	<hr/>	<hr/>
Total fund balances	79,292,481	(79,292,481)	-
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 93,459,091		
Net Position			
Net investment in capital assets		942	942
Unrestricted		79,292,481	79,292,481
		<hr/>	<hr/>
Total Net Position		\$ 79,293,423	\$ 79,293,423
		<hr/>	<hr/>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2022**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 80,459,405	\$ -	\$ 80,459,405
Lottery proceeds receivable	4,496,728	-	4,496,728
Note receivable	2,850,000	-	2,850,000
Prepaid items	85,601	-	85,601
Other assets	24,810	-	24,810
Advanced grant payments	2,385,115		2,385,115
Capital assets, net of accumulated depreciation	-	748,823	748,823
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 90,301,659</u>	<u>\$ 748,823</u>	<u>\$ 91,050,482</u>
Liabilities			
Grants payable	11,678,959	-	11,678,959
Accounts payable	396,330	-	396,330
Compensated absences payable	134,402	-	134,402
Long-term leases and subscriptions			
Due within one year	-	154,707	154,707
Due in more than one year	-	553,518	553,518
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>12,209,691</u>	<u>708,225</u>	<u>12,917,916</u>
Fund Balances/Net Position			
Fund balances			
Nonspendable	85,601	(85,601)	-
Assigned	78,006,367	(78,006,367)	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>78,091,968</u>	<u>(78,091,968)</u>	<u>-</u>
	<hr/>		
Total liabilities and fund balances	<u>\$ 90,301,659</u>		
Net Position			
Net investment in capital assets		40,598	40,598
Unrestricted		78,091,968	78,091,968
		<hr/>	<hr/>
Total Net Position		<u>\$ 78,132,566</u>	<u>\$ 78,132,566</u>

See Notes to the 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, 2023**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 72,545,099	\$ -	\$ 72,545,099
Personnel services and benefits	2,548,490	-	2,548,490
Operating	2,925,226	45,869	2,971,095
Capital outlay	<u>34,399</u>	<u>(34,399)</u>	<u>-</u>
Total expenditures/expenses	<u>78,053,214</u>	<u>11,470</u>	<u>78,064,684</u>
Program revenues - State Lottery proceeds	<u>75,706,639</u>	<u>-</u>	<u>75,706,639</u>
Net program revenues (expenses)	<u>(2,346,575)</u>	<u>(11,470)</u>	<u>(2,358,045)</u>
General Revenues			
Other income	2,851	-	2,851
Investment earnings (loss)	(151,650)	-	(151,650)
Project reimbursements	<u>3,667,701</u>	<u>-</u>	<u>3,667,701</u>
Total General revenues (loss)	<u>3,518,902</u>	<u>-</u>	<u>3,518,902</u>
Excess (deficiency) of revenues over expenditures	1,172,327	(11,470)	1,160,857
Other Financing Sources - Leases	<u>28,186</u>	<u>(28,186)</u>	<u>-</u>
Change in fund balance	<u>1,200,513</u>	<u>(1,200,513)</u>	<u>-</u>
Change in net position		1,160,857	1,160,857
Fund balance/net position - beginning of the year, as restated	<u>78,091,968</u>	<u>40,598</u>	<u>78,132,566</u>
Fund balance/net position - end of the year	<u>\$ 79,292,481</u>	<u>\$ 942</u>	<u>\$ 79,293,423</u>

See Notes to the 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, 2022

	General Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses			
Grants expended	\$ 68,048,786	\$ -	\$ 68,048,786
Personnel services and benefits	2,231,697	-	2,231,697
Operating	3,027,877	40,325	3,068,202
Capital outlay	731,842	(731,842)	-
Total expenditures/expenses	74,040,202	(691,517)	73,348,685
Program revenues - State Lottery proceeds	73,117,767	-	73,117,767
Net program revenues (expenses)	(922,435)	691,517	(230,918)
General Revenues			
Other income	1,120	-	1,120
Investment earnings (loss)	(3,934,020)	-	(3,934,020)
Total General revenues (loss)	(3,932,900)	-	(3,932,900)
Excess (deficiency) of revenues over expenditures	(4,855,335)	691,517	(4,163,818)
Other Financing Sources			
Leases	715,875	(715,875)	-
Subscriptions	13,006	(13,006)	-
Total other financing sources	728,881	(728,881)	-
Change in fund balance	(4,126,454)	4,126,454	-
Change in net position	-	(4,163,818)	(4,163,818)
Fund balance/net position - beginning of the year, as restated	82,218,422	77,962	82,296,384
Fund balance/net position - end of the year, as restated	\$ 78,091,968	\$ 40,598	\$ 78,132,566

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

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 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 the Financial Statements June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (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 the Financial Statements
June 30, 2023 and 2022

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. GOCO's general fund exceeded budget due to higher than budgeted grant expenditures as of June 30, 2023 and higher than budgeted grant expenditures and the implementation of GASB 87, *Leases*, as of June 30, 2022.

