



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

**Financial and Compliance Audit
For the Years
June 30, 2018 and 2017**

LEGISLATIVE AUDIT COMMITTEE

Senator Tim Neville – Chair
Senator Rhonda Fields
Representative Tracy Kraft-Tharp
Representative Dafna Michaelson Jenet

Senator Nancy Todd – Vice-Chair
Representative Kim Ransom
Representative Lori Saine
Senator Jim Smallwood

OFFICE OF THE STATE AUDITOR

Dianne E. Ray	State Auditor
Kerri Hunter	Deputy State Auditor
Gina Faulkner	Contract Monitor
Eide Bailly, LLP	Contractor

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
WWW.COLORADO.GOV/AUDITOR

A BOUND REPORT MAY BE OBTAINED BY CALLING THE
OFFICE OF THE STATE AUDITOR
303.869.2800

PLEASE REFER TO REPORT NUMBER 1822F WHEN REQUESTING THIS REPORT

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

2018 MEMBERS

Jason Brinkley– Chair
Katie Cattnach
Hollie Velasquez-Horvath
Jenn Dice
Tony Lewis
Tom Burke
Julie Thibodeau
Chana Reed
Jody Rogers
Warren Dean
Dave Palenchar
Linda Strand
Jacy Rock
Karma Giulianelli
Bob Randall
John Howard
Carrie Besnette Hauser



October 16, 2018

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, 2018 and 2017. 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,

A handwritten signature in black ink that reads "Eide Bailly LLP".

Eide Bailly LLP

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Table of Contents

	<u>Page</u>
Report Summary	1
Recommendation Locator.....	2
Description of the State Board of the Great Outdoors Colorado Trust Fund	3
Auditor’s Findings and Recommendations	7
Independent Auditor’s Report	8
Management’s Discussion and Analysis	10
Basic Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2018	15
Governmental Fund Balance Sheet and Statement of Net Position – June 30, 2017	16
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2018.....	17
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – For the Year Ended June 30, 2017.....	18
Notes to Financial Statements	19
Required Supplementary Information	
Budgetary Comparison Schedule – For the Year Ended June 30, 2018.....	35
Budgetary Comparison Schedule – For the Year Ended June 30, 2017.....	36
Notes to the Required Supplementary Information	37
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 <i>Government Auditing Standards</i>	38
Required Communications to the Members of the State Board of Great Outdoors Colorado Trust Fund and the Legislative Audit Committee	40

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Report Summary Financial and Compliance Audit For the Years Ended June 30, 2018 and 2017

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, 2018 and 2017.

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 May 2018 through October 2018.

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, 2018 (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 October 16, 2018, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2018 and 2017, 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 October 16, 2018, 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 2017 and no findings and recommendations reported for fiscal year 2018.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Recommendation Locator
Financial and Compliance Audit
For the Years Ended June 30, 2018 and 2017**

Recommendation Number	Page Number	Recommendation Summary	Response	Implementation Date
----------------------------------	------------------------	-----------------------------------	-----------------	--------------------------------

There are no findings and recommendations reported for the year ended June 30, 2018.

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, 2018 and 2017

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 2018 was the twenty-fifth 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, 2018, the State Board that oversees GOCO consists of a total of seventeen members: two members of the public from each of the seven congressional districts, appointed by the Governor; a representative for outdoor recreation issues designated by the Colorado Parks and Wildlife Commission (the “Commission”); a representative for wildlife issues, also designated by the Commission; and the Executive Director of the Department of Natural Resources. Monies allocated to GOCO are for the purposes established in Article XXVII and are not subject to appropriation for any other purpose. GOCO is a political subdivision of the State of Colorado (“State”). During Fiscal Year 2018, GOCO had a permanent staff of 16 and received \$66.3 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2018. During Fiscal Year 2017, GOCO had a permanent staff of 16 and received \$64.5 million in net Lottery proceeds, the maximum allowable for Fiscal Year 2017.

CONSTITUTIONAL REQUIREMENTS FOR SPENDING

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

The Office of the State Auditor conducted a performance audit in Fiscal Year 2017, which recommended that “GOCO should ensure that it has a clear and transparent process for categorizing grant expenditures and dividing spending across the four purposes on a substantially equal basis.” This includes defining and establishing guidelines and thresholds around the terms “substantially equal” and “a period of years” which are stated in Article XXVII. The recommendations also prompted GOCO’s board to revise and update its previous grant categorization policies to clarify the process to categorize grants into the four purposes. Certain grants that were categorized under previous policies required recategorization under GOCO’s new policies implemented in Fiscal Year 2018:

- Unallocated grants – \$1,170,174 of grants that were authorized and expended in prior years were not allocated to one of the four purposes and were placed in a non-categorized – discretionary classification. Under GOCO’s new policy, these grants were recategorized to the Competitive Grants for Open Space purpose.

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, 2018 and 2017

- Inspire grants – GOCO initiated the Inspire program area to help address barriers that prevent youth from spending time in the outdoors by working collaboratively with communities to address these barriers. Under GOCO’s previous policy these grant authorizations and expenditures were divided evenly between the Open Space and Local Governments funding purposes. Under GOCO’s new policy, GOCO staff determined that most of the Inspire grants fell into the Local Government purpose, as most of the Inspire grantees are eligible local governments. As a result, GOCO recategorized \$1.07 million and \$12.6 million in grant expenditures and grant authorizations, respectively, from the Open Space to the Local Government Purpose.

