DIVISION OF GAMING,
DEPARTMENT OF REVENUE,
STATE OF COLORADO

FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
YEAR ENDED JUNE 30, 2019

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 Limited Gaming Fund and Extended Limited Gaming Fund (Extended 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, 2019. This audit was performed under authority of Section 44-30-703, C.R.S., which requires the State Auditor to conduct an annual audit of the Limited Gaming Fund. Effective October 1, 2018, the laws related to the regulation of Limited Gaming were moved pursuant to legislation passed in the 2018 Session, which moved the authority for the audit to this Section. Prior to October 1, 2018, the audit authority was found within Section 12-47.1-702(1), C.R.S. The purpose of the audit was to express opinions on the financial statements of the Division for the years ended June 30, 2019 and 2018.

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 opinions on the financial statements of the Division as of and for the years ended June 30, 2019 **and 2018**, 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, 2019.

- 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 November 1, 2019, has been issued, which states that the financial statements of the Division as of and for the years ended June 30, 2019 and 2018, 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 November 1, 2019, 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, 2019

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 80 full-time employees and a budget of approximately $17.7 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.

The Colorado Limited Gaming Control Commission is a five-member regulatory body appointed by the Governor. By statute, the Commission is responsible for promulgating all the rules and regulations governing limited gaming in Colorado, including the establishment of the gaming tax rate. The Commission also has final authority over all gaming licenses issued in the state. By law, the Commission is made up of members from different professional, political and geographic backgrounds.

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.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee and Colorado Limited Gaming Control Commission
Division of Gaming, Department of Revenue, State of Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Limited Gaming Fund and Extended 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, 2019 **and 2018**, 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 Limited Gaming Fund and Extended Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado as of June 30, 2019 **and 2018**, 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 Limited Gaming Fund and Extended 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, 2019 **and 2018**, 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 5-19 and 49-53 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 November 1, 2019 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 solely 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 the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 1, 2019

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, 2019 and 2018. Please read it in conjunction with the Division's financial statements, which begin on page 20.

Financial Highlights

- Gaming Tax revenues were $125,000,293 for the fiscal year ended June 30, 2019, compared to revenues of $125,273,338 for the prior fiscal year ending June 30, 2018, which is a decrease of $273,045 or 0.22%.

- 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 $111,782,407 compared to last fiscal year's total Gaming Distribution of $111,617,671. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2019 and 2018, respectively.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2019 and 2018. 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, 2018 and July 1, 2017, respectively, and the ending fund balances as of June 30, 2019 and 2018, 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 2019 was $113,281,015. This represents an increase of $2,639,744 compared to fiscal year 2018 excess of revenues over expenditures of $110,641,271.

The fiscal year 2019 net increase in fair value of investments of $1,710,918 and net decrease $1,190,439 in fiscal year 2018 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2019 and 2018, respectively.

Significant changes in revenue categories to fiscal year 2019 from fiscal year 2018 are explained below.

	(Decrease) Amount	Percent Change	Explanation
Background Investigations	108,720	60.98%	There was $62,683 more in labor and miscellaneous charges and $46,037 more in travel during fiscal year 2019 based on the nature of the background investigations required to be performed during fiscal year 2019 compared to fiscal year 2018.
Interest Income	360,875	37.80%	The increase in fiscal year 2019 is due primarily to the increase in the average annualized rate of 2.22% on State Treasury investments as compared to the average annualized rate of 1.65% for fiscal year 2018.
Other Revenue	301,581	18389.10%	The increase in fiscal year 2019 is due to an agreement with the Colorado Gaming Association for reimbursement of costs associated with implementing Free Play Rule (Rule 14) and Management IP Communications (MIPC) equipment.
Changes in Fair Value of Investments	2,901,357	243.72%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2019 versus the net change in the fair value of the Division's investments during fiscal year 2018, which is based on the market values of the State Treasury Investments.