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:

Asset Type	Years
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. Intangible assets, which were added in Fiscal Year 2017 related to trademarks purchased for the Generation Wild marketing campaign, have indefinite lives and are not depreciated. An impairment analysis will be performed annually to determine the correct carrying amount of the assets.

GOCO has recorded lease and subscription assets as a result of implementing GASB 87, *Leases* and GASB 96, *Subscription-Based Information Technology Arrangements* ("SBITAs"). The lease and subscription assets are initially measured at an amount equal to the initial measurement of the related lease and subscription liability plus any lease and subscription payments made prior to the lease term, less incentives, and plus any ancillary charges necessary to place the underlying asset into service. These assets are amortized on a straight-line basis over the life of the related lease or SBITA.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

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 as the following conditions of GASB 16, *Accounting for Compensated Absences*, have been met:

1. The employees' rights to receive compensation are attributable to services already rendered and;
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Interpretation No. 6 requires leave balances that will be liquidated with expendable available financial resources (current liabilities) be accrued and reported as a governmental fund liability and expenditure. GOCO budgeted for compensated absences in the current year with current financial resources. Therefore, the full liability was accrued and reported in the Government-wide and fund financial statements.

Fund Balances and Net Position

The fund balance is classified according to a hierarchy based on spending constraints as follows:

Nonspendable Funds – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact (ex. Prepaid items).

Restricted Funds – amounts constrained externally by creditors, grantors, contributors, or laws or regulations of governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution by GOCO's Board of Trustees. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned Funds – amounts set aside for planned or intended purposes but are not restricted or committed.

Unassigned Funds – the residual classification for amounts that have not been classified in any of the above categories.

Outside of the nonspendable fund balance recorded in the General Fund on the Governmental Fund Balance Sheets and Statements of Net Position, all of GOCO's fund balance is classified as assigned in Fiscal Year 2023 and 2022 as it is intended for grants awarded. These grants were awarded by the GOCO Board of Trustees and authorized by Board Resolution in compliance with GOCO's policies as set forth in the Colorado Constitution.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

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 2023 and 2022 was approximately \$75.7 million and \$73.1 million, respectively, which was the maximum amount allowable under the State Constitution.

Implementation of GASB Statements

As of July 1, 2021, GOCO adopted GASB 96, *Subscription-Based Information Technology Arrangements ("SBITAs")*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability for subscriptions that previously were classified as operating expense and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard are included in Notes 7 and 9.

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 adjustments pertain to capital assets and long-term debt as outlined below.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The \$575,173 and \$748,823 adjustments to capital assets as of June 30, 2023 and 2022, respectively, represent the capital assets of GOCO, net of accumulated depreciation and amortization of leased and subscription assets.

Certain liabilities, such as lease and subscription liabilities, are not due and payable in the current period and therefore are not reported in the balance sheet. The \$574,231 and \$708,225 adjustments to long-term lease and subscription liabilities as of June 30, 2023 and 2022, respectively, represent the long-term lease liability of GOCO, net of accumulated amortization.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

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. This adjustment pertains to capital assets and lease and subscription liabilities.

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 and amortization expense. In addition, certain capital additions were financed through leases and Subscription-Based Information Technology Arrangements (“SBITA”). In governmental funds, a lease or SBITA is considered a source of financing, but in the statement of net position, the lease or SBITA is reported as a long-term liability. This adjustment represents the amount by which depreciation and amortization expense and loss on disposals of assets exceeded capital outlays and lease proceeds in the periods presented. The details of this adjustment are as follows:

	For the Fiscal Years Ended	
	June 30,	
	2023	2022*
Depreciation expense	\$ (12,383)	\$ (11,407)
Amortization of leased and subscription assets	(162,868)	(165,235)
Gain/Loss on restructuring of leased asset/liability	1,820	(233,439)
Amortization of long-term leases and subscriptions	127,562	36,227
Debt retired on restructuring of lease	-	333,529
Increase in operating expenses	(45,869)	(40,325)
Capital outlay	6,213	2,961
Leased and subscription asset capital outlays	28,186	728,881
Decrease in capital outlay expense	34,399	731,842
New leases or subscriptions recorded	(28,186)	(728,881)
Net adjustment to increase (decrease) net change in fund balance to arrive at change in net position	(39,656)	(37,364)
Change in fund balance	1,200,513	(4,126,454)
Change in net position	\$ 1,160,857	\$ (4,163,818)

**As Restated due to GASB 96 Implementation*

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

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.

