

Members of the Legislative Audit Committee  
Division of Gaming, Department of Revenue, State of Colorado

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE,  
STATE OF COLORADO**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2017 AND 2016**

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") provides an overview of financial activities for the year ended June 30, 2017. Please read it in conjunction with the Division's financial statements, which begin on page 24.

**Financial Highlights**

- Gaming Tax revenues were \$117,401,015 for the fiscal year ended June 30, 2017, compared to revenues of \$116,287,375 for the prior fiscal year ending June 30, 2016, which is an increase of \$1,113,640 or 0.96%.
- An increase in the Division's total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, increased the total Gaming Distribution to \$104,082,249 compared to last fiscal year's total Gaming Distribution of \$103,684,917. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2017 and 2016, respectively.

**Using this Report**

This financial report consists of financial statements for the fiscal years ended June 30, 2017 and 2016. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund and the Limited Gaming Fund. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2016 and July 1, 2015, respectively, and the ending fund balances as of June 30, 2017 and 2016, respectively. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

In April 2009, House Bill 09-1272 was approved to implement Amendment 50. In summation, this amendment allows Colorado casinos to offer \$100 maximum bets, an increase from the previous \$5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is referred to as Extended Gaming. The Extended Gaming Funds to be distributed are transferred to a separate fund every fiscal year end beginning with fiscal year 2010; therefore, a new Extended Gaming Fund was created separate from the Limited Gaming Fund for this purpose.

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**Revenues**

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2017 was \$103,484,394. This represents a decrease of \$375,085 compared to fiscal year 2016 excess of revenues over expenditures of \$103,859,479.

The fiscal year 2017 net decrease in fair value of investments of \$673,623 and net increase of \$338,664 in fiscal year 2016 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2017 and 2016, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). The adjusted gross proceeds of casinos increased 1.33% in fiscal year 2017, as compared to fiscal year 2016. The increase was due primarily to Colorado's improving economy and population growth. The gaming tax revenues earned by the Division for the fiscal years ending June 30, 2017 and 2016 were \$117,401,015 and \$116,287,375, respectively. This represents an increase of \$1,113,640 and was due primarily to an increase in AGP in the highest tax brackets. For fiscal year 2017, the tax rates remained the same as in fiscal year 2016 and 2015.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2017, 2016, and 2015 are below.

AGP Range	Tax Rate for Fiscal Year		
	2017	2016	2015
Charitable Events	3.00%	3.00%	3.00%
\$0 - \$2 Million	0.25%	0.25%	0.25%
\$2 - \$5 million	2.00%	2.00%	2.00%
\$5 - \$8 million	9.00%	9.00%	9.00%
\$8 - \$10 million	11.00%	11.00%	11.00%
\$10 - \$13 million	16.00%	16.00%	16.00%
\$13+ million	20.00%	20.00%	20.00%

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**Revenues (Continued)**

Significant changes in revenue categories to fiscal year 2017 from fiscal year 2016 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Fines	(142,055)	(47.28)%	Fines revenues vary from year to year and are dependent upon audit and investigative findings. The decrease is due mainly to an uncommonly high fine in fiscal year 2016.
Change in Fair Value of Investments	(1,012,287)	(298.91)%	This represents the difference between the net change in the fair value of the Division's investments during fiscal year 2017 versus the net change in the fair value of the Division's investments during fiscal year 2016.

For fiscal year 2016, the excess of revenues over expenditures was \$103,859,479. This represents an increase of \$6,480,891, or 6.66%, compared to fiscal year 2015's excess of revenues over expenditures of \$97,378,588.

The net increase in fair value of investments of \$338,664, and net decrease of \$77,708 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2016 and 2015, respectively.

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**Revenues (Continued)**

The adjusted gross proceeds of casinos increased 4.75% in fiscal year 2016 compared to fiscal year 2015. The tax revenue increase was 5.62% in fiscal year 2016 compared to fiscal year 2015. The increase was due primarily to an increase in AGP in the highest tax brackets.

Significant changes in revenue categories to fiscal year 2016 from fiscal year 2015 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Fines	269,307	864.41%	Fines revenues vary from year to year and are dependent upon audit and investigative findings. The increase is due mainly to an uncommonly high fine in FY16.
Background investigations	77,269	37.17%	This is reimbursed revenue (see footnote 5). There was \$64,108 more in labor and miscellaneous charges and \$13,161 more in travel during fiscal year 2016. The increase is due to ongoing large investigations requiring out of state and out of country travel.
Change in Fair Value of Investments	416,372	535.82%	This represents the difference between the net change in the fair value of the Division's investments during fiscal year 2016 versus the net change in the fair value of the Division's investments during fiscal year 2015

**DIVISION OF GAMING,  
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**Expenditures**

Total expenditures for the Division in fiscal year 2017 were \$15,022,463. This is an increase of \$460,758, or 3.16%, as compared to fiscal year 2016 expenditures of \$14,561,705. The information below shows the changes in expenditures from fiscal year 2016 to fiscal year 2017 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	(25,748)	(71.26)%	In fiscal year 2017, five employees left the Division with accumulated leave balances lower than the amount paid out in the previous fiscal year.
Professional Services	43,590	37.10%	In fiscal year 2017, the increase was due primarily to the higher temporary services costs to cover job vacancies in the Division and consulting services for the My License Office (MLO) hosting project.
Police Supplies	9,218	50.90%	In fiscal year 2017, the increase was due primarily to the purchase of uniforms for the certified law enforcement officers within the Division.
Capital Outlay	(206,389)	(100.00)%	In fiscal year 2017, there were no capital outlay purchases as compared to fiscal year 2016 purchases of the second phase of the EZ File upgrade and the MLO server.
State Agency Services	617,516	11.58%	In fiscal year 2017, the increase was due primarily to increases in Department of Revenue Indirect Costs and an increase in the contract with Colorado State Patrol.
Background Investigations	43,218	102.50%	In fiscal year 2017, the increase was due primarily to increased travel costs for international travel required for background investigations. Background investigation expenditures are reimbursed to the Division by the entity requiring the background investigation.

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**Expenditures (Continued)**

Total expenditures for the Division in fiscal year 2016 were \$14,561,705. This is an increase of \$579,980 or 4.15%, as compared to fiscal year 2015 expenditures of \$13,981,725. The information below shows the changes in expenditures from fiscal year 2015 to fiscal year 2016 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	(32,685)	(47.49)%	In fiscal year 2016, nine shorter-term employees left the Division with accumulated leave balances lower than the amount paid out in the previous fiscal year.
Professional Services	(56,719)	(32.56)%	In fiscal year 2016, the decrease was due primarily to the lower Phase II cost of the EZ File Gaming Industry tax filing system rewrite as compared to the Phase I cost and lower temporary services costs to cover job vacancies in the Division.
Materials, Supplies and Services	51,845	21.60%	In fiscal year 2016, materials, supplies, and services increased due primarily to building and grounds maintenance at the Central City office
Capital Outlay	64,469	45.43%	In fiscal year 2016, capital outlay costs increased due primarily to the increase in capital outlay for EZ File Phase II compared to EZ File Phase I.

