DIVISION OF GAMING,
DEPARTMENT OF REVENUE,
STATE OF COLORADO

FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS’ REPORT AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2016 AND 2015

LEGISLATIVE AUDIT COMMITTEE

Representative Tracy Kraft-Tharp
Chair

Senator Tim Neville
Vice - Chair

Senator Kerry Donovan	*Representative Lori Saine*
Senator Cheri Jahn	*Senator Jim Smallwood*
Representative Dan Nordberg	*Representative Faith Winter*

OFFICE OF THE STATE AUDITOR

Dianne E. Ray	**State Auditor**
Kerri Hunter	**Deputy State Auditor**
Henry Hung	**Contract Monitor**
CliftonLarsonAllen LLP	**Contractor**

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

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

PLEASE REFER TO REPORT NUMBER 1619F WHEN REQUESTING THIS REPORT

CliftonLarsonAllen LLP
CLAconnect.com

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

We have completed the financial audit of the Division of Gaming, Department of Revenue, State of Colorado, as of and for the year ended June 30, 2016. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

We were engaged to conduct our audit pursuant to Section 12-47.1-702(1), C.R.S., which requires the State Auditor to audit the Limited Gaming Fund. The reports we have issued as a result of this engagement are set forth in the table of contents.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2017

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
YEAR ENDED JUNE 30, 2016

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen, LLP to conduct the financial audit of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division) for the Fiscal Year ended June 30, 2016. The audit of the Division was performed under authority of Section 12-47.1-702(1), C.R.S., which requires the State Auditor to conduct an annual audit of the Division. The purpose of the audit was to express an opinion on the financial statements of the Division for the years ended June 30, 2016 and 2015.

CliftonLarsonAllen, LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

The purposes and scope of this audit were:

- To express an opinion on the financial statements of the Division as of and for the years ended June 30, 2016 and 2015, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.

- To review the Division's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2016.

- To evaluate progress in implementing any prior audit recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated January 23, 2017, has been issued, which states that the financial statements of the Division as of and for the years ended June 30, 2016 and 2015, are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards,* dated January 23, 2017, has also been issued, which states that the results of the Contract Auditors' tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards.*

RECOMMENDATION LOCATOR

We noted no matters of recommendation for the Division in the current year audit.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

There were no audit recommendations in the prior year audit report.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
DESCRIPTION OF COLORADO DIVISION OF GAMING
YEAR ENDED JUNE 30, 2016

Effective October 1, 1991, Article XVIII, Section 9 of the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities. In April 2009, House Bill 09-1272 was approved to implement Amendment 50 (Amendment). The Amendment, along with the Limited Gaming Act of 1991 (the Act), established the framework for regulating limited gaming in Colorado. The Act created the Division of Gaming within the Department of Revenue, established the Limited Gaming Fund, and gave the Limited Gaming Control Commission (the Commission) the authority and responsibility for regulating limited gaming in Colorado.

The Division of Gaming operates with a staff of about 85 full-time employees and a budget of approximately $15.7 million. The Commission is made up of a five-member board appointed by the Governor and approved by the Colorado Senate. Gaming revenues deposited in the Limited Gaming Fund are used to pay operating expenses for the Division and the Commission during the year. After setting aside a reserve for two months' operating expenses at the end of each fiscal year, the remaining fund balance in the Limited Gaming Fund is distributed to State and local governments according to the provisions in the Colorado Constitution and the Act.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Extended Gaming Fund and Limited Gaming Fund and do not purport to, and do not, present fairly the financial position of the Department of Revenue, State of Colorado as of June 30, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and pension schedules on pages 5-23 and 44-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2017

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, 2016. Please read it in conjunction with the Division's financial statements, which begin on page 24.

Financial Highlights

- Gaming Tax revenues were $116,287,375 for the fiscal year ended June 30, 2016, compared to revenues of $110,104,977 for the prior fiscal year ending June 30, 2015, which is an increase of $6,182,398 or 5.62%.

- 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 $103,684,917 compared to last fiscal year's total Gaming Distribution of $97,218,342. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2016 and 2015, respectively.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2016 and 2015. 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, 2015 and July 1, 2014, respectively, and the ending fund balances as of June 30, 2016 and 2015, 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.

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2016 was $103,859,479. This represents an increase of $6,480,891 compared to fiscal year 2015 excess of revenues over expenditures of $97,378,588.

The fiscal year 2016 net increase in fair value of investments of $338,664 and net decrease of $77,708 in fiscal year 2015 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2016 and 2015, 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 4.75% in fiscal year 2016, as compared to fiscal year 2015. 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, 2016 and 2015 were $116,287,375 and $110,104,977, respectively. This represents an increase of $6,182,398 and was due primarily to an increase in AGP in the highest tax brackets. For fiscal year 2016, the tax rates remained the same as in fiscal year 2015 and 2014.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2016, 2015, and 2014 are below.

	Tax Rate for Fiscal Year		
	2016	2015	2014
AGP Range			
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%

Revenues (Continued)

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

	Increase (Decrease) Amount	Percent Change	Explanation
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.
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.
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.

For fiscal year 2015, the excess of revenues over expenditures was \$97,378,588. This represents an increase of \$4,901,734, or 5.30%, compared to fiscal year 2014's excess of revenues over expenditures of \$92,476,854.