As of June 30, 2023, GOCO’s cash deposits had bank and carrying balances as follows:

June 30, 2023	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 294
Insured deposits	299,083	285,359
	\$ 299,083	\$ 285,653

As of June 30, 2022, GOCO’s cash deposits had bank and carrying balances as follows:

June 30, 2022	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 199
Insured deposits	323,240	76,867
	\$ 323,240	\$ 77,066

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*.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 4 - Cash Deposits and Investments (continued)

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 Treasurer's Cash Pool

GOCO deposits its cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2023, GOCO had cash invested with the State Treasurer of \$89,201,913 which represented approximately 0.47 percent of the total \$18,810.90 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2023, the Pool's resources included \$35.0 million of cash on hand and \$18,775.8 million of investments. As of June 30, 2022, GOCO had cash invested with the State Treasurer of \$80,382,339 which represented approximately 0.38 percent of the total \$21,060.9 million fair value of deposits in the State Treasurer's Pool (Pool).

On the basis of GOCO's participation in the Pool, GOCO reports its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments as an increase or decrease in cash. The State Treasurer does not invest any of the Pool's resources in any external investment pools, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Annual Comprehensive Financial Report for the year ended June 30, 2023.

Summary

Total cash deposits and investments are as follows:

	June 30,	
	2023	2022
Cash deposits	\$ 285,653	\$ 77,066
Investments	89,201,913	80,382,339
	<u>\$ 89,487,566</u>	<u>\$ 80,459,405</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 4 - Cash Deposits and Investments (continued)

Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2023	2022
Investment income	\$ 2,267,683	\$ 862,002
Adjustment for unrealized gain (loss) on investments held by the State	<u>(2,419,333)</u>	<u>(4,796,042)</u>
	<u>\$ (151,650)</u>	<u>\$ (3,934,040)</u>

Note 5 - Lottery Proceeds Receivable

As of June 30, 2023, and 2022, GOCO had distributions owed from the Lottery amounting to \$0 and \$4,496,728, respectively. As of June 30, 2023, the receivable is \$0 as GOCO reached the constitutional cap (Note 2) in March 2023 and all funds were received by Lottery prior to the end of the fiscal year. For the receivable as of June 30, 2022 this represents GOCO's allocation of net proceeds from the Lottery for Lottery for April 2022. 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 and Advanced Grant Payments

On October 14, 2021, GOCO entered into a zero-interest promissory note with The Conservation Fund, ("TCF") in the amount of \$2,850,000 for the acquisition of a land parcel for inclusion into the Sand Creek Massacre National Historic Site. Per the loan agreement, the loan is due on October 14, 2023 and is interest-free through October 14, 2023, after which time the interest rate will equal the Prime Rate published in the Money Rates section of the Wall Street Journal. On September 20, 2022, the Sand Creek Massacre property was sold to the National Parks Service and the loan balance was paid in full on September 22, 2022.

During Fiscal Years 2023 and 2022, GOCO made certain payments to grantees in advance of completion of project objectives outlined in the grant agreements. Under this arrangement, GOCO requires the grantee to provide an annual expense report that describes how the advance payment was spent throughout the year. The expenses must comply with contractual obligations outlined in the grant agreement. This is considered an eligibility requirement under GASB 33, as GOCO may request reimbursement of the advanced funds if the grantee does not provide the requested information or if the funds were improperly used. These funds are expensed by GOCO when the appropriate documentation is received. The Advanced Grant Payment balance on the Statement of Net Position is \$3,866,010 at June 30, 2023 and \$2,385,115 at June 30, 2022.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

Note 7 - Capital Assets

An analysis of the changes in capital assets for the year ended June 30, 2023 follows:

	Balance July 1, 2022, as restated	Additions	Retirements	Balance June 30, 2023
Equipment	\$ 56,320	\$ 6,213	\$ -	\$ 62,533
Software	26,014	-	-	26,014
Furniture	41,811	-	-	41,811
Intangible assets	32,416	-	-	32,416
Leasehold improvements	22,164	-	-	22,164
Right-of-use building lease	634,835	-	(32,798)	602,037
Right-of-use leased equipment	108,151	28,186	-	136,337
Right-of-use subscription assets	<u>13,006</u>	<u>-</u>	<u>-</u>	<u>13,006</u>
Total capital assets	934,717	34,399	(32,798)	936,318
Less accumulated depreciation and amortization				
Equipment	(38,461)	(5,318)	-	(43,779)
Software	(26,014)	-	-	(26,014)
Furniture	(22,929)	(4,042)	-	(26,971)
Leasehold improvements	(17,378)	(3,023)	-	(20,401)
Right-of-use building lease	(31,221)	(118,100)	-	(149,321)
Right-of-use leased equipment	(45,556)	(40,432)	-	(85,988)
Right-of-use subscription assets	<u>(4,335)</u>	<u>(4,336)</u>	<u>-</u>	<u>(8,671)</u>
Total accumulated depreciation and amortization	<u>(185,894)</u>	<u>(175,251)</u>	<u>-</u>	<u>(361,145)</u>
Total capital assets, net	<u>\$ 748,823</u>	<u>\$ (140,852)</u>	<u>\$ (32,798)</u>	<u>\$ 575,173</u>