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**Assets, Liabilities, and Fund Balance**

The year-end total fund balance reflects the overall financial position of the Division, which is \$15,863,424 at June 30, 2017 compared to \$15,598,900 at June 30, 2016. Total assets of \$107,738,811 at June 30, 2017 decreased \$351,834, or 0.33%, as compared to the prior year balance of \$108,090,645. The decrease in total assets is due primarily to decreases in Cash and Equity in Treasurer's Pool.

The Division's total liabilities were \$91,875,387 at June 30, 2017 and \$92,491,745 at June 30, 2016. The \$616,358 net decrease is due primarily to the \$465,047 decrease in the fiscal year 2017 Limited Gaming Distribution and \$125,228 decrease in Background Deposits in fiscal year 2017.

The following compares fiscal year 2017 and fiscal year 2016 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Cash and Equity in Treasurer's Pool	\$ 95,413,401	\$ 96,524,194	\$ (1,110,793)	(1.15)%
Gaming taxes and other receivables	12,292,156	11,533,559	758,597	6.58%
Prepaid expenses	<u>33,254</u>	<u>32,892</u>	<u>362</u>	1.10%
Total assets	<u>\$107,738,811</u>	<u>\$108,090,645</u>	<u>\$ (351,834)</u>	(0.33)%
Accounts payable, wages, and accrued payroll payable	\$ 685,776	\$ 707,953	\$ (22,177)	(3.13)%
Due to other State agencies, other governments, and the State General Fund	90,666,050	91,127,430	(461,380)	(0.51)%
Other liabilities	<u>523,561</u>	<u>656,362</u>	<u>(132,801)</u>	(20.23)%
Total liabilities	<u>91,875,387</u>	<u>92,491,745</u>	<u>(616,358)</u>	(0.67)%
Fund balance	<u>15,863,424</u>	<u>15,598,900</u>	<u>264,524</u>	1.70%
Total liabilities and fund balance	<u>\$107,738,811</u>	<u>\$108,090,645</u>	<u>\$ (351,834)</u>	(0.33)%

The year-end total fund balance reflects the overall financial position of the Division, which was \$15,598,900 at June 30, 2016 compared to \$12,742,343 at June 30, 2015. Total assets of \$108,090,645 at June 30, 2016 increased \$6,643,343 or 6.55%, as compared to the prior year balance of \$101,447,302. The increase in total assets between fiscal year 2016 and fiscal year 2015 was due primarily to the increases in cash.



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**Assets, Liabilities, and Fund Balance (Continued)**

The Division's total liabilities were \$92,491,745 at June 30, 2016 and \$88,704,959 at June 30, 2015. The \$3,786,786 net increase was due primarily to the \$3,784,580 increase in the fiscal year 2016 Limited Gaming Distribution.

The following compares fiscal year 2016 and fiscal year 2015 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2016	2015	Dollars	Percent
Cash and Equity in Treasurer's Pool	\$ 96,524,194	\$ 89,795,445	\$ 6,728,749	7.49%
Gaming taxes and other receivables	11,533,559	11,620,609	(87,050)	(0.75)%
Prepaid expenses	<u>32,892</u>	<u>31,248</u>	<u>1,664</u>	5.26%
Total assets	<u>\$108,090,645</u>	<u>\$101,447,302</u>	<u>\$ 6,643,343</u>	6.55%
Accounts payable, wages, and accrued payroll payable	\$ 707,953	\$ 843,158	\$ (135,205)	(16.04)%
Due to other State agencies, other governments, and the State General Fund	91,127,430	87,342,850	3,784,580	4.33%
Other liabilities	<u>656,362</u>	<u>518,951</u>	<u>137,411</u>	26.48%
Total liabilities	<u>92,491,745</u>	<u>88,704,959</u>	<u>3,786,786</u>	4.27%
Fund balance	<u>15,598,900</u>	<u>12,742,343</u>	<u>2,856,557</u>	22.42%
Total liabilities and fund balance	<u>\$108,090,645</u>	<u>\$101,447,302</u>	<u>\$ 6,643,343</u>	6.55%

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**Statement of Revenues, Expenditures, and Changes in Fund Balance**

The following compares total fiscal year 2017 and fiscal year 2016 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2017	2016	Dollars	Percent
<b>Revenues</b>				
Gaming taxes	\$117,401,015	\$116,287,375	\$ 1,113,640	0.96%
License and application fees	652,273	630,811	21,462	3.40%
Other revenue	<u>453,569</u>	<u>1,502,998</u>	<u>(1,049,429)</u>	(69.82)%
Total revenues	<u>118,506,857</u>	<u>118,421,184</u>	<u>85,673</u>	0.07%
<b>Expenditures</b>				
Operating expenditures	8,986,016	9,185,992	(199,976)	(2.18)%
Background investigations	85,381	42,163	43,218	102.50%
State agency services	<u>5,951,066</u>	<u>5,333,550</u>	<u>617,516</u>	11.58%
Total expenditures	<u>15,022,463</u>	<u>14,561,705</u>	<u>460,758</u>	3.16%
Excess of revenues over expenditures	103,484,394	103,859,479	(375,085)	(0.36)%
Fund balance, beginning of year	15,598,900	12,742,343	2,856,557	22.42%
Less: Gaming Fund distributions paid or accrued during the fiscal year	<u>103,219,870</u>	<u>101,002,922</u>	<u>2,216,948</u>	2.19%
Fund balance, end of year	<u>\$ 15,863,424</u>	<u>\$ 15,598,900</u>	<u>\$ 264,524</u>	1.70%

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**Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)**

The following compares total fiscal year 2016 and fiscal year 2015 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2016	2015	Dollars	Percent
<b>Revenues</b>				
Gaming taxes	\$116,287,375	\$110,104,977	\$ 6,182,398	5.62%
License and application fees	630,811	559,135	71,676	12.82%
Other revenue	<u>1,502,998</u>	<u>696,201</u>	<u>806,797</u>	115.89%
Total revenues	<u>118,421,184</u>	<u>111,360,313</u>	<u>7,060,871</u>	6.34%
<b>Expenditures</b>				
Operating expenditures	9,185,992	8,804,306	381,686	4.34%
Background investigations	42,163	28,541	13,622	47.73%
State agency services	<u>5,333,550</u>	<u>5,148,878</u>	<u>184,672</u>	3.57%
Total expenditures	<u>14,561,705</u>	<u>13,981,725</u>	<u>579,980</u>	4.15%
Excess of revenues over expenditures	103,859,479	97,378,588	6,480,891	6.66%
Fund balance, beginning of year	12,742,343	11,085,607	1,656,736	14.94%
Less: Gaming Fund distributions paid or accrued during the fiscal year	<u>101,002,922</u>	<u>95,721,852</u>	<u>5,281,070</u>	5.52%
Fund balance, end of year	<u>\$ 15,598,900</u>	<u>\$ 12,742,343</u>	<u>\$ 2,856,557</u>	22.42%

**Conditions Affecting Financial Position or Results of Operations**

**Staffing Changes**

In fiscal years 2017 and 2016 the Division had several vacant positions. The proposal to move two full-time employees off the Division's books did not go forward. The proposal will be presented again in fiscal year 2018. The positions were repurposed by the Department of Revenue to fill the Deputy Senior Director of Enforcement and Enforcement Communication Specialist.