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 0.17% in fiscal year 2019, as compared to fiscal year 2018. The increase was due primarily to Colorado's stable economy and population growth. The gaming tax revenues earned by the Division for the fiscal years ending June 30, 2019 and 2018 were $125,000,293 and $125,273,338, respectively. This represents a decrease of $273,045 and was due primarily to a decrease in AGP in the highest tax bracket. For fiscal year 2019, the tax rates remained the same as in fiscal year 2018 and 2017. The AGP increased for small and midsized casinos in fiscal year 2019 compared to fiscal year 2018, while AGP decreased for larger casinos in fiscal year 2019 compared to fiscal year 2018. This resulted in an overall decrease in gaming tax revenue based on the difference in tax rates between small and midsized casinos compared to larger casinos.

The Colorado Gaming Association (CGA) proposed changes to Rule 14 "Gaming Tax" during the 2017 tax setting hearing. The Commission approved this proposal during the May 2018 Commission meeting. The changes to Rule 14 allow casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate, which did not occur during the year ended June 30, 2019. No refunds were issued for fiscal year 2019.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2019, 2018, and 2017 are below.

	Tax Rate for Fiscal Year		
	2019	2018	2017
AGP Range			
Charitable Events	3.00%	3.00%	3.00%
$0 - $2 Million	0.25%	0.25%	0.25%
$2 - $5 Milllion	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%

For fiscal year 2018, the excess of revenues over expenditures was $110,641,271. This represents an increase of $7,156,877, or 6.92%, compared to fiscal year 2017's excess of revenues over expenditures of $103,484,394.

The net decrease in fair value of investments of $1,190,439, and net decrease of $673,623 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2018 and 2017, respectively.

Significant changes in revenue categories to fiscal year 2018 from fiscal year 2017 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Background Investigations	(168,439)	(48.58)%	There was $113,755 less in labor and miscellaneous charges and $54,684 less in travel during fiscal year 2018 based on the nature of the background investigations required to be performed during fiscal year 2018 compared to fiscal year 2017.
Interest Income	333,702	53.74%	The increase in fiscal year 2018 is due primarily to the increase in the average annualized rate of 1.65% on State Treasury investments as compared to the average annualized rate of 1.12% for fiscal year 2017.
Changes in Fair Value of Investments	(516,816)	(76.72)%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2018 versus the net change in the fair value of the Division's investments during fiscal year 2017, which is based on the market values of the State Treasury investments.

Expenditures

Total expenditures for the Division in fiscal year 2019 were $16,174,813. This is an increase of $789,573, or 5.13%, as compared to fiscal year 2018 expenditures of $15,385,240. The information below shows the changes in expenditures from fiscal year 2019 to fiscal year 2018 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	26,310	396.29%	In fiscal year 2019, six employees left the Division with accumulated leave balances higher than the amount paid out in the previous fiscal year.
Professional Services	272,372	217.48%	In fiscal year 2019, the increase was due primarily to the costs associated with programming of Gen-Tax; tax system for Free Play Rule (costs were reimbursed by the Colorado Gaming Association) and executive coaching services for top management.
Police Supplies	18,391	84.89%	In fiscal year 2019, the increase was due primarily to the costs associated with additional uniform safety apparel and equipment for officers involved in gaming investigations and enforcement.
Telephone	22,920	34.05%	In fiscal year 2019, the increase was due to the leased equipment cost for the Managed IP Communications (MIPC) telephone upgrade.
Capital Outlay	(28,841)	(100.00)%	In fiscal year 2019, the decrease was due to no capital purchases by the Division and the postponement of the firewall migration until September/October of 2019.
Background Expenditures	45,783	147.61%	In fiscal year 2019, the increase was due to higher expenses related to international travel to Australia and Austria. Background investigation expenditures are reimbursed to the Division by the entity requiring the background investigation. The Background Investigation hourly rate increased to $73 from $69 in fiscal year 2018.