The net decrease in fair value of investments of \$77,708, and net increase of \$230,341 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2015 and 2014, respectively.

Revenues (Continued)

The adjusted gross proceeds of casinos increased 3.45% in fiscal year 2015 compared to fiscal year 2014. The tax revenue increase was 4.98% in fiscal year 2015 compared to fiscal year 2014. The increase was due primarily to an increase in the 16.00% and 20.00% tax brackets.

Significant changes in revenue categories to fiscal year 2015 from fiscal year 2014 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Fines and Other	22,230	222.54%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	94,515	21.52%	Interest rates decreased 0.05% on average during fiscal year 2015. The average rate was 1.01% in fiscal year 2015 and 0.96% in fiscal year 2014. Increase is also due to an increase in average cash balance for fiscal year 2015 compared to fiscal year 2014.
Change in Fair Value of Investments	(308,049)	(133.74)%	This represents the difference between the net change in the fair value of the Division's investments during fiscal year 2015 versus the net change in the fair market value of the Division's investments during fiscal year 2014.

Expenditures

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 Pd.	(32,685)	(47.49)%	In fiscal year 2016, nine shorter-term employees left the Division with lower accumulated leave balances.
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.

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2015 were $13,981,725. This is an increase of $104,540 or 0.75%, as compared to fiscal year 2014 expenditures of $13,877,185. The information below shows the changes in expenditures from fiscal year 2014 to fiscal year 2015 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	23,599	52.19%	In fiscal year 2015, four long-time employees left the Division, two of which were upper management with higher accumulated leave balances.
Police Supplies	10,843	96.16%	In fiscal year 2015, the increase was due primarily to the purchase of emergency lights for Division vehicles.
Computer Services	(33,419)	(29.13)%	In fiscal year 2014, $36,298 of shared communication costs were included with computer services and in fiscal year 2015 they are being classified as IT costs in 'Other operating expenditures'. Computer checks increased $2,879.
Materials, Supplies and Services	(123,736)	(34.01)%	In fiscal year 2015, materials, supplies, and services decreased due primarily to a $127,027 decrease in building and equipment maintenance, software purchases, and non-capital equipment. The decrease was partially offset by an increase in registrations.
Telephone	(78,632)	(63.81)%	In fiscal year 2015, digital data charges decreased $84,820 because these costs are now classified with consolidated IT costs in 'Other operating expenditures'. Local call charges increased $6,963, and long distance and other charges decreased $775.
Capital Outlay	141,920	100.00%	In fiscal year 2015, capital outlay costs increased due to replacement of the boiler in the Cripple Creek office, replacement of fingerprint machines in the Golden and Cripple Creek offices, and phase 1 of the EZ File re-write project. Fiscal year 2014 had no capital outlay costs.

Assets, Liabilities, and Fund Balance

The year-end total fund balance reflects the overall financial position of the Division, which is $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 is due primarily to the increases in cash.

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 is 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	32,892	31,248	1,644	5.26%
Total assets	$108,090,645	$101,447,302	$ 6,643,343	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	656,362	518,951	137,411	26.48%
Total liabilities	92,491,745	88,704,959	3,786,786	4.27%
Fund balance	15,598,900	12,742,343	2,856,557	22.42%
Total liabilities and fund balance	$108,090,645	$101,447,302	$ 6,643,343	6.55%

Assets, Liabilities, and Fund Balance (Continued)

The year-end total fund balance reflects the overall financial position of the Division, which was $12,742,343 at June 30, 2015 compared to $11,085,607 at June 30, 2014. Total assets of $101,447,302 at June 30, 2015 increased $5,421,692 or 5.65%, as compared to the prior year balance of $96,025,610. The increase in total assets was due primarily to the increases in cash and gaming taxes receivable.

The Division's total liabilities were $88,704,959 at June 30, 2015 and $84,940,003 at June 30, 2014. The $3,764,956 net increase was due primarily to the $3,502,480 increase in the fiscal year 2015 Limited Gaming Distribution.

The following compares fiscal year 2015 and fiscal year 2014 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Cash and Equity in Treasurer's Pool	$ 89,795,445	$ 84,830,199	$ 4,965,246	5.85%
Gaming taxes and other receivables	11,620,609	11,156,563	464,046	4.16%
Prepaid expenses	31,248	38,848	(7,600)	(19.56)%
Total assets	$101,447,302	$ 96,025,610	$ 5,421,692	5.65%
Accounts payable, wages, and accrued payroll payable	$ 843,158	$ 659,334	$ 183,824	27.88%
Due to other State agencies, other governments, and the State General Fund	87,342,850	83,840,370	3,502,480	4.18%
Other liabilities	518,951	440,299	78,652	17.86%
Total liabilities	88,704,959	84,940,003	3,764,956	4.43%
Fund balance	12,742,343	11,085,607	1,656,736	14.94%
Total liabilities and fund balance	$101,447,302	$ 96,025,610	$ 5,421,692	5.65%

Statement of Revenues, Expenditures, and Changes in Fund Balance

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
Revenues				
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	1,502,998	696,201	806,797	115.89%
Total revenues	118,421,184	111,360,313	7,060,871	6.34%
Expenditures				
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	5,333,550	5,148,878	184,672	3.57%
Total expenditures	14,561,705	13,981,725	579,980	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	101,002,922	95,721,852	5,281,070	5.52%
Fund balance, end of year	$ 15,598,900	$ 12,742,343	$ 2,856,557	22.42%