**Improving Economy**

The industry reported and paid record gaming taxes in fiscal year 2017, the second record in two years. Fiscal year 2017 gaming tax revenues were approximately 1.00% higher than fiscal year 2016.

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**Conditions Affecting Financial Position or Results of Operations (Continued)**

Computer Systems / Projects

In fiscal year 2017, the Division had no system upgrades or notable projects.

**Distribution**

The voters of Colorado passed Amendment 50 on November 4, 2008. In summation, this amendment allows Colorado casinos to offer \$100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours. This is now referred to as extended gaming. The tax revenues attributable to the implementation of Amendment 50 are distributed as follows:

- 78% to the Colorado Community College System;
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.

At the end of each fiscal year, the Division distributes the balance remaining in the Limited Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2017 was \$104,082,249, which includes \$13,419,866 for the Extended Gaming Fund distribution.

During August of each fiscal year, the Commission approves the Extended Gaming distribution for the previous fiscal year in accordance with Section 12-47.1-701.5, C.R.S. These amounts are distributed in the year approved by the Commission.

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**Distribution (Continued)**

	June 30,	
	2017	2016
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 10,467,496	\$ 9,794,840
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,610,384	1,506,898
10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	1,341,986	1,255,749
Total distribution attributable to extended gaming	\$ 13,419,866	\$ 12,557,487

**Limited Gaming Distribution**

In accordance with Section 12-47.1-701, C.R.S. and amended by Senate Bill 13-133, the balance remaining in the Limited Gaming Fund is to be transferred by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% shall be transferred to the State General Fund, of which \$15,000,000 is to be given to the Colorado Travel and Tourism Promotion Fund; \$5,500,000 is to be given to the Advanced Industries Acceleration Cash Fund; \$5,000,000 is to be given to the Local Government Limited Gaming Impact Fund; \$2,100,000 is to be given to the Innovative Higher Education Research Fund; \$2,000,000 is to be given to the Creative Industries Cash Fund, and \$500,000 is to be given to the Colorado Office of Film, Television, and Media Operational Account Cash Fund. Any amount of the State share that exceeds the transfers specified above shall be transferred to the General Fund.
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and
- 10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

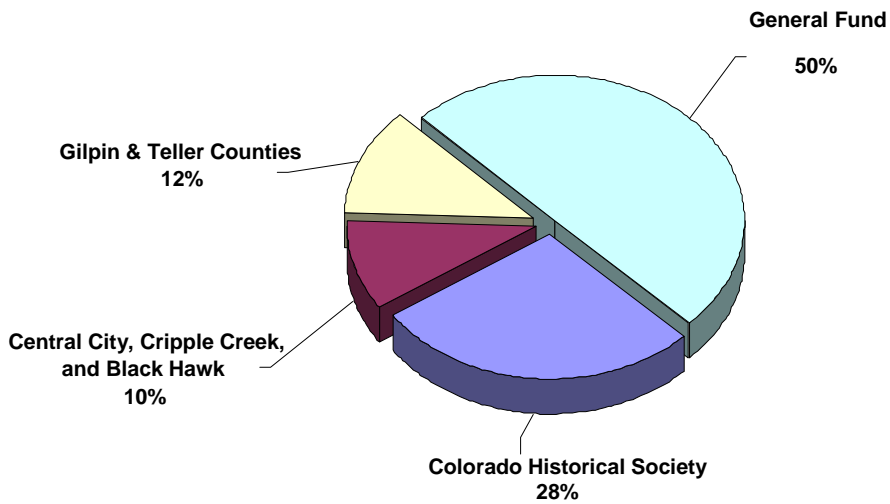
The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2017.

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**Distribution (Continued)**

**Limited Gaming Distribution (Continued)**

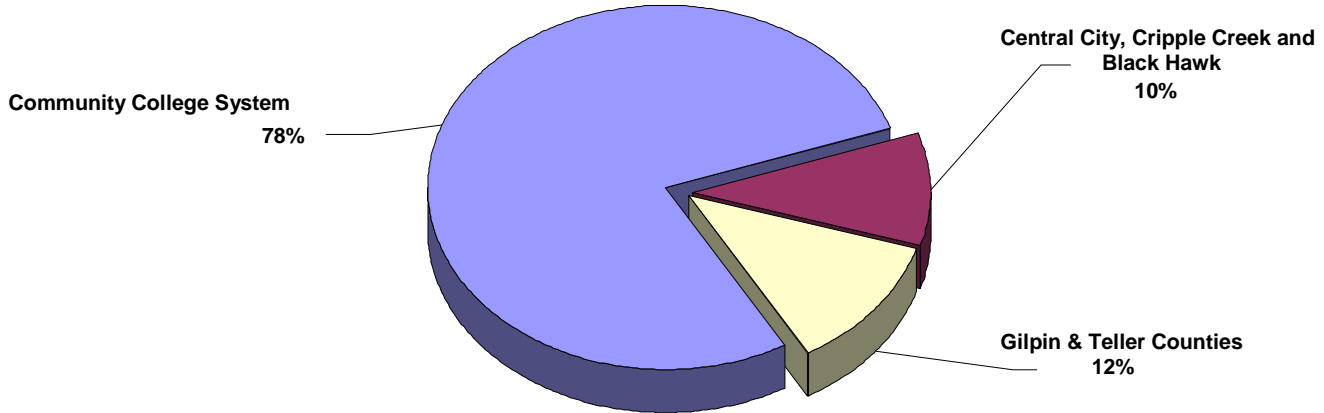
Colorado Limited Gaming Distribution Formula  
(Original Recipients)



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Distribution (continued)

Colorado Extended Gaming Distribution Formula  
(Amendment 50 Recipients)



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**Distribution (Continued)**

The table below compares the amounts distributed to the various recipients for fiscal years 2017 and 2016.

	For the Years Ended		Difference	Percent Difference
	June 30,			
	2017	2016		
Colorado State Historical Fund	\$ 25,385,467	\$ 25,515,680	\$ (130,213)	(0.51)%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000	-	0.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.00%
Total Payments to Other State agencies	55,485,467	55,615,680	(130,213)	(0.23)%
City of Black Hawk	6,792,426	6,864,629	(72,203)	(1.05)%
City of Central	786,949	770,938	16,011	2.08%
City of Cripple Creek	1,486,863	1,477,176	9,687	0.66%
Gilpin County	9,095,250	9,162,681	(67,431)	(0.74)%
Teller County	1,784,236	1,772,611	11,625	0.66%
Total Payment Due to Other Governments	19,945,724	20,048,035	(102,311)	(0.51)%
Due to the State General Fund	15,231,192	15,463,715	(232,523)	(1.50)%
Due to the Limited Gaming Recipients	90,662,383	91,127,430	(465,047)	(0.51)%
Due to the Extended Gaming Recipients	13,419,866	12,557,487	862,379	6.87%
Total Distribution	<u>\$ 104,082,249</u>	<u>\$ 103,684,917</u>	<u>\$ 397,332</u>	0.38%



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**Distribution (Continued)**