Expendítures (Continued)

Total expenditures for the Division in fiscal year 2018 were $15,385,240. This is an increase of $362,777 or 2.41%, as compared to fiscal year 2017 expenditures of $15,022,463. The information below shows the changes in expenditures from fiscal year 2018 to fiscal year 2017 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	(3,748)	(36.08)%	In fiscal year 2018, eight employees left the Division with accumulated leave balances lower than the amount paid out in the previous fiscal year.
Materials Supplies & Services	146,623	52.90%	In fiscal year 2018, the increase was due primarily to the higher costs for equipment maintenance, increase in maintenance for the Central City and Cripple Creek buildings and grounds, advertising for the underage gambling project, and the installation costs for the project to upgrade to the Managed IP Communications (MIPC) telephone system which were reimbursed to the Division.
Telephone	19,492	40.76%	In fiscal year 2018, the increase was due primarily to the MIPC project to upgrade the telephone system in all three cities; all telephones are now leased.
Other Operating Expenditures	22,187	42.58%	In fiscal year 2018, the increase was due primarily to increases in standard monthly charges from the Department of Personnel and Administration for information technology services relating to the Division's use of the CORE software.
Capital Outlay	28,841	100.00%	In fiscal year 2018, the increase was due to the purchase of a software license and Gaming's share of the DOR firewall replacement, which will be capitalized in fiscal year 2019 because implementation was not complete as of June 30.
Background Expenditures	(54,364)	(63.67)%	In fiscal year 2018, the decrease was due to lower expenses for international travel; a planned and approved trip to Australia had to be postponed because of circumstances beyond the Division's control. Background investigation expenditures are reimbursed to the Division by the entity requiring the background investigation.

Assets, Liabilities, and Fund Balance

The year-end total fund balance reflects the overall financial position of the Division, which is $21,039,535 at June 30, 2019 compared to $18,205,438 at June 30, 2018. Total assets of $116,171,404 at June 30, 2019 increased $1,854,722, or 1.62%, as compared to the prior year balance of $114,316,682. The increase in total assets is due primarily to increases in Cash and Equity in Treasurer's Pool.

The Division's total liabilities were $95,131,869 at June 30, 2019 and $96,111,244 at June 30, 2018. The $979,375 decrease is due primarily to the decrease in the fiscal year 2019 Limited Gaming Distribution.

The following compares fiscal year 2019 and fiscal year 2018 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2019	2018	Dollars	Percent
Cash and Equity in Treasurer's Pool	$ 102,643,883	$ 100,930,710	$ 1,713,173	1.70%
Gaming Taxes and Other Receivables	13,505,779	13,369,520	136,259	1.02%
Prepaid Expenses	21,742	16,452	5,290	32.15%
Total Assets	116,171,404	114,316,682	1,854,722	1.62%
Accounts Payable, Wages, and Accrued Payroll Payable	753,732	721,842	31,890	4.42%
Due to Other State Agencies, Other Governments, and the State General Fund	93,850,620	94,879,391	(1,028,771)	(1.08)%
Other Liabilities	527,517	510,011	17,506	3.43%
Total Liabilities	95,131,869	96,111,244	(979,375)	(1.02)%
Fund Balance	21,039,535	18,205,438	2,834,097	15.57%
Total Liabilities and Fund Balance	$ 116,171,404	$ 114,316,682	$ 1,854,722	1.62%

Assets, Liabilities, and Fund Balance (Continued)

The year-end total fund balance reflects the overall financial position of the Division, which was $18,205,438 at June 30, 2018 compared to $15,863,424 at June 30, 2017. Total assets of $114,316,682 at June 30, 2018 increased $6,577,871 or 6.11%, as compared to the prior year balance of $107,738,811. The increase in total assets between fiscal year 2018 and fiscal year 2017 was due primarily to the increases in Cash and Equity in Treasurer's Pool.

The Division's total liabilities were $96,111,244 at June 30, 2018 and $91,875,387 at June 30, 2017. The $4,235,857 increase was due primarily to the increase in the fiscal year 2018 Limited Gaming Distribution.

The following compares fiscal year 2018 and fiscal year 2017 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2018	2017	Dollars	Percent
Cash and Equity in Treasurer's Pool	$ 100,930,710	$ 95,413,401	$ 5,517,309	5.78%
Gaming Taxes and Other Receivables	13,369,520	12,292,156	1,077,364	8.76%
Prepaid Expenses	16,452	33,254	(16,802)	(50.53)%
Total Assets	114,316,682	107,738,811	6,577,871	6.11%
Accounts Payable, Wages, and Accrued Payroll Payable	721,842	685,776	36,066	5.26%
Due to Other State Agencies, Other Governments, and the State General Fund	94,879,391	90,666,050	4,213,341	4.65%
Other Liabilities	510,011	523,561	(13,550)	(2.59)%
Total Liabilities	96,111,244	91,875,387	4,235,857	4.61%
Fund Balance	18,205,438	15,863,424	2,342,014	14.76%
Total Liabilities and Fund Balance	$ 114,316,682	$ 107,738,811	$ 6,577,871	6.11%

Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2019 and fiscal year 2018 revenues, expenditures, and changes in fund balance.