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

The following compares total fiscal year 2015 and fiscal year 2014 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Revenues				
Gaming taxes	$110,104,977	$104,877,982	$ 5,226,995	4.98%
License and application fees	559,135	600,312	(41,177)	(6.86)%
Other revenue	696,201	875,745	(179,544)	(20.50)%
Total revenues	111,360,313	106,354,039	5,006,274	4.71%
Expenditures				
Operating expenditures	8,804,306	9,118,710	(314,404)	(3.45)%
Background investigations	28,541	22,532	6,009	26.67%
State agency services	5,148,878	4,735,943	(14,744)	8.72%
Total expenditures	13,981,725	13,877,185	104,540	0.75%
Excess of revenues over expenditures	97,378,588	92,476,854	4,901,734	5.30%
Fund balance, beginning of year	11,085,607	10,731,671	353,936	3.30%
Less: Gaming Fund distributions paid or accrued during the fiscal year	95,721,852	92,122,918	3,598,934	3.91%
Fund balance, end of year	$ 12,742,343	$ 11,085,607	$ 1,656,736	14.94%

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

In fiscal years 2016 and 2015 the Division had several vacant positions. In fiscal year 2016, Division management has proposed decision items to move two full-time employees off the Division's books. 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 2016, eclipsing the previous all-time record set in fiscal year 2007. Fiscal year 2016 gaming tax revenues were approximately 5.6% higher than fiscal year 2015. This rate of growth may not be sustainable within the industry.

Conditions Affecting Financial Position or Results of Operations (Continued)

Computer Systems / Projects

The Division completed phase II of the Casino EZ File conversion to Gentax and Revenue On-Line (the Department of Revenue's tax filing systems). Casinos now report their gaming taxes, device movement, and personnel through Revenue On-Line. That data is captured in Gentax. The expenses associated with this conversion were paid in fiscal years 2016 and 2015 at a cost of $212,438 and $173,813 respectively.

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, 2016 was $103,684,917, which includes $12,557,487 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.

Distribution (Continued)

	June 30, 2016	June 30, 2015
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 9,794,840	$ 7,702,884
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,506,898	1,185,059
10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	1,255,749	987,549
Total distribution attributable to extended gaming	$ 12,557,487	$ 9,875,492

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

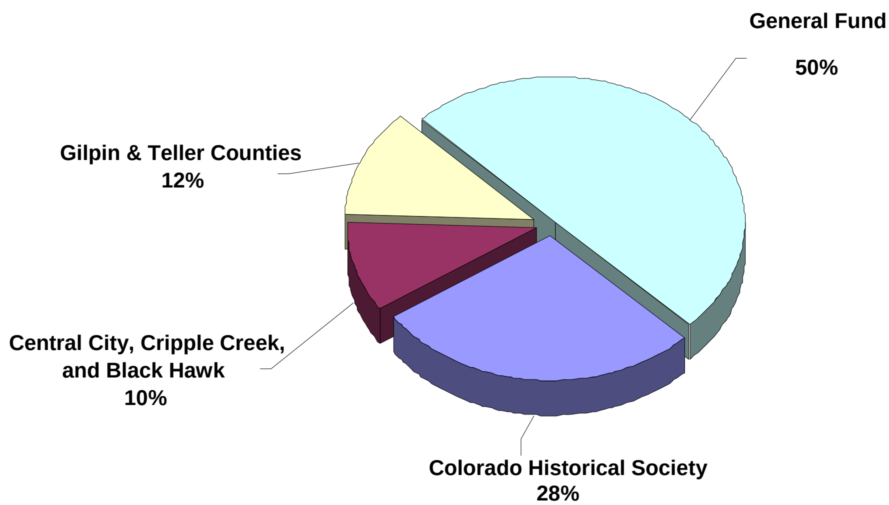
- 10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

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 2016.

Distribution (Continued)

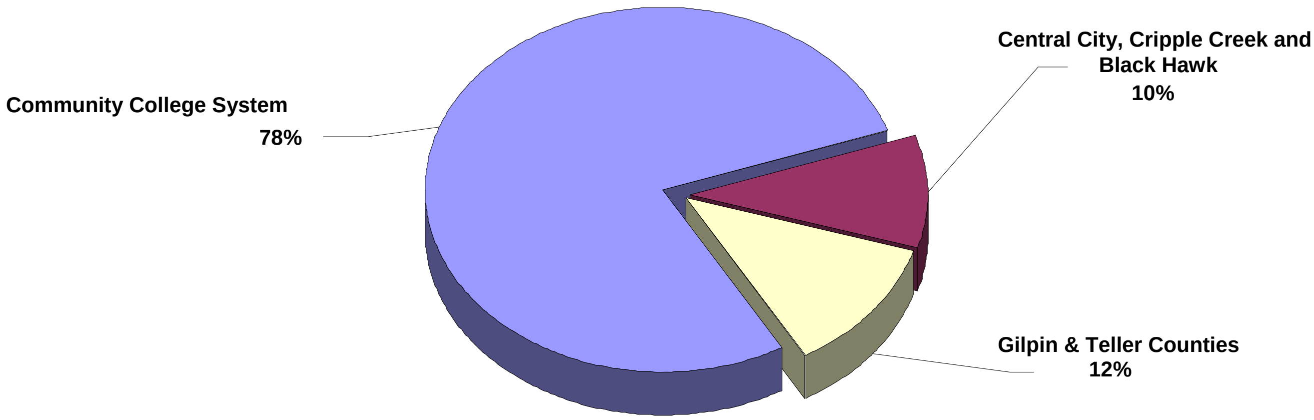
Limited Gaming Distribution (Continued)