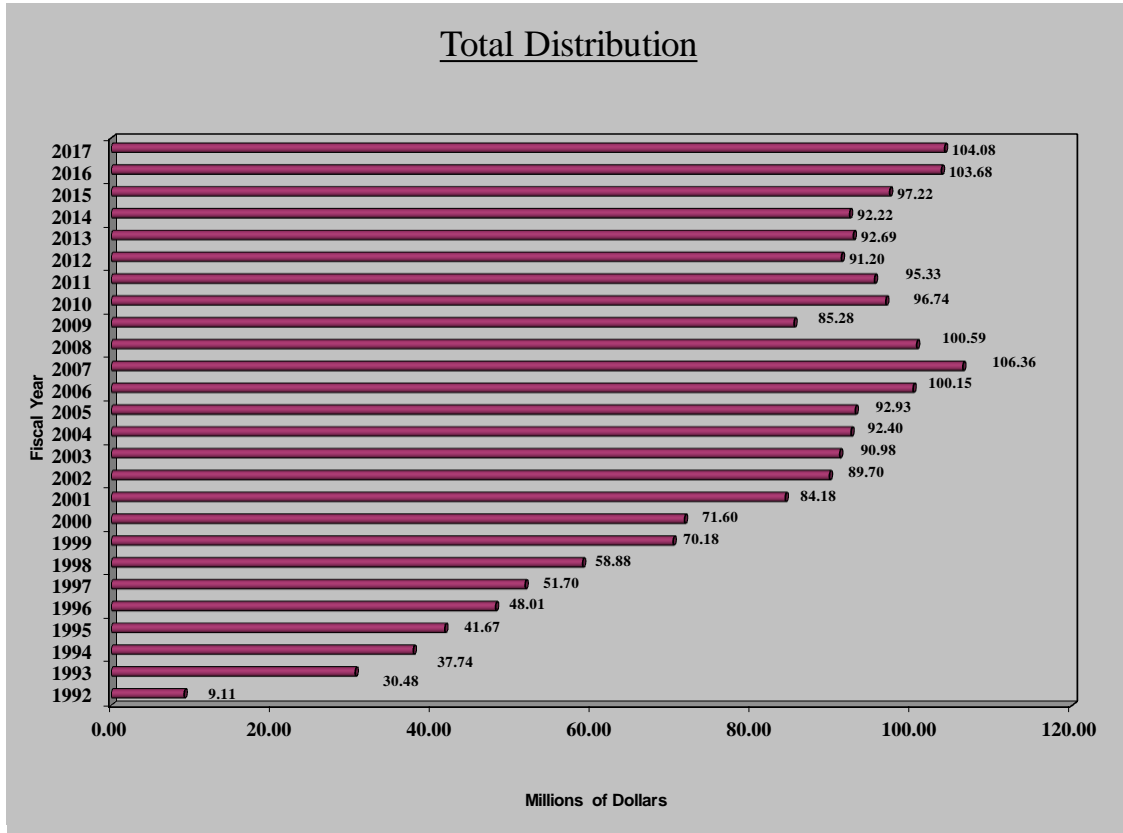
The total distribution for the fiscal year ended June 30, 2016 was \$103,684,917.

The table below compares the amounts distributed to the various recipients for fiscal years 2016 and 2015.

	For the Years Ended		Difference	Percent Difference
	2016	2015		
Colorado State Historical Fund	\$ 25,515,680	\$ 24,455,998	\$ 1,059,682	4.33%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000	-	0.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.00%
Total payments to other State agencies	55,615,680	54,555,998	1,059,682	1.94%
City of Black Hawk	6,864,629	6,592,639	271,990	4.13%
City of Central	770,938	724,072	46,866	6.47%
City of Cripple Creek	1,477,176	1,417,574	59,602	4.20%
Gilpin County	9,162,681	8,780,053	382,628	4.36%
Teller County	1,772,611	1,701,089	71,522	4.20%
Total payment due to other governments	20,048,035	19,215,427	832,608	4.33%
Due to the State General Fund	15,463,715	13,571,425	1,892,290	13.94%
Due to the Limited Gaming recipients	91,127,430	87,342,850	3,784,580	4.33%
Due to the Extended Gaming recipients	12,557,487	9,875,492	2,681,995	27.16%
Total distribution	<u>\$ 103,684,917</u>	<u>\$ 97,218,342</u>	<u>\$ 6,466,575</u>	6.65%

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**Distribution (Continued)**



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**Budget**

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming Fund. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2017:

	<u>Beginning Budget</u>	<u>Supplemental Changes</u>	<u>Annual Revised Budget</u>
Payments to Other State Agencies	\$4,821,664	\$(85,778)	\$4,735,886
Legal Services	\$181,916	\$25,501	\$207,417

The budgeted expenditures approved at the beginning of the year were \$16,466,717. The amendments to the budget resulted in a net decrease of \$(60,277). As a result, the final approved budget for fiscal year 2017 was \$16,406,440. Total actual expenditures were \$15,022,463 resulting in excess appropriations, or a savings of \$1,383,977 for fiscal year 2017.

**Economy and Next Year's Budget**

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2018 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSPB"). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2018. The Division's request totaled \$16,925,549, which includes the Division's budget request of \$12,027,569 and Other State Agencies budget request of \$4,897,980, which represents a 3.16% increase from the fiscal year 2017 appropriation. There was an increase in the Division's fiscal year 2018 budget compared to the 2017 budget relating to CORE Operations, the statewide financial system and IT costs. IT costs include Payments to OIT and Systems Support, a new item for fiscal year 2018. Systems Support, an appropriation to upgrade the telephone systems in the Division of Gaming offices is expected to be an 18 month project. It is unknown at this time which, or if all offices will be upgraded. The Office of Information Technology (OIT) has started to perform scope work at the Central City office. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for \$4,733,920 and a budget request submitted by the Department of Local Affairs for \$164,060. These funds are used for gaming related purposes.

The Colorado Gaming Association (CGA) proposed changes to Rule 14 "Gaming Tax" during this year's tax setting hearings. This proposal would allow casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate. This proposal would result in an additional full time employee (FTE) to the Division if approved.

Assumptions that were made when preparing the revenue projection for fiscal year 2018 included the continuation of current tax structure, tax rates, and continuation of license and application fees in effect. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2017.

The Division's fiscal year 2018 revenue estimates total \$119.8 million, a \$648,630 increase over fiscal year 2017 actual revenue.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2017 AND 2016**

**Economy and Next Year's Budget (Continued)**

During the 24 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. Gaming in Colorado continues to do well. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

**Contacting the Division of Gaming's Financial Management**

This financial report is designed to provide Colorado citizens, Colorado government officials, the casino industry, and other interested parties with a general overview of the Division's finances. It is also designed to show the Division's accountability of the funds it receives from the gaming industry. If you have questions about this report or need additional financial information, contact the Division's accounting section at: Colorado Division of Gaming, 17301 W. Colfax Avenue, Suite 135, Golden, CO 80401-1496, or visit the Division's website: [www.colorado.gov/enforcement/gaming](http://www.colorado.gov/enforcement/gaming).