	Fiscal Years		Increase/(Decrease)	
	2019	2018	Dollars	Percent
REVENUES				
Gaming Taxes	$ 125,000,293	$ 125,273,338	$ (273,045)	(0.22)%
License and Application Fees	659,323	636,488	22,835	3.59%
Background Investigations	287,014	178,294	108,720	60.98%
Fines	179,468	172,474	6,994	4.06%
Interest Income	1,315,591	954,716	360,875	37.80%
Net Increase/(Decrease) in the Fair Value of Investments	1,710,918	(1,190,439)	2,901,357	(243.72)%
Other Revenue	303,221	1,640	301,581	18389.09%
Total Revenues	129,455,828	126,026,511	3,429,317	2.72%
EXPENDITURES				
Operating Expenditures	10,012,286	9,161,193	851,093	9.29%
Background Investigations	76,800	31,017	45,783	147.61%
State Agency Services	6,085,727	6,193,030	(107,303)	(1.73)%
Total Expenditures	16,174,813	15,385,240	789,573	5.13%
Excess of Revenues Over Expenditures	113,281,015	110,641,271	2,639,744	2.39%
Fund Balance - Beginning of Year	18,205,438	15,863,424	2,342,014	14.76%
Plus: Insurance Recoveries	2,800	-	2,800	100.00%
Transfer in from the State General Fund	139,182	-	139,182	100.00%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	(110,588,900)	(108,299,257)	(2,289,643)	2.11%
FUND BALANCE - END OF YEAR	$ 21,039,535	$ 18,205,438	$ 2,834,097	15.57%

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

The following compares total fiscal year 2018 and fiscal year 2017 revenues, expenditures, and changes in fund balance.

	Fiscal Years		Increase/(Decrease)	
	2018	2017	Dollars	Percent
REVENUES				
Gaming Taxes	$ 125,273,338	$ 117,401,015	$ 7,872,323	6.71%
License and Application Fees	636,488	652,273	(15,785)	(2.42)%
Other Revenue	116,685	453,569	(336,884)	(74.27)%
Total Revenues	126,026,511	118,506,857	7,519,654	6.35%
EXPENDITURES				
Operating Expenditures	9,161,193	8,986,016	175,177	1.95%
Background Investigations	31,017	85,381	(54,364)	(63.67)%
State Agency Services	6,193,030	5,951,066	241,964	4.07%
Total Expenditures	15,385,240	15,022,463	362,777	2.41%
Excess of Revenues Over Expenditures	110,641,271	103,484,394	7,156,877	6.92%
Fund Balance - Beginning of Year	15,863,424	15,598,900	264,524	1.70%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	108,299,257	103,219,870	5,079,387	4.92%
FUND BALANCE - END OF YEAR	$ 18,205,438	$ 15,863,424	$ 2,342,014	14.76%

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

In fiscal years 2019 and 2018, the Division had several vacant positions. The Gaming Commission approved the Colorado Gaming Association (CGA) proposed change to Rule 14 "Gaming Tax" during the May 2018 Commission meeting, and an additional full time employee (FTE) to audit the program. The Department of Revenue, Division of Gaming entered into a contract agreement, effective July 2, 2018 with CGA for reimbursement of the initial associated costs as specified in the agreement. These costs included, programming of the Gen Tax system, operating costs and the salary of the new auditor for fiscal year 2019. An FTE was hired for this position with the start date of November 15, 2018.

Computer Systems / Projects

In June of fiscal year 2019, the Division implemented an online licensing option for support license renewals, called E-government (Egov).

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 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 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, 2019 was $111,782,407, which includes $17,931,787 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 44-30-702, C.R.S. These amounts are distributed in the year approved by the Commission.