To address the definition of “substantially equal” and “a period of years,” as also recommended by the performance audit, GOCO created a policy to address these terms, measure performance and define a process for addressing issues of non-compliance. This policy sets tolerance thresholds of the percentage variance from 25% (exactly equal among 4 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.

As shown in the tables on the following pages, GOCO complied with the above policy on expended grants as of Fiscal Year 2018. Authorized grants are measured for compliance as forecasted at the end of the multi-year spending plan (Fiscal Year 2020). Although the Local Government Purpose is forecasted to be outside of the 1.25% threshold at 2020, GOCO has complied with policy by passing a board resolution to describe a plan to meet threshold for all purposes within a specified timeframe.

See Note 8 for more details on the recategorization.

The following chart shows the cumulative grants expended and authorized since GOCO’s inception in 1993. *Grants Authorized* represents the amount, by purpose, approved by the GOCO Board. This authorization process is used by the GOCO Board to achieve the goal of substantially equal expenditures across the four purposes. *Grants Expended* represents cumulative actual expenditures by purpose and is the measurement used for substantially equal. The recategorization discussed above is reflected in the Fiscal Year 2018 amounts.

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, 2018 and 2017**

GOCO Grants Cumulative through Fiscal Year 2018 (in thousands)

Funding Purpose	Grants Authorized		Grants Expended		Cumulative Difference
	Amount	%	Amount	%	
Purpose 1 – Wildlife	\$ 298,517	23.9%	\$ 265,534	24.6%	\$ 32,983
Purpose 2 – Parks and outdoor recreation	290,936	23.4	243,440	22.6	47,496
Purpose 3 – Competitive grants for open space	315,295	25.3	287,911	26.7	27,384
Purpose 4 – Competitive matching grants to local governments for open lands and parks	<u>342,219</u>	<u>27.4</u>	<u>282,428</u>	<u>26.1</u>	<u>59,791</u>
Total	<u>\$ 1,246,967</u>	<u>100.0%</u>	<u>\$1,079,313</u>	<u>100.0%</u>	<u>\$ 167,654</u>

Source: Data provided by GOCO

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

GOCO Grants Authorized Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Authorized %					Five-Year Change
	2014	2015	2016	2017	2018	
Purpose 1 - Wildlife	24.8%	24.6%	24.6%	24.2%	23.9%	(0.9)%
Purpose 2 - Parks and outdoor recreation	23.1	23.8	23.7	23.5	23.4	0.3%
Purpose 3 - Competitive grants for open space	25.6	25.4	26.0	26.0	25.3	(0.3)%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>26.5</u>	<u>26.2</u>	<u>25.7</u>	<u>26.3</u>	<u>27.4</u>	0.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Data provided by GOCO

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Description of the State Board of the Great Outdoors Colorado Trust Fund
For the Years Ended June 30, 2018 and 2017**

GOCO Grants Expended Cumulative Trend for the Previous Five Years

Funding Purpose	Grants Expended %					Five-Year Change
	2014	2015	2016	2017	2018	
Purpose 1 - Wildlife	25.5%	25.5%	25.4%	25.3%	24.6%	(0.9)%
Purpose 2 - Parks and outdoor recreation	22.3	22.4	22.9	23.0	22.6	0.3%
Purpose 3 - Competitive grants for open space	26.6	26.4	25.7	25.5	26.7	0.1%
Purpose 4 - Competitive matching grants to local governments for open lands and parks	<u>25.6</u>	<u>25.7</u>	<u>26.0</u>	<u>26.2</u>	<u>26.1</u>	0.5%
	<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, 2018 and 2017**

There are no findings and recommendations reported for the years ended June 30, 2018 or June 30, 2017.



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the State Board of the Great Outdoors Colorado Trust Fund ("GOCO") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise GOCO's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of GOCO as of June 30, 2018 and 2017, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 11 and 32 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, 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.

Eide Bailly LLP

Denver, Colorado
October 16, 2018

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management’s Discussion and Analysis
June 30, 2018 and 2017

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, 2018 and 2017. The management’s discussion and analysis is intended to be read in conjunction with GOCO’s financial statements beginning on page 12.

Financial Highlights

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

The following table highlights significant variances between Fiscal Year 2018, Fiscal Year 2017, and Fiscal Year 2016.

	Fiscal Year Ended June 30,			2018/2017		2017/2016	
	2018	2017	2016	\$ Variance	%	\$ Variance	%
Lottery revenues	\$ 66,250,998	\$ 64,463,929	\$ 63,714,505	\$ 1,787,069	2.8%	\$ 749,424	1.2%
Grant expenditures	\$ 66,377,373	\$ 50,782,305	\$ 44,934,958	\$ 15,595,068	30.7%	\$ 5,847,347	13.0%

2018

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$66.3 million, per the constitutional cap. This represents a \$1.8 million increase over Fiscal Year 2017 in Lottery proceeds to GOCO due to an increase in the Denver-Boulder-Greeley 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 \$15.6 million from Fiscal Year 2017. Grant expenditures fluctuate year to year due to timing differences of project completions. The increase is largely due to high dollar awards to grantees in Fiscal Years 2016 and 2017 that were paid in Fiscal Year 2018.