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
BALANCE SHEETS  
JUNE 30, 2017 AND 2016**

	FY 2017			FY 2016		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS
<b>ASSETS:</b>						
Cash and Equity in						
Treasurer's Pool	\$ 13,413,984	\$ 81,999,417	\$ 95,413,401	\$ 12,640,191	\$ 83,884,003	\$ 96,524,194
Accounts Receivable						
Gaming Taxes	-	12,291,147	12,291,147	-	11,529,949	11,529,949
Fines Receivable	-	365	365	-	250	250
Miscellaneous	-	644	644	-	3,360	3,360
Prepaid Expenses	-	33,254	33,254	-	32,892	32,892
Total Assets	<u>\$ 13,413,984</u>	<u>\$ 94,324,827</u>	<u>\$ 107,738,811</u>	<u>\$ 12,640,191</u>	<u>\$ 95,450,454</u>	<u>\$ 108,090,645</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ -	\$ 42,086	\$ 42,086	\$ -	\$ 36,648	\$ 36,648
Accrued Payroll Payable	-	636,019	636,019	-	663,173	663,173
Wages & Salaries Payable	-	7,671	7,671	-	8,132	8,132
Due to Other State Agencies	-	55,489,135	55,489,135	-	55,615,680	55,615,680
Due to Other Governments	-	19,945,724	19,945,724	-	20,048,035	20,048,035
Due to the State's General Fund	-	15,231,191	15,231,191	-	15,463,715	15,463,715
Background and Other Deposits	-	237,212	237,212	-	362,440	362,440
Unearned Revenue	-	286,349	286,349	-	293,922	293,922
Total Liabilities	<u>-</u>	<u>91,875,387</u>	<u>91,875,387</u>	<u>-</u>	<u>92,491,745</u>	<u>92,491,745</u>
<b>FUND BALANCE:</b>						
Nonspendable:						
Prepays	-	33,254	33,254	-	32,892	32,892
Restricted for:						
Required Reserve		2,416,186	2,416,186	82,704	2,925,817	3,008,521
Extended Gaming Recipients	13,413,984	-	13,413,984	12,557,487	-	12,557,487
Total Fund Balance	<u>13,413,984</u>	<u>2,449,440</u>	<u>15,863,424</u>	<u>12,640,191</u>	<u>2,958,709</u>	<u>15,598,900</u>
Total Liabilities and Fund Balance	<u>\$ 13,413,984</u>	<u>\$ 94,324,827</u>	<u>\$ 107,738,811</u>	<u>\$ 12,640,191</u>	<u>\$ 95,450,454</u>	<u>\$ 108,090,645</u>

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 2017 AND 2016**

	FY 2017			FY 2016		
	EXTENDED	LIMITED	TOTAL	EXTENDED	LIMITED	TOTAL
	GAMING FUND	GAMING FUND	GAMING FUNDS	GAMING FUND	GAMING FUND	GAMING FUNDS
<b>REVENUES:</b>						
Gaming Taxes	\$ -	\$ 117,401,015	\$ 117,401,015	\$ -	\$ 116,287,375	\$ 116,287,375
License and Application Fees	-	652,273	652,273	-	630,811	630,811
Background Investigations	-	346,733	346,733	-	285,155	285,155
Fines	-	158,407	158,407	-	300,462	300,462
Interest Income	10,581	610,433	621,014	9,514	568,412	577,926
Net Increase/(Decrease) in the Fair Value of Investments	(88,586)	(585,037)	(673,623)	50,373	288,291	338,664
Other Revenue	-	1,038	1,038	-	791	791
Total Revenue	<u>(78,005)</u>	<u>118,584,862</u>	<u>118,506,857</u>	<u>59,887</u>	<u>118,361,297</u>	<u>118,421,184</u>
<b>EXPENDITURES:</b>						
Salaries and Benefits	-	7,783,178	7,783,178	-	7,781,313	7,781,313
Annual and Sick Leave Payouts	-	10,387	10,387	-	36,135	36,135
Professional Services	-	161,080	161,080	-	117,490	117,490
Travel	-	54,488	54,488	-	46,316	46,316
Automobiles	-	151,393	151,393	-	173,459	173,459
Printing	-	23,569	23,569	-	22,602	22,602
Police Supplies	-	27,328	27,328	-	18,110	18,110
Computer Services	-	70,585	70,585	-	78,283	78,283
Materials, Supplies, and Services	-	277,183	277,183	-	291,920	291,920
Postage	-	5,928	5,928	-	7,679	7,679
Telephone	-	47,819	47,819	-	49,835	49,835
Utilities	-	22,527	22,527	-	21,749	21,749
Other Operating Expenditures	-	52,105	52,105	-	41,711	41,711
Leased Space	-	298,446	298,446	-	293,001	293,001
Capital Outlay	-	-	-	-	206,389	206,389
State Agency Services	-	5,951,066	5,951,066	-	5,333,550	5,333,550
Background Expenditures	-	85,381	85,381	-	42,163	42,163
Total Expenditures	<u>-</u>	<u>15,022,463</u>	<u>15,022,463</u>	<u>-</u>	<u>14,561,705</u>	<u>14,561,705</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(78,005)</u>	<u>103,562,399</u>	<u>103,484,394</u>	<u>59,887</u>	<u>103,799,592</u>	<u>103,859,479</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Limited Gaming Distribution	(12,557,487)	(90,662,383)	(103,219,870)	(9,875,492)	(91,127,430)	(101,002,922)
Transferred to Extended Gaming Fund	-	(13,409,285)	(13,409,285)	-	(12,547,973)	(12,547,973)
Transfer from Limited Gaming Fund	13,409,285	-	13,409,285	12,547,973	-	12,547,973
Total Other Financing Sources (Uses)	<u>851,798</u>	<u>(104,071,668)</u>	<u>(103,219,870)</u>	<u>2,672,481</u>	<u>(103,675,403)</u>	<u>(101,002,922)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>773,793</u>	<u>(509,269)</u>	<u>264,524</u>	<u>2,732,368</u>	<u>124,189</u>	<u>2,856,557</u>
Fund Balance - Beginning of Year	<u>12,640,191</u>	<u>2,958,709</u>	<u>15,598,900</u>	<u>9,907,823</u>	<u>2,834,520</u>	<u>12,742,343</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 13,413,984</u>	<u>\$ 2,449,440</u>	<u>\$ 15,863,424</u>	<u>\$ 12,640,191</u>	<u>\$ 2,958,709</u>	<u>\$ 15,598,900</u>

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Colorado Division of Gaming (the Division) is an agency of the State of Colorado and was created June 4, 1991, under the provision of Section 12-47.1-201, Colorado Revised Statutes (C.R.S.). The Division operates under the Colorado Limited Gaming Control Commission (the Commission). The Division implements, regulates, and supervises the conduct of limited gaming in the State, as authorized by statute.

In April 2009, House Bill 09-1272 was approved to implement Amendment 50. In summation, this amendment allows Colorado casinos to offer \$100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours, referred to as extended gaming. The extended gaming funds to be distributed are transferred to a separate fund every fiscal year-end beginning with fiscal year 2010; therefore, an Extended Limited Gaming Fund (Extended Gaming Fund) was created for this purpose. All fund or Division references throughout these financial statements refer to the Limited Gaming Fund except if a specific reference to the Extended Gaming Fund exists.

The State of Colorado (the State) is the primary reporting entity for State financial reporting purposes.