Colorado Limited Gaming Distribution Formula
(Original Recipients)



Distribution (continued)

Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



Distribution (Continued)

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

	For the Years Ended June 30, 2016	For the Years Ended June 30, 2015	Difference	Percent Difference
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	$ 103,684,917	$ 97,218,342	$ 6,466,575	6.65%

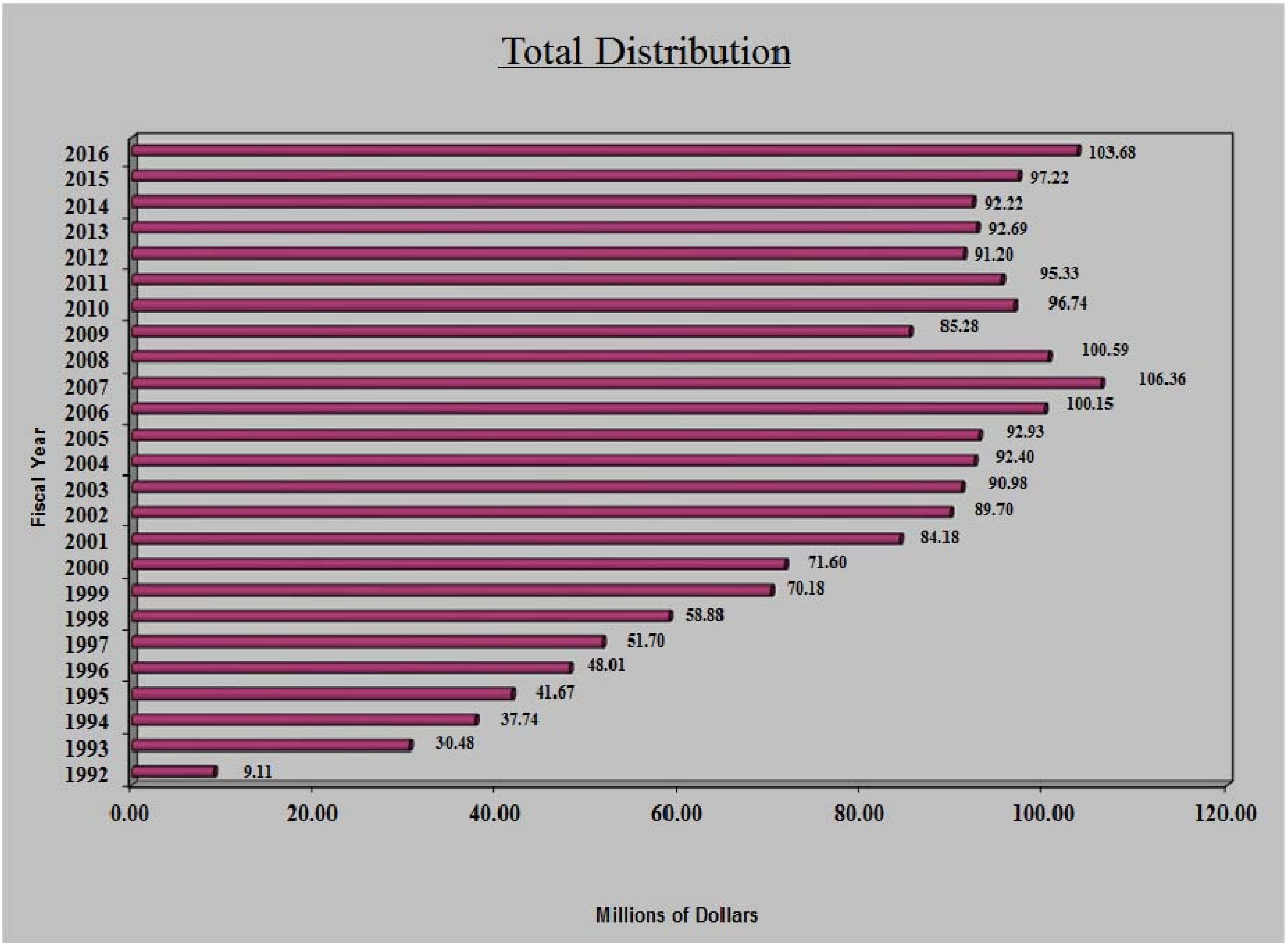
Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2015 was $97,218,342.

The table below compares the amounts distributed to the various recipients for fiscal years 2015 and 2014.