	June 30, 2019	June 30, 2018
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	$ 13,986,794	$ 13,055,858
12% to Gilpin and Teller Counties, in Proportion to the Tax Revenues Generated in the Respective Counties	2,151,814	2,008,594
10% to the Cities of Cripple Creek, Central, and Black Hawk, in Proportion to the Tax Revenues Generated in the Respective Cities	1,793,179	1,673,828
Total Distribution Attributable to Extended Gaming	$ 17,931,787	$ 16,738,280

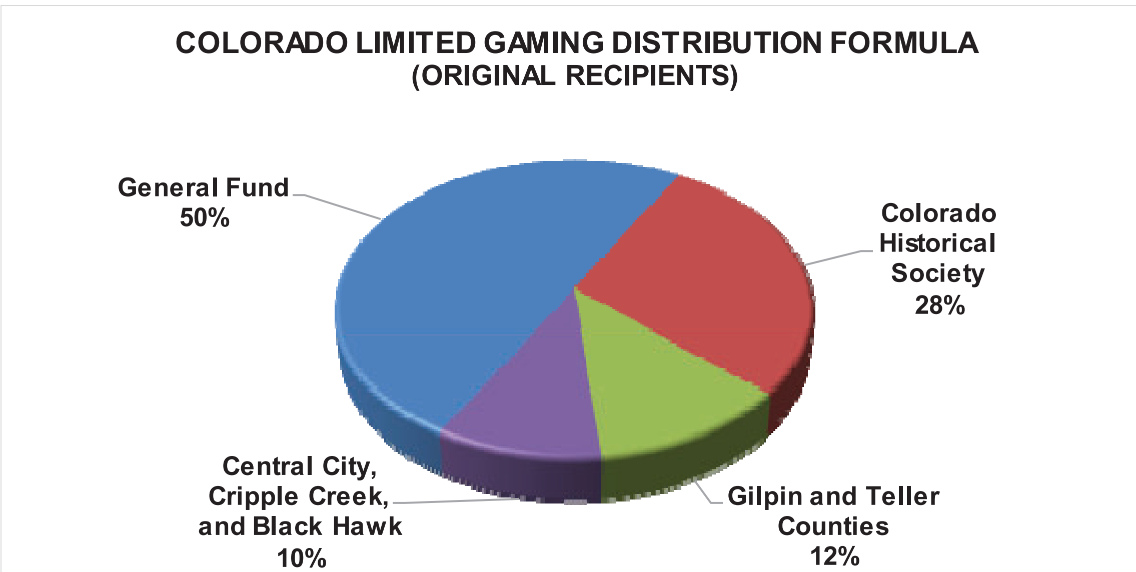
Limited Gaming Distribution

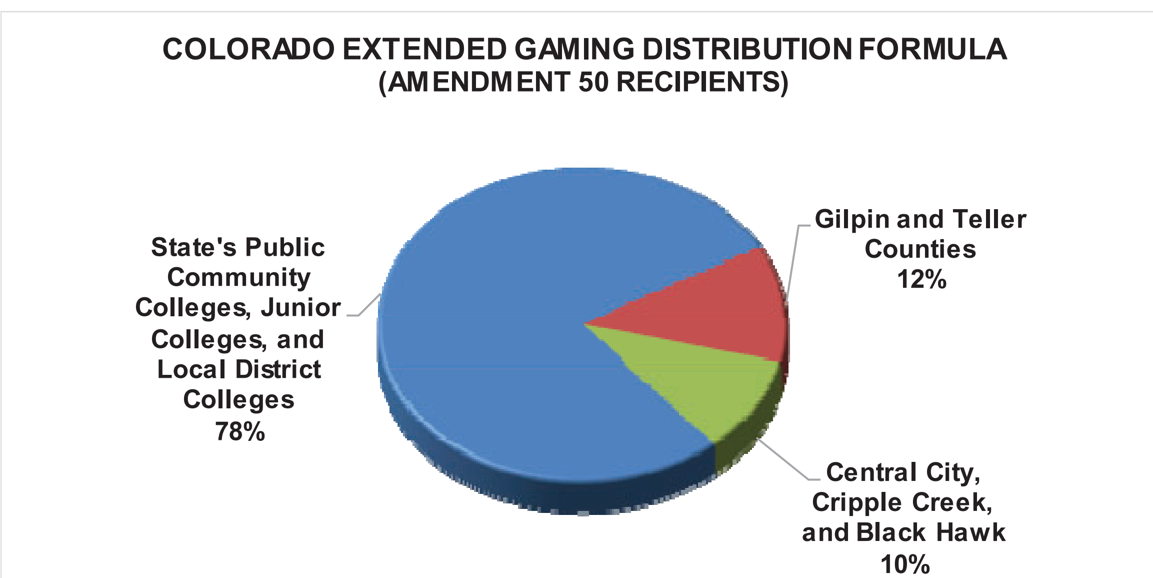
In accordance with Section 44-30-701, C.R.S. and amended by Senate Bills 13-133 and 18-191, the balance remaining in the Limited Gaming Fund is to be transferred by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 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; $5,398,346 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 2019.