An analysis of the changes in capital assets for the year ended June 30, 2022 follows:

	Balance July 1, 2021, as restated	Additions	Retirements	Balance June 30, 2022, as restated
Equipment	\$ 76,617	\$ -	\$ (20,297)	\$ 56,320
Software	125,052	-	(99,038)	26,014
Furniture	38,850	2,961	-	41,811
Intangible assets	32,416	-	-	32,416
Leasehold improvements	22,164	-	-	22,164
Right-of-use building lease	456,267	634,835	(456,267)	634,835
Right-of-use leased equipment	27,111	81,040	-	108,151
Right-of-use subscription assets	<u>-</u>	<u>13,006</u>	<u>-</u>	<u>13,006</u>
Total capital assets	778,477	731,842	(575,602)	934,717
Less accumulated depreciation and amortization of				
Equipment	(54,118)	(4,639)	20,296	(38,461)
Software	(125,052)	-	99,038	(26,014)
Furniture	(19,183)	(3,746)	-	(22,929)
Leasehold improvements	(14,356)	(3,022)	-	(17,378)
Right-of-use building lease	(127,330)	(126,720)	222,829	(31,221)
Right-of-use leased equipment	(11,376)	(34,180)	-	(45,556)
Right-of-use subscription assets	<u>-</u>	<u>(4,335)</u>	<u>-</u>	<u>(4,335)</u>
Total accumulated depreciation and amortization	<u>(351,415)</u>	<u>(176,642)</u>	<u>342,163</u>	<u>(185,894)</u>
Total capital assets, net	<u>\$ 427,062</u>	<u>\$ 555,200</u>	<u>\$ (233,439)</u>	<u>\$ 748,823</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

Note 8 - Authorized Grants and Expended Grants (Unaudited)

The following table is a summary of grants authorized and grants expended from inception in 1993 through June 30, 2023 and 2022.

Grants Authorized

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2022</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2023</u>
Purpose 1 - Wildlife	\$ 364,004,786	\$ 16,262,272	\$ (546,646)	\$ 379,720,412
Purpose 2 - Outdoor recreation	366,784,045	16,131,965	(1,166,339)	381,749,671
Purpose 3 - Competitive grants for open space	364,117,975	14,070,212	(387,008)	377,801,179
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>383,942,185</u>	<u>12,153,076</u>	<u>(1,429,090)</u>	<u>394,666,171</u>
	<u>\$ 1,478,848,991</u>	<u>\$ 58,617,525</u>	<u>\$ (3,529,083)</u>	<u>\$ 1,533,937,433</u>

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2021</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2022</u>
Purpose 1 - Wildlife	\$ 350,361,664	\$ 14,973,588	\$ (1,330,466)	\$ 364,004,786
Purpose 2 - Outdoor recreation	350,205,423	18,835,050	(2,256,428)	366,784,045
Purpose 3 - Competitive grants for open space	343,850,853	20,157,268	109,854	364,117,975
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>372,316,798</u>	<u>11,377,372</u>	<u>248,015</u>	<u>383,942,185</u>
	<u>\$ 1,416,734,738</u>	<u>\$ 65,343,278</u>	<u>\$ (3,229,025)</u>	<u>\$ 1,478,848,991</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

Note 8 - Authorized Grants and Expended Grants (Unaudited)

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2022	Transfers/ Additions	Cumulative Expended Grants at June 30, 2023
Purpose 1 - Wildlife	\$ 336,968,830	\$ 18,521,962	\$ 355,490,792
Purpose 2 - Outdoor recreation	328,011,753	19,804,505	347,816,258
Purpose 3 - Competitive grants for open space	337,470,548	22,953,770	360,424,318
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>351,185,244</u>	<u>11,264,862</u>	<u>362,450,106</u>
	<u>\$ 1,353,636,375</u>	<u>\$ 72,545,099</u>	<u>\$ 1,426,181,474</u>