	For the Years Ended June 30, 2015	For the Years Ended June 30, 2014	Difference	Percent Difference
Colorado State Historical Fund	$ 24,455,998	$ 23,475,304	$ 980,694	4.18%
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%
Bioscience Discovery Evaluation Grant Program	-	5,500,000	(5,500,000)	(100.00)%
Advanced Industries Acceleration Cash Fund	5,500,000	-	5,500,000	100.00%
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	54,555,998	53,575,304	980,694	1.83%
City of Black Hawk	6,592,639	6,244,431	348,208	5.58%
City of Central	724,072	733,603	(9,531)	(1.30)%
City of Cripple Creek	1,417,574	1,406,003	11,571	0.82%
Gilpin County	8,780,053	8,373,641	406,412	4.85%
Teller County	1,701,089	1,687,203	13,886	0.82%
Total payment due to other governments	19,215,427	18,444,881	770,546	4.18%
Due to the State General Fund	13,571,425	11,820,185	1,751,240	14.82%
Due to the Limited Gaming recipients	87,342,850	83,840,370	3,502,480	4.18%
Due to the Extended Gaming recipients	9,875,492	8,379,002	1,496,490	17.86%
Total distribution	$ 97,218,342	$ 92,219,372	$ 4,998,970	5.42%

Distribution (Continued)



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 2016:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Vehicle Lease Payments – Variable	$ 90,704	$ 20,334	$ 111,038
Capital Outlay	-	8,400	8,400
Legal Services	187,360	16,400	203,760

The budgeted expenditures approved at the beginning of the year were $15,707,636. The amendments to the budget resulted in a net increase of $45,134. As a result, the final approved budget for fiscal year 2016 was $15,752,770. Total actual expenditures were $14,561,705 resulting in excess appropriations, or a savings of $1,191,065 for fiscal year 2016.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2017 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 2017. The Division's request totaled $11,645,053, which represents a 3.46% increase from the fiscal year 2016 appropriation. The largest percentage increase ($9,899) in the Division's fiscal year 2017 budget is for CORE Operations, formerly CORE Maintenance. CORE stands for Colorado Operations Resource Engine. This is the fairly new statewide financial system which was implemented in July of fiscal year 2015. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $4,574,539 and a budget request submitted by the Department of Local Affairs for $247,125. These funds are used for gaming related purposes.

Fiscal year 2017 revenue has been projected for minimal growth according to data presented to the Gaming Commission in April 2016. Assumptions that were made when preparing the revenue projection for fiscal year 2017 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 2016.

The Division's fiscal year 2017 revenue estimates total $118.2 million, an $86,178 increase over fiscal year 2016 actual revenue.

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.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
JUNE 30, 2016 AND 2015

	FY 2016			FY 2015		
	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund
ASSETS						
Cash and Equity in						
Treasurer's Pool	$ 12,640,191	$ 83,884,003	$ 96,524,194	$ 9,907,823	$ 79,887,622	$ 89,795,445
Accounts Receivable						
Gaming Taxes	-	11,529,949	11,529,949	-	11,616,720	11,616,720
Fines Receivable	-	250	250	-	282	282
Miscellaneous	-	3,360	3,360	-	3,607	3,607
Prepaid Expenses	-	32,892	32,892	-	31,248	31,248
Total Assets	12,640,191	95,450,454	108,090,645	9,907,823	91,539,479	101,447,302
TOTAL ASSETS	$ 12,640,191	$ 95,450,454	$ 108,090,645	$ 9,907,823	$ 91,539,479	$ 101,447,302
LIABILITIES AND FUND BALANCE:						
LIABILITIES						
Accounts Payable	$ -	$ 36,648	$ 36,648	$ -	$ 215,226	$ 215,226
Accrued Payroll Payable	-	663,173	663,173	-	624,398	624,398
Wages & Salaries Payable	-	8,132	8,132	-	3,534	3,534
Due to Other State Agencies	-	55,615,680	55,615,680	-	54,555,998	54,555,998
Due to Other Governments	-	20,048,035	20,048,035	-	19,215,427	19,215,427
Due to the State's General Fund	-	15,463,715	15,463,715	-	13,571,425	13,571,425
Background and Other Deposits	-	362,440	362,440	-	258,481	258,481
Unearned Revenue	-	293,922	293,922	-	260,470	260,470
Total Liabilities	-	92,491,745	92,491,745	-	88,704,959	88,704,959
FUND BALANCE						
Nonspendable:						
Prepaids	-	32,892	32,892	-	31,248	31,248
Restricted for:						
Required Reserve	82,704	2,925,817	3,008,521	32,331	2,803,272	2,835,603
Extended Gaming Recipients	12,557,487	-	12,557,487	9,875,492	-	9,875,492
Total Fund Balance	12,640,191	2,958,709	15,598,900	9,907,823	2,834,520	12,742,343
Total Liabilities and Fund Balance	$ 12,640,191	$ 95,450,454	$ 108,090,645	$ 9,907,823	$ 91,539,479	$ 101,447,302