2017

GOCO received its maximum allowable Lottery proceeds for the year of approximately \$64.5 million, per the constitutional cap. This represents a \$749,424 increase over Fiscal Year 2016 in Lottery proceeds to GOCO due to an increase in the Denver-Boulder-Greeley CPI.

Grant expenditures increased by \$5.8 million from Fiscal Year 2016. Grant expenditures fluctuate year to year due to timing differences of project completions, but GOCO averages approximately \$50 million in grant disbursements per year historically.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management’s Discussion and Analysis
June 30, 2018 and 2017

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 (\$66.3 million and \$64.5 million in Fiscal Year 2018 and Fiscal Year 2017, respectively). Any remaining net Lottery proceeds in excess of the cap were annually distributed to the Public School Capital Construction Assistance Fund for Fiscal Year 2018 and Fiscal Year 2017.

Government-Wide Statements

Statement of Net Position

The following table reflects the condensed statement of net position as of June 30, 2018, 2017, and 2016.

	June 30,		
	2018	2017	2016
Current and other assets	\$ 94,091,500	\$ 94,224,483	\$ 95,533,739
Capital assets, net	<u>105,292</u>	<u>127,177</u>	<u>78,361</u>
Total assets	<u>94,196,792</u>	<u>94,351,660</u>	<u>95,612,100</u>
Liabilities	<u>10,537,698</u>	<u>9,231,561</u>	<u>20,558,919</u>
Net position			
Invested in capital assets	105,292	127,177	78,361
Unrestricted	<u>83,553,802</u>	<u>84,992,922</u>	<u>74,974,820</u>
Total net position	<u>\$ 83,659,094</u>	<u>\$ 85,120,099</u>	<u>\$ 75,053,181</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2018 and 2017

Government-Wide Statements (continued)

2018

The significant portions of current and other assets are cash, Lottery proceeds receivable, advanced grants payments, and notes receivable. Cash increased by approximately \$1.5 million during Fiscal Year 2018 due to timing of grant payments. Lottery proceeds receivable decreased by approximately \$3 million from June 30, 2017. This represents the amount of proceeds due from Lottery at the end of the year to meet the constitutional cap. Higher proceeds from Lottery in the beginning of the year reduce the receivable at the end of the year. Advanced grants payments were made during the year to Inspire grantees. These advances will be recognized as grant expense once the contractual obligations are met by the grantees. The \$1 million note receivable consists of a promissory note entered on June 9, 2006 between GOCO and the City of Colorado Springs, Colorado for the acquisition of Red Rock Canyon property in El Paso County, Colorado. Please see Note 6 for further explanation.

As of June 30, 2018, liabilities increased by \$1.3 million from June 30, 2017. The liabilities outstanding at Fiscal Year End consisted mainly of monthly bills, grants payable, unearned grant revenue, and estimates of reimbursable costs incurred by Colorado Parks and Wildlife ("CPW"). The amount includes an accrual for CPW's estimated June 2018 Parks and Wildlife investments of approximately \$4.2 million. Grants payable increased by approximately \$778,000 largely due to timing of completion of Local Government projects before year end. The increase in Unearned Grant Income was due to the receipt of the second installment (\$1 million) of a \$4 million grant from the Colorado Health Foundation in Fiscal Year 2018. The balance of Unearned Grant Income of \$1.4 million represents the grants that have been received but the contractual requirements of the grant have not yet been met. GOCO recognized approximately \$605,000 of this grant as of June 30, 2018. Please see Note 14 for further explanation.

2017

The significant portions of current and other assets are cash, Lottery proceeds receivable, and notes receivable. Cash decreased by approximately \$8 million during Fiscal Year 2017. Lottery proceeds receivable increased to \$14.1 million at June 30, 2017 from \$7.9 million at June 30, 2016. The increase in the receivable is due to meeting Lottery's constitutional cap later in the year in Fiscal Year 17 than Fiscal Year 16. Proceeds from the entire 4th quarter of Fiscal Year 17 are included in the receivable. GOCO reached the constitutional cap amount in May for Fiscal Year 2016.

As of June 30, 2017, liabilities decreased by \$11.3 million from June 30, 2016. 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"). The decrease is mainly due to a decrease in grants payable to CPW. A large accrual was recorded at the end of 2016 which included 6 months of CPW invoices. However, invoices from CPW were received more timely in Fiscal Year 2017 and the current accrual consists of only 2 months of invoices. Accruals for local government and open space projects also decreased at June 30, 2017 due to timing of completion of projects. The increase in Accounts Payable is due to a \$40,706 rent payable that was recorded due to the structure of the lease for GOCO's office space. The lessor provided an incentive allowance of 4 months of abated rent at the start of the lease term. The abatement was deferred as a liability and amortized straight-line as an adjustment to rent expense over the life of the lease.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2018 and 2017

Government-Wide Statements (continued)

Additionally, Unearned Revenue was recorded to recognize a grant received from the Colorado Health Foundation where the contractual requirements of the grant have not yet been met. Please see Note 14 for more information on the Unearned Revenue.

Statement of Activities

The following table reflects the condensed statement of activities for the Fiscal Years ended June 30, 2018, 2017, and 2016.