The financial statements are intended to present only those transactions attributable to the Extended Gaming and Limited Gaming Funds (Funds). The financial statements of the Funds are not intended to present financial information of the Department of Revenue or the State in conformity with generally accepted accounting principles. The Funds' accounts are presented in a manner consistent with presentation of statewide financial activities, which are reported in accordance with accounting principles generally accepted in the United States of America for governmental units.

**Fund Structure and Basis of Accounting**

The financial activities of the Division are accounted for and reported on the basis of funds, which is considered to be a separate entity for accounting purposes. The operations of the Division are recorded in a Special Revenue Fund, which consists of a discrete set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues, and expenditures of the entity. Throughout the year, encumbrances are recorded. However, at fiscal year-end all encumbrances lapse and no reserve for encumbrances are reported. The accounts used for capital assets and long-term liabilities are not recorded in the Special Revenue Fund, but in a separate fund that is maintained on a statewide basis, and are not reflected in these statements. Information on capital assets and long-term liabilities is included in Note 4, Note 6, and Note 9, respectively.

**Governmental Funds**

*Special Revenue Funds*

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Funds. The Division's resources are obtained from specific gaming related activities such as license fees, application fees, and gaming taxes. These sources are restricted for specific uses as outlined in Section 12-47.1-701, C.R.S. Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division has spending constraint classifications presented on the balance sheet.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The Division uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

**Budget**

The Statement of Budget to Actual compares actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2017 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

Each year, the Division submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budget may be modified due to roll-forward authorizations or other changes. The Commission must approve all long bill line item budget request changes. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

Total appropriations for the fiscal years are as follows:

	Years Ended June 30,	
	2017	2016
Appropriations	\$ 16,466,717	\$ 15,707,636
Supplemental appropriations	(60,277)	45,134
Total appropriations	\$ 16,406,440	\$ 15,752,770

**Accrued Payroll**

In accordance with Senate Bill 03-197, monthly salaries are to be paid as of the last working day of the month except the salaries for the month of June. These are to be paid on the first working day of July.

**NOTE 2 CASH AND EQUITY IN TREASURER’S POOL**

The Division deposits its cash with the Colorado State Treasurer as required by C.R.S. 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. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2017 and 2016, the Division had cash on deposit with the State Treasurer of \$95.4 million and \$96.5 million, respectively, which represented approximately 1.4 percent of the total \$6,770.2 million and 1.3 percent of the total \$7,408.5 million fair value of deposits in the State Treasurer’s Pool (Pool).



**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 CASH AND EQUITY IN TREASURER'S POOL (CONTINUED)**

On the basis of the Division's participation in the Pool, the Division 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, 2017.

**NOTE 3 ACCOUNTS RECEIVABLE**

As of June 30, 2017 and 2016, the Division had accounts receivable balances of \$12,292,156 and \$11,533,559, respectively. On June 30, 2017 and 2016, the Division had \$12,291,147 and \$11,529,949 of gaming taxes receivable, from 33 and 35 Colorado casinos, respectively. These receivables primarily represent June 2017 and 2016 gaming taxes, which were due on July 17, 2017 and July 15, 2016, respectively, and were subsequently collected by the Department of Revenue in July 2017 and 2016 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

**NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION**

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Division's capital assets are reported only in the statewide financial statements. In addition, these capital assets are depreciated over their estimated useful lives, but depreciation expense is also reported only in the statewide financial statements.

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair values on the date donated. The capitalization criteria for capital assets are \$50,000 for buildings and leasehold improvements, \$5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at \$5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the buildings, and five to ten years for leasehold improvements, furniture, equipment, and software.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)**

The following is a summary of changes in the Division's capital assets to be included with governmental activities in the statewide financial statements:

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			Total
	Land	Construction in Progress	Subtotal	Equipment and Software	Building	Subtotal	
<b>Cost</b>							
Balances, June 30, 2015	\$ 536,138	\$ -	\$ 536,138	\$ 739,300	\$ 1,134,912	\$ 1,874,212	\$ 2,410,350
Additions	-	-	-	206,389	-	206,389	206,389
Disposals	-	-	-	(11,538)	-	(11,538)	(11,538)
Balances, June 30, 2016	536,138	-	536,138	934,151	1,134,912	2,069,063	2,605,201
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2017	536,138	-	536,138	934,151	1,134,912	2,069,063	2,605,201
<b>Accumulated Depreciation</b>							
Balances, June 30, 2015	-	-	-	(518,693)	(232,789)	(751,482)	(751,482)
Additions	-	-	-	(52,565)	(37,411)	(89,976)	(89,976)
Disposals	-	-	-	11,538	-	11,538	11,538
Balances, June 30, 2016	-	-	-	(559,720)	(270,200)	(829,920)	(829,920)
Additions	-	-	-	(86,074)	(31,513)	(117,587)	(117,587)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2017	-	-	-	(645,794)	(301,713)	(947,507)	(947,507)
Total capital assets, net	\$ 536,138	\$ -	\$ 536,138	\$ 288,357	\$ 833,199	\$ 1,121,556	\$ 1,657,694

**NOTE 5 OTHER LIABILITIES**

Included in other liabilities are deposits and unearned revenue. Applicants applying for gaming licenses are required to remit deposits to the Division, which are used to perform background investigations of these applicants. These deposits are recorded as liabilities until the Division incurs expenditures to perform the background investigations or until any remaining balance is refunded to the applicant. Deposits of \$230,898 and \$356,126 at June 30, 2017 and 2016, respectively, represent background investigation deposits. Also included is \$6,314 at both June 30, 2017 and 2016, which represents funds seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication.

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of two-year licenses to businesses as well. The fees for the second year of the license period are recorded as unearned revenue until the Division incurs the expense during the review period. As of June 30, 2017 and 2016, unearned license fees were \$286,349 and \$293,922, respectively.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 ACCRUED COMPENSATED ABSENCES**

Pursuant to the provisions of GASB No. 34, accrued compensated absences are only reported in the statewide financial statements.

All permanent employees of the Division may accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations. Annual leave and sick leave benefits consist of the following as of June 30, 2017:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Total</u>
Balances, June 30, 2015 <sup>(1)</sup>	\$ 473,703	\$ 58,536	\$ 532,239
Increase	331,058	52,065	383,123
Decrease	<u>(310,115)</u>	<u>(49,984)</u>	<u>(360,099)</u>
Balances, June 30, 2016	494,646	60,617	555,263
Increase	335,287	52,091	387,378
Decrease	<u>(326,546)</u>	<u>(55,463)</u>	<u>(382,009)</u>
Balances, June 30, 2017	<u>\$ 503,387</u>	<u>\$ 57,245</u>	<u>\$ 560,632</u>

<sup>(1)</sup>At June 30, 2015, \$6,660 annual leave and \$731 sick leave were classified as current.