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, 2016 AND 2015

	FY 2016			FY 2015		
	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund
REVENUES:						
Gaming Taxes	$ -	$ 116,287,375	$ 116,287,375	$ -	$ 110,104,977	$ 110,104,977
License and Application Fees	-	630,811	630,811	-	559,135	559,135
Background Investigations	-	285,155	285,155	-	207,886	207,886
Fines	-	300,462	300,462	-	31,155	31,155
Interest Income	9,514	568,412	577,926	16,862	516,942	533,804
Net Increase/(Decrease) in the Fair Value of Investments	50,373	288,291	338,664	(4,439)	(73,269)	(77,708)
Other Revenue	-	791	791	-	1,064	1,064
Total Revenues	59,887	118,361,297	118,421,184	12,423	111,347,890	111,360,313
EXPENDITURES:						
Salaries and Benefits	-	7,781,313	7,781,313	-	7,420,875	7,420,875
Annual and Sick Leave Payouts	-	36,135	36,135	-	68,820	68,820
Professional Services	-	117,490	117,490	-	174,209	174,209
Travel	-	46,316	46,316	-	50,966	50,966
Automobiles	-	173,459	173,459	-	171,755	171,755
Printing	-	22,602	22,602	-	20,022	20,022
Police Supplies	-	18,110	18,110	-	22,119	22,119
Computer Services	-	78,283	78,283	-	81,292	81,292
Materials, Supplies, and Services	-	291,920	291,920	-	240,075	240,075
Postage	-	7,679	7,679	-	7,519	7,519
Telephone	-	49,835	49,835	-	44,602	44,602
Utilities	-	21,749	21,749	-	25,235	25,235
Other Operating Expenditures	-	41,711	41,711	-	45,531	45,531
Leased Space	-	293,001	293,001	-	289,366	289,366
Capital Outlay	-	206,389	206,389	-	141,920	141,920
State Agency Services	-	5,333,550	5,333,550	-	5,148,878	5,148,878
Background Expenditures	-	42,163	42,163	-	28,541	28,541
Total Expenditures	-	14,561,705	14,561,705	-	13,981,725	13,981,725
EXCESS OF REVENUES OVER EXPENDITURES	59,887	103,799,592	103,859,479	12,423	97,366,165	97,378,588
OTHER FINANCING SOURCES (USES)						
Limited Gaming Distribution	(9,875,492)	(91,127,430)	(101,002,922)	(8,379,002)	(87,342,850)	(95,721,852)
Transfer to Extended Gaming Fund	-	(12,547,973)	(12,547,973)	-	(9,858,630)	(9,858,630)
Transfer from Limited Gaming Fund	12,547,973	-	12,547,973	9,858,630	-	9,858,630
Total Other Financing Sources (Uses)	2,672,481	(103,675,403)	(101,002,922)	1,479,628	(97,201,480)	(95,721,852)
NET CHANGE IN FUND BALANCE	2,732,368	124,189	2,856,557	1,492,051	164,685	1,656,736
Fund Balance - Beginning of Year	9,907,823	2,834,520	12,742,343	8,415,772	2,669,835	11,085,607
FUND BALANCE - END OF YEAR	$ 12,640,191	$ 2,958,709	$ 15,598,900	$ 9,907,823	$ 2,834,520	$ 12,742,343

See accompanying Notes to Financial Statements.

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 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.

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 2016 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, 2016	Years Ended June 30, 2015
Appropriations	$ 15,707,636	$ 15,595,403
Supplemental appropriations	45,134	17,596
Total appropriations	$ 15,752,770	$ 15,612,999

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.

Comparative Data

Certain expenditures presented in the prior year data have been reclassified to be consistent with the current year's presentation.

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, 2016 and 2015, the Division had cash on deposit with the State Treasurer of $96.5 million and $89.8 million, respectively, which represented approximately 1.3 percent of the total $7,408.5 million and 1.2 percent of 7,661.8 million fair value of deposits in the State Treasurer's Pool (Pool).

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

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets ($230 million) and significant other observable inputs ($7,178.5 million) at fiscal year-end. 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.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2016, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8% of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $77,761,610 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016, the weighted average maturity of investments in the Treasurer's Pool is as follows:

Investment Type	Weighted Average Maturity	Maturity Amount	Percent of Pool
Asset Backed Securities	2.585	$ 1,026,821,023	14.0
Corporate Bonds	1.985	1,645,938,000	22.4
U.S. Government Securities	1.343	3,608,040,000	49.0
Commercial Paper	0.094	847,000,000	11.5
Money Market Mutual Funds	-	230,000,000	3.1
TOTAL		**$ 7,357,799,023**	**100.0**

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

As of June 30, 2016, the fair value of the investments in the Treasury Pool is as follows:

Investment Type	Fair Value Amount
Asset Backed Securities	$ 1,025,405,593
Corporate Bonds	1,668,441,771
U.S. Government Securities	3,633,084,620
Commercial Paper	846,606,464
Mortgages	4,919,040
Mutual Funds	230,000,000
TOTAL	**$ 7,408,457,488**

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2016.

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, 2016.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2016 and 2015, the Division had accounts receivable balances of $11,533,559 and $11,620,609, respectively. At June 30, 2016 and 2015, the Division had $11,529,949 and $11,616,720 of gaming taxes receivable from 35 and 36 Colorado casinos, respectively. These receivables primarily represent June 2016 and 2015 gaming taxes, which were due on July 15, 2016 and July 15, 2015, respectively, and were subsequently collected by the Department of Revenue in July 2016 and 2015 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.