Distribution (Continued)

The table below compares the amounts distributed to the various recipients for fiscal years 2019 and 2018.

	For the Years Ended June 30, 2019	2018	Difference	Percent Difference
Colorado State Historical Fund	$ 26,278,174	$ 26,566,229	(288,055)	(1.08)%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,398,346	5,443,865	(45,519)	(0.84)%
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	56,776,520	57,110,094	(333,574)	(0.58)%
City of Black Hawk	6,916,791	7,090,337	(173,546)	(2.45)%
City of Central	891,581	852,017	39,564	4.64%
City of Cripple Creek	1,576,690	1,545,585	31,105	2.01%
Gilpin County	9,370,046	9,530,825	(160,779)	(1.69)%
Teller County	1,892,028	1,854,702	37,326	2.01%
Total Payment Due to Other Governments	20,647,136	20,873,466	(226,330)	(1.08)%
Due to the State General Fund	16,426,964	16,895,831	(468,867)	(2.78)%
Due to the Limited Gaming Recipients	93,850,620	94,879,391	(1,028,771)	(1.08)%
Due to the Extended Gaming Recipients	17,931,787	16,738,280	1,193,507	7.13%
Total Distribution	$ 111,782,407	$ 111,617,671	$ 164,736	0.15%

As described in Note 7, the calculation of the extended gaming distribution includes the percent of the increase or decrease in revenues attributable to extended gaming which is added to or subtracted from the limited gaming recipients' distribution. That amount is $1,256,320 lower in fiscal year 2019 than in fiscal year 2018 which resulted in an increase in the amount distributed to extended gaming recipients and a decrease in the amount distributed to limited gaming recipients.