Funding Purpose	Cumulative Expended Grants at June 30, 2021	Transfers/ Additions	Cumulative Expended Grants at June 30, 2022
Purpose 1 - Wildlife	\$ 319,022,940	\$ 17,945,890	\$ 336,968,830
Purpose 2 - Outdoor recreation	308,209,179	19,802,574	328,011,753
Purpose 3 - Competitive grants for open space	323,114,910	14,355,638	337,470,548
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>335,240,560</u>	<u>15,944,684</u>	<u>351,185,244</u>
	<u>\$ 1,285,587,589</u>	<u>\$ 68,048,786</u>	<u>\$ 1,353,636,375</u>

Note 9 – Long-term Liabilities

Leases

GOCO has entered into agreements to lease its facilities, copy machines, vehicles, and a postage meter. These lease agreements qualify as long-term leases under GASB 87, *Leases*.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 9 – Long-term Liabilities (continued)

On September 1, 2020, GOCO entered into a lease agreement for a vehicle for use by Denver office staff. The lease calls for total annual payments of \$7,025 for three years beginning on September 1, 2020. The lease liability was measured at a discount rate of 0.13% which is the 3-year Treasury State and Local Government Series (“SLGS”) rate as of September 1, 2020. As a result of this lease, GOCO recorded a lease liability with a value of \$21,044. As of June 30, 2023 and 2022, the unamortized balance of the lease liability was \$0 and \$7,013, respectively.

On October 1, 2021, GOCO entered into a lease agreement for a vehicle for use by the regional program officer in the East Region. The lease calls for total annual payments of \$5,781 for three years beginning on October 1, 2021. The lease liability was measured using a discount rate of 0.51% which is the 3-year Treasury SLGS rate as of October 1, 2021. As a result of the lease, GOCO recorded a lease liability with a value of \$17,253. As of June 30, 2023 and 2022, the unamortized balance of this lease liability was \$5,749 and \$11,472, respectively.

On October 1, 2021, GOCO entered into a lease agreement for a vehicle for use by the regional program officer in the North Central Region. The lease calls for total annual payments of \$5,710 for three years beginning on October 1, 2021. The lease liability was measured using a discount rate of 0.51% which is the 3-year Treasury SLGS rate as of October 1, 2021. As a result of the lease, GOCO recorded a lease liability with a value of \$17,040. As of June 30, 2023 and 2022, the unamortized balance of this leased asset was \$5,678 and \$11,330, respectively.

On November 1, 2021, GOCO entered into a lease agreement for a vehicle for use by the regional program officer in the West Region. The lease calls for total annual payments of \$5,781 for three years beginning on November 1, 2021. The lease liability was measured using a discount rate of 0.79% which is the 3-year Treasury SLGS rate as of November 1, 2021. As a result of the lease, GOCO recorded a lease liability with a value of \$17,205. As of June 30, 2023 and 2022, the unamortized balance of this lease liability was \$5,573 and \$11,424, respectively.

On November 1, 2021, GOCO entered into a lease agreement for a vehicle for use by the regional program officer in the Southern Front Range Region. The lease calls for total annual payments of \$5,781 for three years beginning on November 1, 2021. The lease liability was measured using a discount rate of 0.79% which is the 3-year Treasury SLGS rate as of November 1, 2021. As a result of the lease, GOCO recorded a lease liability with a value of \$17,205. As of June 30, 2023 and 2022, the unamortized balance of this lease liability was \$5,733 and \$11,424, respectively.

On August 1, 2022, GOCO entered into a lease agreement for a vehicle for use by the regional program officers in the Northern Front Range Region. The lease calls for total annual payments of \$6,477 for three years beginning on August 1, 2022. The lease liability was measured using a discount rate of 2.41% which is the 3-year Incremental Borrowing Rate as of August 31, 2022. As a result of the lease, GOCO recorded a lease liability with a value of \$18,975. As of June 30, 2023, the unamortized balance of this lease liability was \$12,498.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 9 – Long-term Liabilities (continued)

GOCO has a lease for a postage meter for use in the Denver office. The postage meter lease calls for quarterly lease payments of \$486 through July 2021 and \$522 beginning October 2021 through October 2026. The lease liability for the postage meter was measured using the discount rate of 3%. For the year ended June 30, 2022, GOCO recorded a lease liability with a value of \$10,107. As of June 30, 2023 and 2022, the unamortized balance of this lease liability was \$6,912 and \$8,214, respectively.

GOCO has a lease for a copier for use in the Denver office. This lease calls for monthly lease payments of \$210 through December 2021 and \$189 from January 2022 through December 2022 with an implied interest rate of 3%. In September 2022, GOCO entered into a new lease for its copier machine which calls for monthly lease payments of \$205 from January 2023 through January 2027. The lease liability for the new lease was measured using a discount rate of 3.27% which is the 4-year Incremental Borrowing Rate as of September 30, 2023. For the years ended June 30, 2023 and 2022, GOCO recorded a lease liability with a value of \$9,211 and \$2,231, respectively. As of June 30, 2023 and 2022, the unamortized balance of these copier lease liabilities were \$8,758 and \$1,123, respectively.