	Fiscal Years Ended June 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue			
Lottery revenue	\$ 66,250,998	\$ 64,463,929	\$ 63,714,505
Miscellaneous/Grant income and investment earnings	<u>914,078</u>	<u>258,616</u>	<u>967,734</u>
Total revenue	<u>67,165,076</u>	<u>64,722,545</u>	<u>64,682,239</u>
Program expenses			
Grants expended	66,377,373	50,782,305	44,934,958
Personnel services and benefits	1,574,344	1,436,930	1,287,515
Operating and capital outlay	<u>2,940,383</u>	<u>2,436,392</u>	<u>1,039,547</u>
Total expenses	<u>70,892,100</u>	<u>54,655,627</u>	<u>47,262,020</u>
Special Item			
Grant Reimbursements	<u>2,266,019</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(1,461,005)</u>	<u>10,066,918</u>	<u>17,420,219</u>
Beginning net position	85,120,099	75,053,181	57,632,962
Ending net position	<u>\$ 83,659,094</u>	<u>\$ 85,120,099</u>	<u>\$ 75,053,181</u>

2018

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2018 increased by \$655,462. The increase is due to the revenue recognition of previously unearned grant income of \$605,000 received from the Colorado Health Foundation. Additionally, GOCO's investments held by the State Treasury experienced an unrealized loss of \$940,175 which was offset by interest income of approximately \$1.2 million.

Grant expenditures in Fiscal Year 2018 increased by \$15.6 million from Fiscal Year 2017 primarily due to an increase in completed competitive grant projects for open space. Grant expenditures are made on a reimbursement basis. Operating expenditures increased from prior year due to inflation and the increase in budget for the Generation Wild marketing campaign designed to get Colorado kids and their families outside more often.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND
Management's Discussion and Analysis
June 30, 2018 and 2017

Government-Wide Statements (continued)

During 2018, GOCO received reimbursements from the proceeds of land sales from grantees, as stipulated in their grant agreements from prior years. These transactions were considered infrequent and unusual in nature and are classified as Special Items. See Note 15 for more detail.

2017

Revenue was consistent with Lottery net proceeds reaching the constitutional cap each year since Fiscal Year 2004. Miscellaneous income and investment earnings in Fiscal Year 2017 decreased by approximately \$709 thousand. GOCO's investments held by the State Treasury experienced an unrealized loss of approximately \$600,000 which was offset by interest income of approximately \$858,000. Grant expenditures in Fiscal Year 2017 increased by \$5.8 million from Fiscal Year 2016 primarily due to an increase in completed competitive grant projects for open space. Grant expenditures are made on a reimbursement basis. Operating expenditures increased from prior year due to the increase in budget for the Generation Wild 2-year marketing campaign designed to get Colorado kids and their families outside more often.

Economic Factors and Next Year's Budget

Next year, GOCO is projecting approximately \$67.1 million in revenue from the Lottery, which is less than the constitutional cap projection for Fiscal Year 2019. Although the constitutional cap has historically been met, GOCO prefers to budget conservatively, as Lottery revenues are unpredictable. Grant expenditures are expected to be consistent in future years as grantees continue to expend the large awards granted in Fiscal Years 2016 and 2017. Also, GOCO is budgeting \$5.2 million for operating expenditures. The increase from prior year is due to an increase in GOCO staffing including the addition of one full time employee and the continuation of the Generation Wild marketing campaign. Operating expenditures are classified as follows:

Personnel services and benefits	\$ 1,772,860
Operating expenditures	3,396,064
Capital outlay	<u>7,000</u>
Total 2019 Budgeted Operating Expenditures	<u>\$ 5,175,924</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2018**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 80,008,144	\$	\$ 80,008,144
Lottery proceeds receivable	11,114,576		11,114,576
Note receivable	1,000,000		1,000,000
Advanced Grant Payments	1,696,256		1,696,256
Other Assets	272,524		272,524
Capital assets, net of accumulated depreciation	<u>-</u>	<u>105,292</u>	<u>105,292</u>
 Total assets	 <u>\$ 94,091,500</u>	 <u>\$ 105,292</u>	 <u>\$ 94,196,792</u>
Liabilities			
Grants payable	\$ 8,866,448	\$ -	\$ 8,866,448
Accounts payable	225,777	-	225,777
Compensated absences payable	50,676	-	50,676
Unearned Grant Income	<u>1,394,797</u>	<u>-</u>	<u>1,394,797</u>
 Total liabilities	 <u>\$ 10,537,698</u>	 <u>-</u>	 <u>\$ 10,537,698</u>
 Commitments and contingencies (See Note 9)			
Fund Balances/Net Position			
Fund balances			
Assigned	<u>83,553,802</u>	<u>(83,553,802)</u>	<u>-</u>
Total fund balances	<u>83,553,802</u>	<u>(83,553,802)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 94,091,500</u>		
 Net position			
Invested in capital assets		105,292	105,292
Unrestricted		<u>83,553,802</u>	<u>83,553,802</u>
 Total net position		 <u>\$ 83,659,094</u>	 <u>\$ 83,659,094</u>