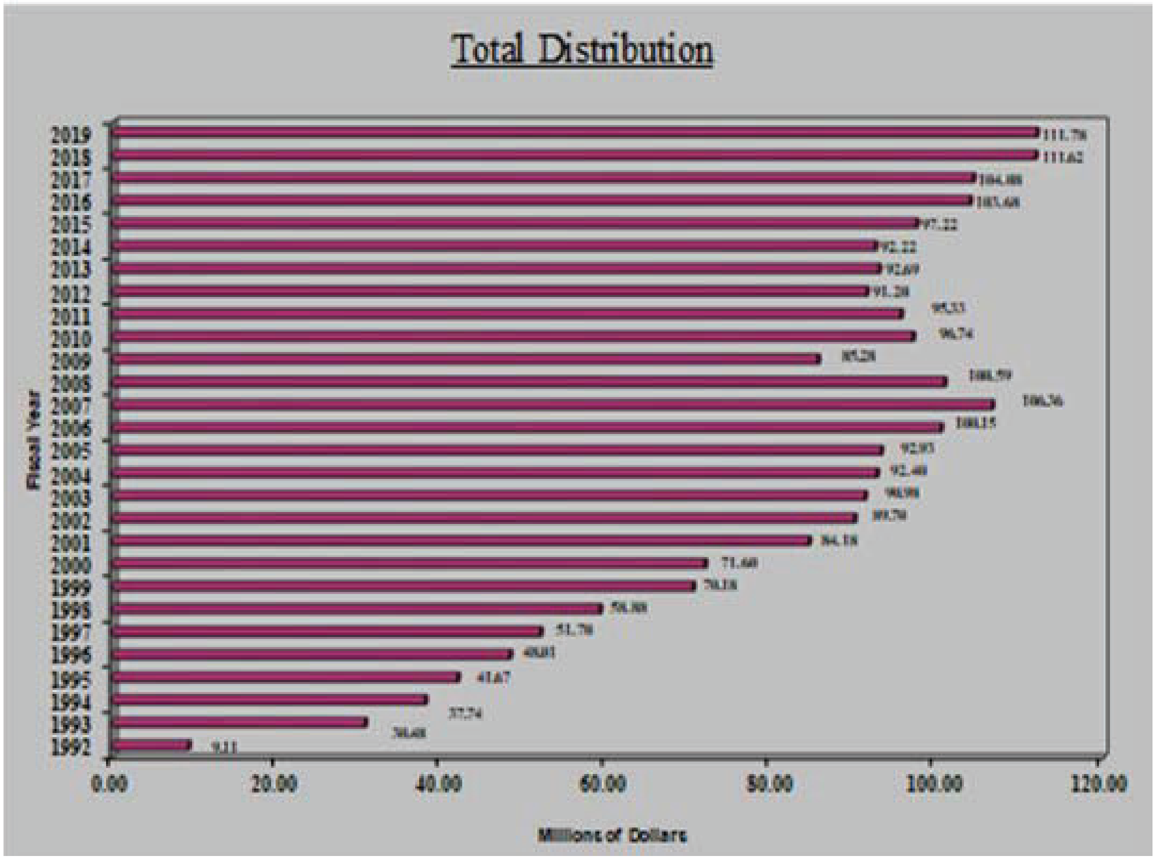
Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2018 was $111,617,671.

The table below compares the amounts distributed to the various recipients for fiscal years 2018 and 2017.

	For the Years Ended June 30, 2018	2017	Difference	Percent Difference
Colorado State Historical Fund	$ 26,566,229	$ 25,385,467	$ 1,180,762	4.65%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,443,865	5,000,000	443,865	8.88%
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	57,110,094	55,485,467	1,624,627	2.93%
City of Black Hawk	7,090,337	6,792,426	297,911	4.39%
City of Central	852,017	786,949	65,068	8.27%
City of Cripple Creek	1,545,585	1,486,863	58,722	3.95%
Gilpin County	9,530,825	9,095,250	435,575	4.79%
Teller County	1,854,702	1,784,236	70,466	3.95%
Total Payment Due to Other Governments	20,873,466	19,945,724	927,742	4.65%
Due to the State General Fund	16,895,831	15,231,192	1,664,639	10.93%
Due to the Limited Gaming Recipients	94,879,391	90,662,383	4,217,008	4.65%
Due to the Extended Gaming Recipients	16,738,280	13,419,866	3,318,414	24.73%
Total Distribution	$ 111,617,671	$ 104,082,249	$ 7,535,422	7.24%

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 2019:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Personal Services	$ 8,597,904	$ 673,746	$ 9,271,650
Operating Expenditures	576,996	5,653	582,649
Fixed Vehicle Lease	89,473	(5,163)	84,310
Vehicle Variable	100,106	(3,467)	96,639
Utilities	23,425	2,500	25,925
Legal Services	171,107	(1,194)	169,913
IT Division - MIPC Phones	52,400	23,875	76,275

Budget (Continued)

The budgeted expenditures approved at the beginning of the year were $17,000,698. The amendments to the budget resulted in a net increase of $695,950. As a result, the final approved budget for fiscal year 2019 was $17,696,648. Total actual expenditures were $16,174,813 resulting in excess appropriations, or a savings of $1,521,835 for fiscal year 2019.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2020 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 2020. The Division's request totaled $17,630,913, which includes the Division's budget request of $12,639,731 and Other State Agencies budget request of $4,991,182, which represents a total increase of 0.95%, excluding the Other Agencies request. The Colorado Limited Gaming Control Commission approved the budget request submitted by the Division. In addition, the Colorado Limited Gaming Control Commission (CLGCC) approved separate budget requests for Colorado Bureau of Investigation, Colorado State Patrol and Division of Fire Prevention and Control, totaling $4,991,182. These funds are used for gaming related purposes, such as patrolling roads leading to the casinos. The CLGCC in a Special Meeting on June 25, 2019, approved Performance Measures for these Interagency Agreements for fiscal year 2020.