In September 2016, GOCO entered into a lease agreement for the Denver office space. GASB 87, *Leases*, is required to be implemented retroactively to July 1, 2020, therefore this lease was calculated using a measurement date of July 1, 2020. The monthly lease payment from July 2020 to January 2024 ranges from \$10,185 to \$11,012. The lease liability was measured using a discount rate of 0.19% which is the 3-year, 7-month Treasury SLGS rate as of July 1, 2020. As a result of the lease, GOCO recorded a lease liability with a value of \$456,268. In March 2022, GOCO signed an amendment to the September 2016 lease agreement for the Denver office space. This lease extended the existing lease to April 2027 and included an abatement of three months from April 2022 through June 2022. The monthly lease payments from July 2022 to January 2024 range from \$10,736 to \$12,452. The lease liability was measured using a discount rate of 2.14% which is the 5-year, 1-month Treasury SLGS rate as of March 17, 2022. As a result of this lease amendment, GOCO retired the lease liability with a value of \$333,350 and recorded a new lease liability with a value of \$634,835. As of June 30, 2023 and 2022, the unamortized balance of this lease liability was \$637,101 and \$519,380, respectively.

Subscriptions

In March 2022, GOCO entered into a SBITA for accounting software. The subscription calls for total annual payments of \$4,426 for three years beginning on March 26, 2022. The subscription liability was measured using a discount rate of 2.09% which is equal to the 3-year Incremental Borrowing Rate as of March 31, 2022. As a result of the lease, GOCO recorded a subscription liability with a value of \$13,006. As of June 30, 2023 and 2022, the unamortized balance of this subscription liability was \$4,333 and \$8,580, respectively.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2023 and 2022**

Note 9 – Long-term Liabilities (continued)

A summary of the changes in Long-term Leases and Subscriptions for the year ended June 30, 2023 follows:

	Balance July 1, 2022, as restated	Additions	Retirements	Balance June 30, 2023	Amounts due within one year
Long-term Lease Liabilities	\$ 699,645	\$ 28,186	\$ 157,933	\$ 569,898	\$ 158,303
Long-term Subscription Liabilities	<u>8,580</u>	<u>-</u>	<u>4,247</u>	<u>4,333</u>	<u>4,333</u>
	<u>\$ 708,225</u>	<u>\$ 28,186</u>	<u>\$ 162,180</u>	<u>\$ 574,231</u>	<u>\$ 162,636</u>

A summary of the changes in Long-term Leases and Subscriptions for the year ended June 30, 2022 follows:

	Balance July 1, 2021, as restated	Additions	Retirements	Balance June 30, 2022, as restated	Amounts due within one year
Long-term Lease Liabilities	\$ 349,100	\$ 715,875	\$ 365,330	\$ 699,645	\$ 150,460
Long-term Subscription Liabilities	<u>-</u>	<u>13,006</u>	<u>4,426</u>	<u>8,580</u>	<u>4,247</u>
	<u>\$ 349,100</u>	<u>\$ 728,881</u>	<u>\$ 369,756</u>	<u>\$ 708,225</u>	<u>\$ 154,707</u>

The future minimum lease obligations and the net present value of the minimum lease and subscription payments as of June 30, 2023, are as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 162,636	\$ 10,856	\$ 173,492
2025	143,897	7,573	151,470
2026	144,096	4,375	148,471
2027	<u>123,602</u>	<u>1,221</u>	<u>124,823</u>
	<u>\$ 574,231</u>	<u>\$ 24,025</u>	<u>\$ 598,256</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 9 – Long-term Liabilities (continued)

The future minimum lease obligations and the net present value of these minimum lease and subscription payments as of June 30, 2022, are as follows:

Year ending June 30	Principal	Interest	Total
2023	\$ 154,707	\$ 13,090	\$ 167,797
2024	154,215	10,233	164,448
2025	135,263	7,202	142,465
2026	141,712	4,272	145,984
2027	<u>122,328</u>	<u>1,225</u>	<u>123,553</u>
	<u>\$ 708,225</u>	<u>\$ 36,022</u>	<u>\$ 744,247</u>

Note 10 – Commitments and Contingencies

Contractual Obligation

During Fiscal Year 2016, GOCO signed a multi-year contract with Suple Advertising for services for the Generation Wild marketing campaign, a statewide, multi-media, integrated movement connecting Colorado kids and families with the outdoors. The research and strategy phase of the campaign started in Fiscal Year 2016, and the program has now extended into Fiscal Year 2024. In Fiscal Year 2023 and 2022, GOCO's expenses on the marketing campaign were approximately \$2.0 million and \$2.1 million, respectively. The GOCO Board has approved a Fiscal Year 2024 budget of \$2.0 million. This contract may be terminated upon advance notice with payment required on any active projects.