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, 2017**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 78,526,219	\$	\$ 78,526,219
Lottery proceeds receivable	14,098,436		14,098,436
Note receivable	1,000,000		1,000,000
Other assets	599,828		599,828
Capital assets, net of accumulated depreciation	<u>-</u>	<u>127,177</u>	<u>127,177</u>
Total assets	<u>\$ 94,224,483</u>	<u>\$ 127,177</u>	<u>\$ 94,351,660</u>
Liabilities			
Grants payable	\$ 8,088,440	\$ -	\$ 8,088,440
Accounts payable	104,894	-	104,894
Compensated absences payable	38,227	-	38,227
Unearned Grant Income	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total liabilities	<u>\$ 9,231,561</u>	<u>-</u>	<u>\$ 9,231,561</u>
Commitments and contingencies (See Note 9)			
Fund Balances/Net Position			
Fund balances			
Assigned	<u>84,992,922</u>	<u>(84,992,922)</u>	<u>-</u>
Total fund balances	<u>84,992,922</u>	<u>(84,992,922)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 94,224,483</u>		
Net position			
Invested in capital assets		127,177	127,177
Unrestricted		<u>84,992,922</u>	<u>84,992,922</u>
Total net position		<u>\$ 85,120,099</u>	<u>\$ 85,120,099</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, 2018**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 66,377,373	\$ -	\$ 66,377,373
Personnel services and benefits	1,574,344	-	1,574,344
Operating expenditures	2,912,998	27,385	2,940,383
Capital outlay	<u>5,500</u>	<u>(5,500)</u>	<u>-</u>
Total expenditures/expenses	<u>70,870,215</u>	<u>21,885</u>	<u>70,892,100</u>
 Program revenues – State Lottery proceeds	 <u>66,250,998</u>	 <u>-</u>	 <u>66,250,998</u>
 Net program revenues (expenses)			 <u>(4,641,102)</u>
 General revenues			
Grant income	607,850	-	607,850
Investment earnings	<u>306,228</u>	<u>-</u>	<u>306,228</u>
Total general revenues	<u>914,078</u>	<u>-</u>	<u>914,078</u>
 Excess (deficiency) of revenues over expenditures	 (3,705,139)	 (21,885)	 (3,727,024)
 Special item			
Project reimbursements	<u>2,266,019</u>	<u>-</u>	<u>2,266,019</u>
 Change in fund balance	 (1,439,120)	 1,439,120	
 Change in net position	 <u>-</u>	 <u>(1,461,005)</u>	 <u>(1,461,005)</u>
 Fund balance/net position – beginning of the year	 <u>84,992,922</u>	 <u>127,177</u>	 <u>85,120,099</u>
 Fund balance/net position – end of the year	 <u>\$ 83,553,802</u>	 <u>\$ 105,292</u>	 <u>\$ 83,659,094</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, 2017**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Grants expended	\$ 50,782,305	\$ -	\$ 50,782,305
Personnel services and benefits	1,436,930	-	1,436,930
Operating expenditures	2,387,489	48,903	2,436,392
Capital outlay	<u>97,719</u>	<u>(97,719)</u>	<u>-</u>
Total expenditures/expenses	<u>54,704,443</u>	<u>(48,816)</u>	<u>54,655,627</u>
 Program revenues – State Lottery proceeds	 <u>64,463,929</u>	 <u>-</u>	 <u>64,463,929</u>
 Net program revenues (expenses)			 <u>9,808,302</u>
 General revenues			
Miscellaneous income	1,075	-	1,075
Investment earnings	<u>257,541</u>	<u>-</u>	<u>257,541</u>
Total general revenues	<u>258,616</u>	<u>-</u>	<u>258,616</u>
 Excess (deficiency) of revenues over expenditures	 10,018,102	 (10,018,102)	 -
Change in net position	<u>-</u>	<u>10,066,918</u>	<u>10,066,918</u>
 Fund balance/net position – beginning of the year	 <u>74,974,820</u>	 <u>78,361</u>	 <u>75,053,181</u>
 Fund balance/net position – end of the year	 <u>\$ 84,992,922</u>	 <u>\$ 127,177</u>	 <u>\$ 85,120,099</u>

See Notes to the Financial Statements

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 20, 2018 and 2017

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 20, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

GOCO reports the following major governmental fund:

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

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 and personnel expenditures as of June 30, 2018.

Capital Assets

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

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

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

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

Accrual for Compensated Absences

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 20, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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. inventory).

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.

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.

GOCO's fund balance is classified as assigned in Fiscal Year 2018 and 2017 as it is intended for grants awarded.

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 2018 and 2017 was approximately \$66.3 million and \$64.5 million, respectively, which was the maximum amount allowable under the State Constitution.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet and statement of net position includes an adjustment between fund balance total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The only element of that adjustment pertains to capital assets. Capital assets used in governmental activities are not financial resources and, therefore, are not

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements
June 20, 2018 and 2017

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

reported in the fund. The \$105,292 and \$127,177 adjustments to capital assets as of June 30, 2018 and 2017, respectively, represent the capital assets of GOCO, net of accumulated depreciation.