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			
	Land	Construction in Progress	Subtotal	Equipment and Software	Building	Subtotal	Total
Cost							
Balances, June 30, 2014	$ 536,138	$ -	$ 536,138	$ 670,873	$ 1,134,912	$ 1,805,785	$ 2,341,923
Additions	-	-	-	141,919	-	141,919	141,919
Disposals	-	-	-	(73,492)	-	(73,492)	(73,492)
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
Accumulated Depreciation							
Balances, June 30, 2014	-	-	-	(569,936)	(200,896)	(770,832)	(770,832)
Additions	-	-	-	(22,249)	(31,893)	(54,142)	(54,142)
Disposals	-	-	-	73,492	-	73,492	73,492
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)
Total capital assets, net	$ 536,138	$ -	$ 536,138	$ 374,431	$ 864,712	$ 1,239,143	$ 1,775,281

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 $356,126 and $252,167 at June 30, 2016 and 2015, respectively, represent background investigation deposits. Also included is $6,314 at both June 30, 2016 and 2015, 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, 2016 and 2015, unearned license fees were $293,922 and $260,470, respectively.

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, 2016:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2014	$ 485,314	$ 53,807	$ 539,121
Increase	314,970	50,857	365,827
Decrease	(326,581)	(46,128)	(372,709)
Balances, June 30, 2015[(1)]	473,703	58,536	532,239
Increase	331,058	52,065	383,123
Decrease	(310,115)	(49,984)	(360,099)
Balances, June 30, 2016[(2)]	$ 494,646	$ 60,617	$ 555,263

[(1)]At June 30, 2015, $6,660 annual leave and $731 sick leave were classified as current.
[(2)]At June 30, 2016, $20,944 annual leave and $2,081 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, 2016 and 2015, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,409,657 and $2,573,759, respectively. In addition, $598,864 and $261,844 as of June 30, 2016 and 2015, respectively, is restricted for unrealized gain on investments.

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

On August 25th, 2016, the Commission approved the limited gaming distribution of $91,127,430 for the fiscal year ended June 30, 2016 in accordance with Section 12-47.1-701, C.R.S. On October 15th 2015, $87,342,850 was approved as the 2015 limited gaming distribution. The limited gaming distributions are summarized as follows:

	Year Ended June 30, 2016	Year Ended June 30, 2015
Distribution to other State agencies		
Colorado State Historical Fund	$ 25,515,680	$ 24,455,998
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	55,615,680	54,555,998
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk	9,112,743	8,734,285
Gilpin and Teller Counties	10,935,292	10,481,142
Total distributions to other governments	20,048,035	19,215,427
Distribution to the State General Fund	15,463,715	13,571,425
Total distributions	$ 91,127,430	$ 87,342,850

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)(d), C.R.S.; and
3) "Limited gaming revenues" mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

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 2016, the actual annual increase is 26.92% which is greater than 6%. The annual adjustment amount attributable to the 6% increase for fiscal year 2016 is $916,513.

On August 25th, 2016, the Commission approved the extended gaming distribution of $12,557,487 for the fiscal year ended June 30, 2016, in accordance with Section 12-47.1-701.5 C.R.S. On October 15th, 2015, $9,875,492 was approved as the 2015 extended gaming distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	Year Ended June 30,	
	2016	2015
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	$ 9,794,840	$ 7,702,884
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties	1,506,898	1,185,059
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities	1,255,749	987,549
Total transfer for distribution attributable to extended gaming	$ 12,557,487	$ 9,875,492

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, 2016 and 2015 were $293,001 and $289,366, respectively. The lease began in September 2010 with an initial term of ten years. Estimated future payments are as follows:

Year Ended June 30,	Amount
2017	$ 308,777
2018	315,281
2019	321,785
2020	328,615
Total	$ 1,274,458

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.

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.

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 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	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
Employer Contribution Rate[1]	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)[1]	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF[1]	15.53%	16.43%	16.43%	17.33%	17.33%	18.23%

[1]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 was $947,398 for the fiscal year ended June 30, 2016.

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.

At June 30, 2016, the Division's proportionate share of the net pension liability is $20,153,510. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF.

At December 31, 2015, the Division's proportion was 0.1913725845%, which was a decrease of 0.0010734352% from its proportion of 0.1924460197% measured as of December 31, 2014.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the Division's share of pension expense was $1,649,391. At June 30, 2016, 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	$ 293,469	$ 624
Changes of assumptions or other inputs	-	238,560
Net difference between projected and actual earnings on pension plan investments	1,520,094	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	223,879
Contributions subsequent to the measurement date	481,391	-
Total	$ 2,294,954	$ 463,063

$481,391 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, 2017. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 238,209
2018	398,383
2019	403,093
2020	310,815

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates 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.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial assumptions used in the December 31, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit.
    - Refinement of the 18 month annual increase timing.
    - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
    - Recognition of merit salary increases in the first projection year.
    - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SDTF's long-term expected rate of return on pension plan investments was determined using 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 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 15, 2013 adoption of the 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:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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 7.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. 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:

- 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 3.90%.

- 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, 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.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior 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 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$ 25,461,127	$ 20,153,510	$ 15,713,865

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.

NOTE 10 OTHER RETIREMENT PLANS

<u>Defined Contribution Retirement Plan (DC Plan)</u>

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.

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:

NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016	
	CY13	CY14		CY15		CY16
	7-1-13 to 12-31-13	1-1-14 to 6-30-14	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
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411[1]	3.40%	3.80%	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411[1]	3.00%	3.50%	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate for AED and SAED[1]	6.40%	7.30%	7.30%	8.20%	8.20%	9.10%

[1]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.

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.

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 2015, 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.

NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)

Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $6,000 contribution in 2015, for total contributions of $24,000. Contributions and earnings are tax deferred. At December 31, 2015, the plan had 17,814 participants.

The Division made contributions to other retirement plans totaling $59,982 and $50,574 during Fiscal Year 2016 and 2015, 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.

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, 2016, 2015 and 2014, the Division contributions to the HCTF were $54,363, $53,704 and $52,284, respectively, equal to their required contributions for each year.

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	
	2016	2015
State agency services:		
Colorado State Patrol	$ 2,917,645	$ 2,696,126
Colorado Bureau of Investigation	801,869	752,072
Colorado Division of Fire Prevention and Control	182,276	193,276
Indirect costs (Colorado Department of Revenue)	622,487	687,852
Legal Services (Colorado Department of Law)	199,588	192,586
Office of the State Auditor	34,180	33,498
Colorado Department of Local Affairs	165,389	165,789
OIT Purchased Services	410,116	427,679
Total payments to State agencies	$ 5,333,550	$ 5,148,878

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

	June 30,	
	2016	2015
State agencies:		
Colorado State Historical Society	$ 25,515,680	$ 24,455,998
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
Total liabilities to State agencies	55,615,680	54,555,998
Other governments:		
City of Black Hawk	6,864,629	6,592,638
City of Central	770,938	724,072
City of Cripple Creek	1,477,176	1,417,575
Gilpin County	9,162,681	8,780,053
Teller County	1,772,611	1,701,089
Total liabilities to other governments	20,048,035	19,215,427
State General Fund	15,463,715	13,571,425
Total liabilities to State agencies, State General Fund, and other governments	$ 91,127,430	$ 87,342,850

Total related party liabilities of $91,127,430 at June 30, 2016 and $87,342,850 at June 30, 2015 are solely related to the fiscal year 2016 and 2015 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, 2016

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Gaming Taxes	$ 105,734,932	$ -	$ 105,734,932	$ 116,287,375	$ 10,552,443
License and Application Fees	548,505	-	548,505	630,811	82,306
Background Investigations	253,768	-	253,768	285,155	31,387
Fines and Fees	-	-	-	300,462	300,462
Interest Revenue	419,107	-	419,107	568,412	149,305
Other Revenue	-	-	-	791	791
TOTAL REVENUES	106,956,312	-	106,956,312	118,073,006	11,116,694
EXPENDITURES:					
Personal Services	8,336,576	-	8,336,576	8,098,996	237,580
Operating Expenditures	587,134	-	587,134	429,198	157,936
Workers Compensation	67,110	-	67,110	67,110	-
Risk Management	18,793	-	18,793	18,793	-
Licensure Activities	181,497	-	181,497	90,482	91,015
Leased Space	302,599	-	302,599	293,001	9,598
Vehicle Lease Payments - Fixed	68,741	-	68,741	63,379	5,362
Vehicle Lease Payments - Variable	90,704	20,334	111,038	110,071	967
Utilities	25,465	-	25,465	21,749	3,716
Capital Outlay	-	8,400	8,400	8,245	155
CORE Maintenance	19,148	-	19,148	19,148	-
Payments to Office of Information Technology	410,116	-	410,116	410,116	-
Legal Services	187,360	16,400	203,760	199,588	4,172
Indirect Costs - Department of Revenue	651,418	-	651,418	622,487	28,931
State Agency Services	4,497,011	-	4,497,011	4,067,179	429,832
Division Expenditures	15,443,672	45,134	15,488,806	14,519,542	969,264
Background Expenditures	263,964	-	263,964	42,163	221,801
TOTAL EXPENDITURES	15,707,636	45,134	15,752,770	14,561,705	1,191,065
EXCESS OF REVENUES OVER EXPENDITURES	$ 91,248,676	$ (45,134)	$ 91,203,542	103,511,301	$ 12,307,759
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				288,291	
EXCESS OF REVENUES OVER EXPENDITURES				$ 103,799,592	

* 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

	2015	2014	2013
Division's proportion (percentage) of the collective net pension liability (asset)	0.1913725845%	0.1924460197%	0.1983188581%
Division's proportionate share of the collective pension liability (asset)	20,153,510	18,102,462	17,666,186
Covered-employee payroll	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-employee payroll	378.832%	364.589%	360.177%
Plan fiduciary net position as a percentage of the total pension liability	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

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years

	2016	2015	2014	2013
Statutorily required contributions	$ 947,398	$ 888,726	$ 819,042	$ 738,518
Contributions in relation to the statutorily required contribution	947,398	888,726	819,042	738,518
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered-employee payroll	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

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated January 23, 2017.

Internal Control Over Financial Reporting

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

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

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

A member of Nexia International

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2017

CliftonLarsonAllen LLP
CLAconnect.com

REQUIRED AUDITOR COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE

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

We have audited the financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the year ended June 30, 2016, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 23, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements.

The State implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 required disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. As all cash and investments for the Division are pooled and invested by the State of Colorado, this statement did not have a significant impact on the financial statements of the Division. See Note 2 for additional information.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or require substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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

Difficulties Encountered in Performing the Audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 23, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the RSI to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the RSI is appropriate and complete in relation to our audit of the financial statements. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Restriction on Use

This communication is intended solely for the use of Members of the Legislative Audit Committee and management of Division of Gaming, Department of Revenue, State of Colorado and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2017