Note 11 - 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, administered by Unified Trust Company, that consists of an employer-funded Defined Contribution Pension Plan and an employee-funded Deferred Compensation Plan.

Benefit terms, including contribution requirements, for GOCO's retirement 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.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 11 - Pension Plans (continued)

Employees are vested on a two-year schedule contingent on 1,000 hours of service during each of the two years. 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, 2023 and 2022, respectively, GOCO recognized pension expense of \$15,276 and \$12,163, net of forfeitures, which reduced pension expense by \$0 and \$0. GOCO contributed \$199,793 and \$173,300 to the Pension Plan for the Fiscal Years ended June 30, 2023 and 2022, respectively, which approximates the required contribution. As of June 30, 2023, 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.

Note 12 - Related Parties - State Agencies

Board Composition and Approval of Grants

The GOCO Board is composed of 19 members, 16 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. Expenditures made to CPW are listed in Note 8.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2023 and 2022

Note 13 - 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 14 - 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.

Note 15 – Project Reimbursements

During Fiscal Year 2023, GOCO received a cash payment from a grantee for a reimbursement of land sale proceeds. In 1999, GOCO awarded open space and wildlife purpose funds in the amount of \$3.5 million for a land acquisition which is adjacent to the Great Sand Dunes National Park. During Fiscal Year 2023, portions of this property were sold and transferred to the Federal Government and per the grant agreements, funds in the amount of \$3.7 million were reimbursed to GOCO.

Note 16 – Adoption of New Standards

As of July 1, 2021, GOCO implemented GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*. This standard establishes a model for subscription accounting based on the foundational principle that leases are financings of the right to use an underlying subscription asset. The Statement requires recognition of certain subscription assets and liabilities for subscriptions that previously were classified as operating expenditures and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard was implemented retroactively as of July 1, 2021, therefore the net position reported in the Statement of Activities was increased by \$91 from amounts originally reported for the year ended June 30, 2022.

Net position, at June 30, 2022 as previously reported	\$ 78,132,475
Subscription asset (\$13,006), net of amortization (\$4,335) under GASB 96	8,671
Subscription liability (\$13,006), net of amortization (\$4,426) under GASB 96	(8,580)
Net position, at June 30, 2022 as restated	<u>\$ 78,132,566</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance– Favorable (Unfavorable)</u>
Revenues			
State lottery proceeds	\$ 74,192,506	\$ 75,706,639	\$ 1,514,133
Investment earnings and miscellaneous income	780,000	(148,799)	(928,799)
Project reimbursements	<u>-</u>	<u>3,667,701</u>	<u>3,667,701</u>
Total revenues	<u>74,972,506</u>	<u>79,225,541</u>	<u>4,253,035</u>
Expenditures			
Grants expended	61,484,615	72,545,099	(11,060,484)
Personnel services and benefits	2,690,470	2,548,490	141,980
Operating expenditures	894,433	921,960	(27,527)
Generation Wild media campaign	2,180,400	2,003,266	177,134
Capital outlay	<u>64,700</u>	<u>34,399</u>	<u>30,301</u>
Total expenditures	<u>67,314,618</u>	<u>78,053,214</u>	<u>(10,738,596)</u>
Excess (deficiency) of revenues over expenditures	7,657,888	1,172,327	(6,485,561)
Other Financing Sources - Leases	<u>20,000</u>	<u>28,186</u>	<u>8,186</u>
Net change in fund balance	7,677,888	1,200,513	(6,477,375)
Fund balance – beginning of year	<u>78,091,968</u>	<u>78,091,968</u>	<u>-</u>
Fund balance – end of year	<u><u>\$ 85,769,856</u></u>	<u><u>\$ 79,292,481</u></u>	<u><u>\$ (6,477,375)</u></u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance— Favorable (Unfavorable)</u>
Revenues			
State lottery proceeds	\$ 71,163,020	\$ 73,117,767	\$ 1,954,747
Investment earnings and miscellaneous income	950,000	(3,932,900)	(4,882,900)
Total revenues	<u>72,113,020</u>	<u>69,184,867</u>	<u>(2,928,153)</u>
Expenditures			
Grants expended	60,555,990	68,048,786	(7,492,796)
Personnel services and benefits	2,377,278	2,231,697	145,581
Operating expenditures	1,037,905	910,521	127,384
Generation Wild media campaign	2,123,109	2,117,356	5,753
Capital outlay	76,000	731,842	(655,842)
Total expenditures	<u>66,170,282</u>	<u>74,040,202</u>	<u>(7,869,920)</u>
Excess (deficiency) of revenues over expenditures	5,942,738	(4,855,335)	(10,798,073)
Other Financing Sources			
Leases	-	715,875	715,875
Subscriptions	-	13,006	13,006
Total other financing sources	<u>-</u>	<u>728,881</u>	<u>728,881</u>
Net change in fund balance	5,942,738	(4,126,454)	(10,069,192)
Fund balance – beginning of year	<u>82,218,422</u>	<u>82,218,422</u>	<u>-</u>
Fund balance – end of year	<u>\$ 88,161,160</u>	<u>\$ 78,091,968</u>	<u>\$ (10,069,192)</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Required Supplementary Information