**NOTE 7 GAMING DISTRIBUTIONS**

Limited Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S. and amended by Senate Bill 13-133, the balance remaining in the Limited Gaming Fund is to be transferred by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% shall be transferred to the State General Fund, of which \$15,000,000 is to be given to the Colorado Travel and Tourism Promotion Fund; \$5,500,000 is to be given to the Advanced Industries Acceleration Cash Fund; \$5,000,000 is to be given to the Local Government Limited Gaming Impact Fund; \$2,100,000 is to be given to the Innovative Higher Education Research Fund; \$2,000,000 is to be given to the Creative Industries Cash Fund, and \$500,000 is to be given to the Colorado Office of Film, Television, and Media Operational Account Cash Fund. Any amount of the State share that exceeds the transfers specified above shall be transferred to the General Fund.
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and
- 10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2017 and 2016, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,485,425 and \$2,409,657, respectively. In addition, \$(69,239) and \$598,864 as of June 30, 2017 and 2016, respectively, is restricted for unrealized gain or loss on investments.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)**

On August 24th, 2017, the Commission approved the limited gaming distribution of \$90,662,383 for the fiscal year ended June 30, 2017 in accordance with Section 12-47.1-701, C.R.S. On August 25th 2016, \$91,127,430 was approved as the 2016 limited gaming distribution. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2017	2016
Distribution to other State agencies		
Colorado State Historical Fund	\$ 25,385,468	\$ 25,515,680
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	500,000
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000
Creative Industries Cash Fund	2,000,000	2,000,000
Innovative Higher Education Research Fund	2,100,000	2,100,000
Total distributions to other State agencies	55,485,468	55,615,680
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk Gilpin and Teller Counties	9,066,238	9,112,743
Total distributions to other governments	10,879,486	10,935,292
	19,945,724	20,048,035
Distribution to the State General Fund	15,231,191	15,463,715
Total distributions	\$ 90,662,383	\$ 91,127,430

Extended Gaming Distribution

The voters of Colorado passed Amendment 50 on November 4, 2008. In summation, this amendment allows Colorado casinos to offer \$100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours. This is now referred to as extended gaming. The tax revenues attributable to the implementation of Amendment 50 will be distributed as follows:

- 78% to the State’s Public Community Colleges, Junior Colleges, and Local District Colleges;
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central and Black Hawk, in proportion to the tax revenues generated in the respective cities.

The following are definitions necessitated by the passage of Amendment 50:

- 1) “Extended gaming” means subsection (7) of section 9 of article XVIII of the State constitution as approved by statewide voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central and Cripple Creek;
- 2) “Extended gaming revenues” mean the “limited gaming tax revenues attributable to extended limited gaming” as defined by Section 12-47.1-701.5(4)(b), C.R.S.; and
- 3) “Limited gaming revenues” mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

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**NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)**

In accordance with House Bill 09-1272, there will be a determination of tax revenues and expenditures attributable to extended and limited gaming.

- 1) After the end of each fiscal year ending June 30, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the previous fiscal year by a factor of 3% and adding that amount to the amount of limited gaming revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than 3%, either positive or negative, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual growth or decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of limited gaming tax revenues collected during the previous fiscal year.
- 2) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming revenues by subtracting the amount of limited gaming revenues from the amount of total gaming tax revenues collected during the fiscal year.
- 3) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming expenses by multiplying the total of all expenses of the Commission and other State agencies for the fiscal year by the percentage of total limited gaming revenues attributable to extended gaming revenues.

The original or Limited Gaming Fund recipients will receive an annual adjustment of the lesser of 6%, or the actual percentage, of annual growth in extended gaming revenues. For fiscal year 2017, the actual annual increase is .94% which is less than 6%. The annual adjustment amount attributable to the .94% increase for fiscal year 2017 is \$144,940.

On August 24th, 2017, the Commission approved the extended gaming distribution of \$13,419,866 for the fiscal year ended June 30, 2017, in accordance with Section 12-47.1-701.5 C.R.S. On August 25th, 2016, \$12,557,487 was approved as the 2016 extended gaming distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	Year Ended June 30,	
	2017	2016
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	\$ 10,467,496	\$ 9,794,840
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties	1,610,384	1,506,898
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities	1,341,986	1,255,749
Total transfer for distribution attributable to extended gaming	\$ 13,419,866	\$ 12,557,487

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**NOTE 8 COMMITMENTS AND CONTINGENCIES**

Golden Office

In May 2010, the Division entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. Lease expenses for the years ended June 30, 2017 and 2016 were \$298,446 and \$293,001, respectively. The lease began in September 2010 with an initial term of ten years. Estimated future payments are as follows:

<u>Year Ended June 30.</u>	<u>Amount</u>
2018	\$ 315,281
2019	321,785
2020	328,615
Total	<u>\$ 965,681</u>

Sunset Review

Under Section 12-47.1-206 C.R.S., the Division is subject to a “sunset” law, which provides that the Division’s existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. During fiscal year 2013, a sunset review was completed, the law was amended, and the sunset date was extended to September 1, 2022. The Division’s existence will continue after September 1, 2022, only through the passage of a bill by the General Assembly.

**NOTE 9 DEFINED BENEFIT PENSION PLAN**

Summary of Significant Accounting Policies

*Pensions*

The Division participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

*Plan Description*

Eligible employees of the Division are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the C.R.S., administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Benefits Provided*

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions*

Eligible employees and the Division are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15	CY16	CY17	CY16	CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Heath Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411 <sup>1</sup>	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Total Employer Contribution Rate to the SDTF <sup>1</sup>	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
	<u>16.43%</u>	<u>17.33%</u>	<u>17.33%</u>	<u>18.23%</u>	<u>18.23%</u>	<u>19.13%</u>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions to the SDTF.

Employer contributions recognized by the SDTF from the Division were \$980,190 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Division's financial statements are only the governmental fund special revenue fund and do not report any pension liability, pension expense, or deferred inflows or outflows related to pensions. The following disclosure amounts are for informational purposes only.



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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At June 30, 2017, the Division's proportionate share of the net pension liability is \$35,237,801. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF.

At December 31, 2016, the Division's proportion was 0.1918420593%, which was an increase of 0.0004694748% from its proportion of 0.1913725845% measured as of December 31, 2015.

For the year ended June 30, 2017, the Division's share of pension expense was \$6,040,320. At June 30, 2017, the Division's share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 350,267	\$ -
Changes of Assumptions or other Inputs	8,964,724	108,464
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,168,161	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	29,126	29,013
Contributions Subsequent to the Measurement Date	501,061	-
Total	<u>\$ 11,013,339</u>	<u>\$ 137,477</u>

\$501,061 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	5,615,661
2019	4,422,837
2020	323,937
2021	12,366
2022	-
Thereafter	-

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial Assumptions*

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.50 - 9.57%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.50%
Discount rate	7.50%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.17%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	5.26%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December, 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's board on November 13, 2012, and an economic assumption study, adopted by PERA's board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
<b>Total</b>	<u>100.00</u>	

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount Rate:* The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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**NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

*Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.26%) or one percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	\$ 43,644,197	\$ 35,237,801	\$ 28,331,299

*Pension Plan Fiduciary Net Position:* Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 10 OTHER RETIREMENT PLANS**

Defined Contribution Retirement Plan (DC Plan)

*Plan Description*

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

**DIVISION OF GAMING  
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**NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)**

*Funding Policy*

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	CY14	CY15	CY16	CY16	CY17	CY17
	7-1-14 to 12-31-14	1-1-15 to 6-30-15	7-1-15 to 12-31-15	1-1-16 to 6-30-16	7-1-16 to 12-31-16	1-1-17 to 6-30-17
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	3.80%	4.20%	4.20%	4.60%	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24- 51-411 <sup>1</sup>	3.50%	4.00%	4.00%	4.50%	4.50%	5.00%
Total Employer Contribution Rate for AED and SAED <sup>1</sup>	<u>7.30%</u>	<u>8.20%</u>	<u>8.20%</u>	<u>9.10%</u>	<u>9.10%</u>	<u>10.00%</u>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed \$13,060,000 and the State of Colorado recognized pension contributions of \$10,382,000 for the PERA DC Plan.