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

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

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

	For the Fiscal Years Ended June 30,	
	2018	2017
Capital outlay	\$ (5,500)	\$ (97,719)
Depreciation expense	27,385	45,749
Loss on disposal	-	3,154
Net adjustment to decrease (increase) net changes in fund balances - total governmental fund to arrive at change in net position of governmental activities	<u>\$ (21,885)</u>	<u>\$ 48,816</u>

Note 4 - Cash Deposits and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The Divisions of Banking and Financial Services within the Colorado Department of Regulatory Agencies are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

Note 4 - Cash Deposits and Investments (continued)

As of June 30, 2018, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2018	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 242
Insured deposits	<u>225,136</u>	<u>113,756</u>
	<u>\$ 225,136</u>	<u>\$ 113,998</u>

As of June 30, 2017, GOCO's cash deposits had bank and carrying balances as follows:

June 30, 2017	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 185
Insured deposits	<u>673,330</u>	<u>162,284</u>
	<u>\$ 673,330</u>	<u>\$ 162,469</u>

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

Investments

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

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 30, 2018 and 2017**

Note 4 - Cash Deposits and Investments (continued)

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. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2018, GOCO had cash invested with the State Treasurer of \$79,894,146 which represented approximately 1.03 percent of the total \$7,635.8 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2017, GOCO had cash invested with the State Treasurer of \$78,363,750 which represented approximately 1.16 percent of the total \$6,770.2 million fair value of deposits in the Pool.

On the basis of GOCO's participation in the Pool, GOCO reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, 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 Comprehensive Annual Financial Report for the year ended June 30, 2018.

Summary

Total cash deposits and investments are as follows:

	June 30,	
	2018	2017
Cash deposits	\$ 113,998	\$ 162,469
Investments	79,894,146	78,363,750
	\$ 80,008,144	\$ 78,526,219

Investment Earnings

Investment earnings are composed of the following:

	June 30,	
	2018	2017
Investment income	\$ 1,246,403	\$ 857,573
Net unrealized gain (loss) on investments held by the State	(940,175)	(600,032)
	\$ 306,228	\$ 257,541

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 30, 2018 and 2017

Note 5 - Lottery Proceeds Receivable

As of June 30, 2018, and 2017, GOCO had distributions owed from the Lottery amounting to \$11,114,576 and \$14,098,436, respectively. For the receivable as of June 30, 2018, this represents GOCO's allocation of net proceeds from the Lottery for the months of April, May and June 2018, the month in which GOCO reached the constitutional cap (Note 2). For the receivable as of June 30, 2017, this represents GOCO's allocation of net proceeds from the Lottery for the months of April, May and June 2017, the month in which GOCO reached the constitutional cap (Note 2). These revenues are both measurable and available to finance expenditures of the fiscal period. No allowance for doubtful accounts is considered necessary, as management believes the receivables are fully collectible.

Note 6 - Note Receivable and Advanced Grant Payments

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

During Fiscal Year 2018, 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 a contingency 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 may not be expensed by GOCO until the appropriate documentation is received. The Advanced Grant Payment balance on the Statement of Net Position is \$1,696,256 at June 30, 2018.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

Note 7 - Capital Assets

An analysis of the changes in capital assets for the year ended June 30, 2018 follows:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Equipment	\$ 46,131	\$ -	\$ -	\$ 46,131
Software	119,552	5,500	-	125,052
Furniture	38,850	-	-	38,850
Intangible Assets	32,416	-	-	32,416
Leasehold improvements	22,164	-	-	22,164
	<u>259,113</u>	<u>5,500</u>	<u>-</u>	<u>264,613</u>
Less: accumulated depreciation	<u>(131,936)</u>	<u>(27,385)</u>	<u>-</u>	<u>(159,321)</u>
Total capital assets, net	<u>\$ 127,177</u>	<u>\$ (21,885)</u>	<u>\$ -</u>	<u>\$ 105,292</u>

An analysis of the changes in capital assets for the year ended June 30, 2017 follows:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017
Equipment	\$ 40,455	\$ 5,676	\$ -	\$ 46,131
Software	119,552	-	-	119,552
Furniture	31,033	37,463	(29,646)	38,850
Leasehold improvements	-	32,416	-	32,416
	<u>14,560</u>	<u>22,164</u>	<u>(14,560)</u>	<u>22,164</u>
	<u>205,600</u>	<u>97,719</u>	<u>(44,206)</u>	<u>259,113</u>
Less: accumulated depreciation	<u>(127,239)</u>	<u>(45,749)</u>	<u>41,052</u>	<u>(131,936)</u>
Total capital assets, net	<u>\$ 78,361</u>	<u>\$ 51,970</u>	<u>\$ (3,154)</u>	<u>\$ 127,177</u>

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, 2018 and 2017. Due to a GOCO policy change related to categorization of grants, certain grants awarded from 2016 to 2018 were reclassified from Competitive grants for open space (Purpose 3 – open space) to Competitive grants to local governments for open lands and parks (Purpose 4 – local government). The reclassification was an outcome of a thorough review of GOCO’s policies and procedures around classification of grants to the four purposes outlined in the Colorado Constitution. This review was recommended by a performance audit completed in 2018 by the Office of the State Auditor. GOCO reclassified both authorizations and expenditures in the amounts of \$12.6 million and \$1.07 million, respectively. These grants were authorized under GOCO’s Inspire program. In addition, the policy change required a recategorization of previously “unallocated” expenditures and authorizations that were not categorized to a purpose. Under the new policy, these grants of \$1.1 million

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

Note 8 - Authorized Grants and Expended Grants (Unaudited) (continued)

should be recategorized to the open space purpose. See the “Reclassification” column below for the effect of the policy change.