Note RSI-1 Budgetary Information

GOCO budgets are prepared by GOCO staff and approved annually by the Board. The operating budget uses the modified accrual standard of accounting where capital outlays are treated as expenditures and depreciation is not budgeted. The operating budget is based on prior year results and expectations for the next year.

Encumbrance accounting is employed by GOCO to account for grants awarded but not yet invoiced. Encumbrances outstanding at year end do not constitute expenditures or liabilities.



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the State Board of the Great Outdoors Colorado Trust Fund and Legislative Audit Committee
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise GOCO’s basic financial statements and have issued our report thereon dated September 28, 2023.

Report on 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) as a basis for designing 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 a 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GOCO's financial statements are free from 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 financial statements. 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*.

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 on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado
September 28, 2023



September 28, 2023

Members of the State Board of the Great Outdoors Colorado Trust Fund and Legislative Audit Committee
Great Outdoors Colorado Trust Fund
Denver, Colorado

We have audited the financial statements of the State Board of the Great Outdoors Colorado Trust Fund ("GOCO") as of and for the year ended June 30, 2023, and have issued our report thereon dated September 28, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated May 19, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of GOCO solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor’s report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as “significant risks.” We have identified the following as significant risks:

- Management override of controls – Professional standards require auditors to address the possibility of management overriding controls, which is inherent to every entity. Accordingly, we identified as a significant risk that management of the organization may have the ability to override controls that the organization has implemented.
- Grant expenditures – There is a risk surrounding noncompliance with State statutes in expending grants in accordance with the four funding purposes on a substantially equal basis. As part of this, the risk surrounding improper cutoff of grant expenditures is also present in order to manage results over the four funding purposes.
- Revenue recognition – We identified revenue recognition as a significant risk due to the infrequency and material amount of project reimbursements to ensure revenue is recognized at the proper amount and in the proper period.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by GOCO is included in Note 2 to the financial statements. As described in Notes 2 and 16, GOCO changed accounting policies related to accounting for right-to-use subscription assets to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 markedly from management’s current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting GOCO's financial statements relate to the disclosure of Note Receivables and Advanced Grant Payments in Note 6, Authorized Grants and Expended Grants (Unaudited) in Note 8, and Related Parties – State Agencies in Note 12.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

	<u>Debit</u>	<u>Credit</u>
Overstatement of Grants Payable	\$ 733,575	
Overstatement of Grants Expense		\$ 182,647
Understatement of Opening Net Position / Fund Balance		\$ 550,928
Understatement of Rent Expense	\$ 57,396	
Understatement of Opening Net Position / Fund Balance		\$ 57,396

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements summarized in the amount of \$57,396 as of and for the year ended June 30, 2022, is an understatement of change in fund balance / net position of approximately \$125,250, and understatement of ending fund balance / net position of \$733,575.

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Notes 2 and 16 to the financial statements, due to the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GOCO restated the financial statements as of and for the year ended June 30, 2022. We have included an emphasis of matter in our report regarding this restatement.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated September 28, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Matters Resulting in Consultation outside the Engagement Team

The following significant and relevant matters resulted in consultations outside of our engagement team:

We held discussions with Eide Bailly governmental specialists, who were outside of the engagement team, regarding GOCO's policies for grant expense recognition. The discussions were specific to the reasonableness of the criteria established to determine the point in time when a grantee had met all eligibility requirements, thus triggering the recognition of grant expenses by GOCO. The result of the discussions were that GOCO's grant expense recognition policies were materially correct. However, as previously communicated, there was an uncorrected misstatement related to the grant expense and grant payable cutoff.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with GOCO, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as GOCO's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in GOCO's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the GOCO Board, management of GOCO, the Legislative Audit Committee, and Office of 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 public document.

Eide Bailly LLP

Denver, Colorado