401(k) Defined Contribution Plan

*Plan Description*

Employees of the Division that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)**

*Funding Policy*

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

The Division made contributions to other retirement plans totaling \$59,875 and \$59,982 during Fiscal Year 2017 and 2016, respectively.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

Health Care Trust Fund

*Plan Description*

The Division contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy*

The Division is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Division are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Division contributions to the HCTF were \$53,524, \$54,363, and \$53,704, respectively, equal to their required contributions for each year.



**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 12 RISK MANAGEMENT**

The Division participates in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical experience. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

There were no significant reductions or changes in insurance coverage from the prior year. Settlements did not exceed insurance coverage in any of the past three fiscal years.

**NOTE 13 RELATED-PARTY TRANSACTIONS**

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, and other direct and indirect expenses incurred. Interagency charges consist of the following:

	For the Years Ended	
	2017	2016
State agency services:		
Colorado State Patrol	\$ 3,151,749	\$ 2,917,645
Colorado Bureau of Investigation	885,943	801,869
Colorado Division of Fire Prevention and Control	188,070	182,276
Indirect costs (Colorado Department of Revenue)	882,803	622,487
Legal Services (Colorado Department of Law)	207,412	199,588
Office of the State Auditor	34,846	34,180
Colorado Department of Local Affairs	156,805	165,389
OIT Purchased Services	443,438	410,116
Total payments to State agencies	<u>\$ 5,951,066</u>	<u>\$ 5,333,550</u>

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 13 RELATED-PARTY TRANSACTIONS (CONTINUED)**

The Division had liabilities to other State agencies, the State's General Fund, and other governments as follows:

	June 30,	
	<u>2017</u>	<u>2016</u>
State agencies:		
Colorado State Historical Society	\$ 25,385,468	\$ 25,515,680
Colorado Department of Local Affairs	5,000,000	5,000,000
Colorado Office of Economic Development	23,000,000	23,000,000
Colorado Department of Higher Education	2,100,000	2,100,000
Department of Personnel and Administration	<u>3,667</u>	<u>-</u>
Total liabilities to State agencies	<u>55,489,135</u>	<u>55,615,680</u>
Other governments:		
City of Black Hawk	6,792,426	6,864,629
City of Central	786,949	770,938
City of Cripple Creek	1,486,863	1,477,176
Gilpin County	9,095,250	9,162,681
Teller County	<u>1,784,236</u>	<u>1,772,611</u>
Total liabilities to other governments	19,945,724	20,048,035
State General Fund	<u>15,231,191</u>	<u>15,463,715</u>
Total liabilities to State agencies, State General Fund, and other governments	<u>\$ 90,666,050</u>	<u>\$ 91,127,430</u>

Total related party liabilities of \$90,666,050 at June 30, includes \$3,667 due to the Department of Personnel and Administration. The remaining related party liabilities of \$90,662,383 are related to the fiscal year 2017 limited gaming distribution. Total related party liabilities of \$91,127,430 at June 30, 2016 are solely related to the fiscal year 2016 limited gaming distributions.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
LIMITED GAMING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
For the Year to Date June 30, 2017**

	Commission			Actual Amounts	Variance With Final Budget
	Approved Budget	Supplemental Changes	Final Budget*		Positive (Negative)
<b>REVENUES:</b>					
Gaming Taxes	\$ 116,843,846	\$ -	\$ 116,843,846	\$ 117,401,015	\$ 557,169
License and Application Fees	639,213	-	639,213	652,273	13,060
Background Investigations	253,768	-	253,768	346,733	92,965
Fines and Fees	-	-	-	158,407	158,407
Interest Revenue	419,107	-	419,107	610,433	191,326
Other Revenue	-	-	-	1,038	1,038
<b>TOTAL REVENUES</b>	<b>118,155,934</b>	<b>-</b>	<b>118,155,934</b>	<b>119,169,899</b>	<b>1,013,965</b>
<b>EXPENDITURES:</b>					
Personal Services	8,413,920	-	8,413,920	7,917,049	496,871
Operating Expenditures	587,134	-	587,134	422,361	164,773
Workers Compensation	72,442	-	72,442	72,442	-
Risk Management	22,522	-	22,522	22,522	-
Licensure Activities	181,497	-	181,497	85,103	96,394
Leased Space	308,777	-	308,777	298,446	10,331
Vehicle Lease Payments - Fixed	76,175	-	76,175	69,983	6,192
Vehicle Lease Payments - Variable	90,704	-	90,704	81,382	9,322
Utilities	25,465	-	25,465	22,527	2,939
CORE Operations	29,047	-	29,047	29,047	-
Payments to Office of Information Technology	443,438	-	443,438	443,438	-
Legal Services	181,916	25,501	207,417	207,412	5
Indirect Costs - Department of Revenue	948,052	-	948,052	882,803	65,249
State Agency Services	4,821,664	(85,778)	4,735,886	4,382,567	353,319
Division Expenditures	16,202,753	(60,277)	16,142,476	14,937,082	1,205,394
Background Expenditures	263,964	-	263,964	85,381	178,583
<b>TOTAL EXPENDITURES</b>	<b>16,466,717</b>	<b>(60,277)</b>	<b>16,406,440</b>	<b>15,022,463</b>	<b>1,383,977</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 101,689,217</b>	<b>\$ (60,277)</b>	<b>\$ 101,749,494</b>	<b>104,147,436</b>	<b>\$ 2,397,942</b>

**Reconciliation of Budget Revenues and Expenditures to the Statements of Revenues  
Expenditures, and Changes in Fund Balance**

Net increase in the fair value of investments (585,037)

**EXCESS OF REVENUES  
OVER EXPENDITURES**

\$ 103,562,399

\* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Division's proportion (percentage) of the collective net pension liability (asset)	0.1918420593%	0.1913725845%	0.1924460197%	0.1983188581%
Division's proportionate share of the collective pension liability (asset)	35,237,801	20,153,510	18,102,462	17,666,186
Covered payroll	5,465,598	5,319,912	4,965,164	4,904,861
Division's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	644.72%	378.832%	364.589%	360.177%
Plan fiduciary net position as a percentage of the total pension liability	42.60%	56.10%	59.80%	61.10%

\* The amounts presented for each fiscal year were determined as of December 31. Information earlier than 2013 was not available

Members of the Legislative Audit Committee  
 Division of Gaming, Department of Revenue, State of Colorado

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 980,190	\$ 947,398	\$ 888,726	\$ 819,042	\$ 738,518
Contributions in relation to the statutorily required contribution	<u>980,190</u>	<u>947,398</u>	<u>888,726</u>	<u>819,042</u>	<u>738,518</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	5,498,852	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered payroll	17.83%	17.78%	17.25%	16.47%	15.41%

\* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2013 was not available