Grants Authorized (Unaudited)

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2017</u>	<u>Transfers/ Additions</u>	<u>Reclassification</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2018</u>
Purpose 1 - Wildlife	\$ 282,548,545	\$ 16,690,500	\$ -	\$ (722,072)	\$ 298,516,973
Purpose 2 - Outdoor recreation	274,970,758	18,351,795	-	(2,386,260)	290,936,293
Purpose 3 - Competitive grants for open space	304,475,394	24,401,899	(11,462,441)	(2,119,909)	315,294,943
Purpose 4 - Competitive matching grants to local governments for open lands and parks	307,560,055	22,079,092	12,632,615	(52,449)	342,219,313
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>(1,170,174)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,170,724,926</u>	<u>\$ 81,523,286</u>	<u>\$ -</u>	<u>\$ (5,280,690)</u>	<u>\$ 1,246,967,522</u>

<u>Funding Purpose</u>	<u>Cumulative Authorized Grants at June 30, 2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Cumulative Authorized Grants at June 30, 2017</u>
Purpose 1 - Wildlife	\$ 267,363,045	\$ 15,185,500	\$ -	\$ 282,548,545
Purpose 2 - Outdoor recreation	258,336,825	16,633,933	-	274,970,758
Purpose 3 - Competitive grants for open space	282,652,952	25,342,832	(3,520,390)	304,475,394
Purpose 4 - Competitive matching grants to local governments for open lands and parks	279,222,508	28,422,006	(84,459)	307,560,055
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 1,088,745,504</u>	<u>\$ 85,584,271</u>	<u>\$ (3,604,849)</u>	<u>\$ 1,170,724,926</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

Note 8 - Authorized Grants and Expended Grants (Unaudited) (continued)

Grants Expended

Funding Purpose	Cumulative Expended Grants at June 30, 2017	Transfers/ Additions	Reclassification	Cumulative Expended Grants at June 30, 2018
Purpose 1 - Wildlife	\$ 255,900,842	\$ 9,633,285	\$ -	\$ 265,534,127
Purpose 2 - Outdoor recreation	232,908,914	10,531,210	-	243,440,124
Purpose 3 - Competitive grants for open space	258,113,938	29,701,623	95,570	287,911,131
Purpose 4 - Competitive matching grants to local governments for open lands and parks	264,842,334	16,511,261	1,074,604	282,428,199
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>(1,170,174)</u>	<u>-</u>
	<u>\$1,012,936,202</u>	<u>\$ 66,377,379</u>	<u>\$ -</u>	<u>\$ 1,079,313,581</u>

Funding Purpose	Cumulative Expended Grants at June 30, 2016	Transfers/ Additions	Cumulative Expended Grants at June 30, 2017
Purpose 1 - Wildlife	\$ 243,920,065	\$ 11,980,777	\$ 255,900,842
Purpose 2 - Outdoor recreation	219,648,939	13,259,975	232,908,914
Purpose 3 - Competitive grants for open space	247,435,865	10,678,073	258,113,938
Purpose 4 - Competitive matching grants to local governments for open lands and parks	249,978,855	14,863,479	264,842,334
Non-categorized - Discretionary	<u>1,170,174</u>	<u>-</u>	<u>1,170,174</u>
	<u>\$ 962,153,898</u>	<u>\$ 50,782,305</u>	<u>\$1,012,936,203</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Notes to the Financial Statements
June 20, 2018 and 2017**

Note 9 - Commitments and Contingencies

Operating Lease

GOCO leases facilities, copy machines, vehicles, and a postage meter under operating leases that expire in January 2024, April 2022, September 2020, and October 2021, respectively. Total facilities and equipment rental lease expense for the Fiscal Years ended June 30, 2018 and 2017 was \$128,521 and \$153,446, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 128,358
2020	129,683
2021	128,705
2022	130,389
2023	130,213
Thereafter	<u>77,082</u>
Total	<u>\$ 724,430</u>

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 2019. In Fiscal Year 2018, GOCO's expenses on the marketing campaign were approximately \$2.15 million. The GOCO Board has approved a Fiscal Year 2019 budget of \$2.5 million. This contract may be terminated upon advance notice with payment required on any active projects.

Note 10 - Pension Plans

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

Defined Contribution Pension Plan

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 20, 2018 and 2017

Note 10 - Pension Plans (continued)

Benefit terms, including contribution requirements, for the Pension Plan are established and may be amended by GOCO. There are no age or service requirements determining eligibility, and participation is mandatory. Employer contributions are calculated based on 10.2% of each eligible employee's gross salary (base salary plus performance awards). Assets of the Pension Plan are held in trust for the exclusive benefit of participating employees. Therefore, the Pension Plan's assets are not reflected as an asset of GOCO. GOCO recognized pension expense of \$13,365 and \$12,663 for the Fiscal Years Ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017, respectively, forfeitures reduced GOCO's pension expense by \$0 and \$430. GOCO contributed \$121,804 and \$114,761 to the Pension Plan for the Fiscal Years ended June 30, 2018 and 2017, respectively, which approximates the required contribution. As of June 30, 2018, 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 11 - Related Parties - State Agencies

Board Composition and Approval of Grants

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

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 20, 2018 and 2017

Note 11 - Related Parties - State Agencies (continued)

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.

Note 12 - Risk Management

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

Note 13 - Tax, Spending, and Debt Limitations

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

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

Note 14 – Unearned Revenue

In Fiscal Year 2017, GOCO and the Colorado Health Foundation entered into a grant agreement which allocates \$4 million to GOCO over a 4-year period, contingent on meeting certain requirements. These funds will be monitored by the Colorado Health Foundation and should only be used for GOCO's Inspire initiative on projects approved by the Colorado Health Foundation. GOCO has received \$2 million of the grant; \$1 million during Fiscal Year 2017 and \$1 million in December 2017. GOCO subsequently awarded the funds to Inspire grantees. The proceeds were initially classified as "Unearned Revenue" until the corresponding grant expense was incurred for the qualifying Inspire grants. The Statement of Net Position has an Unearned Revenue balance of \$1.4 million that represents proceeds that have been awarded but the contract requirements are not yet met.

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

Notes to the Financial Statements June 20, 2018 and 2017

Note 15 – Special Items - Project Reimbursements

During Fiscal Year 2018, GOCO received a cash payment from a grantee for a reimbursement of land sale proceeds. In 1999, GOCO made an open space conservation grant in the amount of \$3.9 million for a land acquisition. The grant agreement stipulated that if the grantee ever sold the property, GOCO would be reimbursed 54% of the proceeds. A portion of the land was sold in Fiscal Year 2018 and GOCO was reimbursed \$2.1 million.

Also, in Fiscal Year 2018, CPW reimbursed GOCO \$148,347 as a result of a termination easement. In 2004, CPW granted acquisition of a 20-year term conservation easement, which was funded by GOCO. The conservation easement since terminated and per the grant agreement, GOCO (through CPW) was reimbursed 50% of the acquisition costs.

These types of transactions rarely occur and are considered both infrequent and unusual in nature but within management control, as they were reimbursed as a result of the grant agreements. Accordingly, GOCO recorded the reimbursements as “special items” in accordance with GASB 34. The project reimbursements are presented separately in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 64,925,978	\$ 66,250,998	\$ 1,325,020
Investment earnings and miscellaneous income	<u>2,650,000</u>	<u>914,078</u>	<u>(1,735,922)</u>
Total revenues	<u>67,575,978</u>	<u>67,165,076</u>	<u>(410,902)</u>
Expenditures			
Grants expended	65,240,000	66,377,373	(1,137,373)
Personnel services and benefits	1,540,188	1,574,344	(34,156)
Operating expenditures	3,189,556	2,912,998	276,558
Capital outlay	<u>24,560</u>	<u>5,500</u>	<u>19,060</u>
Total expenditures	<u>69,994,304</u>	<u>70,870,215</u>	<u>(875,911)</u>
(Deficiency) excess of revenues over expenditures	(2,418,326)	(3,705,139)	(1,286,813)
Special Item – Project Reimbursements	-	2,266,019	2,266,019
Fund balance – beginning of year	<u>48,505,841</u>	<u>84,992,922</u>	<u>36,487,081</u>
Fund balance – end of year	<u>\$ 46,087,515</u>	<u>\$ 83,553,802</u>	<u>\$ 37,466,287</u>

STATE BOARD OF THE GREAT OUTDOORS COLORADO TRUST FUND

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State Lottery proceeds	\$ 61,900,000	\$ 64,463,929	\$ 2,563,929
Investment earnings and miscellaneous income	<u>300,000</u>	<u>258,616</u>	<u>(41,383)</u>
Total revenues	<u>62,200,000</u>	<u>64,722,545</u>	<u>2,522,545</u>
Expenditures			
Grants expended	80,425,000	50,782,305	29,642,695
Personnel services and benefits	1,447,549	1,436,930	10,619
Operating expenditures	2,196,037	2,387,489	(191,452)
Capital outlay	<u>123,500</u>	<u>97,719</u>	<u>25,781</u>
Total expenditures	<u>84,192,086</u>	<u>54,704,443</u>	<u>29,487,643</u>
(Deficiency) excess of revenues over expenditures	(21,992,086)	10,018,102	(32,010,188)
Fund balance – beginning of year	<u>70,497,927</u>	<u>74,974,820</u>	<u>4,476,893</u>
Fund balance – end of year	<u>\$ 48,505,841</u>	<u>\$ 84,992,922</u>	<u>\$ 36,487,081</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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the State Board of the Great Outdoors Colorado Trust Fund (“GOCO”), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise GOCO’s basic financial statements, and have issued our report thereon dated October 16, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

October 16, 2018
Denver, Colorado



October 16, 2018

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

We have audited the financial statements of Great Outdoors Colorado Trust Fund (“GOCO”) as of and for the year ended June 30, 2018, and have issued our report thereon dated October 16, 2018. 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 17, 2018, 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 its 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.

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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2018. 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. We did not identify any sensitive accounting estimates affecting the financial statements.

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 Cash Deposits and Investments in Note 4, Lottery Proceeds Receivable in Note 5, Note Receivable and Advanced Grant Payments in Note 6, Authorized Grants and Expended Grants (Unaudited) in Note 8, Commitments and Contingencies in Note 9, Related Parties – State Agencies in Note 11, Unearned Revenue in Note 14, and Special Item – Project Reimbursements in Note 15.

The financial statement disclosures are neutral, consistent, and clear.

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. There were no corrected or uncorrected misstatements noted based on procedures performed.

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 financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 16, 2018.

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.

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, business conditions affecting the entity, and business 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 Matters

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

This report is intended solely for the information and use of the GOCO Board, and management of GOCO 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 Sully LLP

Denver, Colorado