Assumptions that were made when preparing the revenue projection for fiscal year 2020 included the continuation of current tax structure, tax rates, and continuation of license and application fees. 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 2019.

The Division's fiscal year 2020 revenue estimates total $130.6 million, a $2,934,687 increase over fiscal year 2019 actual revenue.

During the 27 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, 2019 AND 2018

	FY 2019			FY 2018		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS
ASSETS:						
Cash and Equity in Treasurer's Pool	$ 18,015,755	$ 84,628,128	$ 102,643,883	$ 16,536,570	$ 84,394,140	$ 100,930,710
Accounts Receivable						
Gaming Taxes	-	13,499,598	13,499,598	-	13,364,571	13,364,571
Background Investigations	-	-	-	-	355	355
Fines Receivable	-	261	261	-	2,440	2,440
Miscellaneous	-	5,920	5,920	-	2,154	2,154
Prepaid Expenditures	-	21,742	21,742	-	16,452	16,452
Total Assets	$ 18,015,755	$ 98,155,649	$ 116,171,404	$ 16,536,570	$ 97,780,112	$ 114,316,682
LIABILITIES AND FUND BALANCE:						
LIABILITIES						
Accounts Payable	-	57,954	57,954	-	81,958	81,958
Accrued Payroll Payable	-	684,520	684,520	-	626,159	626,159
Wages & Salaries Payable	-	11,258	11,258	-	13,725	13,725
Due to Other State Agencies	-	56,776,520	56,776,520	-	57,110,094	57,110,094
Due to Other Governments	-	20,647,136	20,647,136	-	20,873,466	20,873,466
Due to the State's General Fund	-	16,426,964	16,426,964	-	16,895,831	16,895,831
Background and Other Deposits	-	211,390	211,390	-	233,002	233,002
Unearned Revenue	-	316,127	316,127	-	277,009	277,009
Total Liabilities	-	95,131,869	95,131,869	-	96,111,244	96,111,244
FUND BALANCE:						
Nonspendable:						
Prepaids	-	21,742	21,742	-	16,452	16,452
Restricted for:						
Required Reserve	83,969	3,002,038	3,086,007	-	1,652,416	1,652,416
Extended Gaming Recipients	17,931,786	-	17,931,786	16,536,570	-	16,536,570
Total Fund Balance	18,015,755	3,023,780	21,039,535	16,536,570	1,668,868	18,205,438
Total Liabilities and Fund Balance	$ 18,015,755	$ 98,155,649	$ 116,171,404	$ 16,536,570	$ 97,780,112	$ 114,316,682

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, 2019 AND 2018

	FY 2019			FY 2018		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL GAMING FUNDS
REVENUES:						
Gaming Taxes	$ -	$ 125,000,293	$ 125,000,293	$ -	$ 125,273,338	$ 125,273,338
License and Application Fees	-	659,323	659,323	-	636,488	636,488
Background Investigations	-	287,014	287,014	-	178,294	178,294
Fines	-	179,468	179,468	-	172,474	172,474
Interest Income	31,563	1,284,028	1,315,591	19,132	935,584	954,716
Net Increase/(Decrease) in the Fair Value of Investments	285,678	1,425,240	1,710,918	(195,828)	(994,611)	(1,190,439)
Other Revenue	-	303,221	303,221	-	1,640	1,640
Total Revenues	317,241	129,138,587	129,455,828	(176,696)	126,203,207	126,026,511
EXPENDITURES:						
Salaries and Benefits	-	8,348,261	8,348,261	-	7,765,041	7,765,041
Annual and Sick Leave Payouts	-	32,949	32,949	-	6,639	6,639
Professional Services	-	397,612	397,612	-	125,240	125,240
Travel	-	61,396	61,396	-	51,948	51,948
Automobiles	-	164,591	164,591	-	164,138	164,138
Printing	-	20,572	20,572	-	23,963	23,963
Police Supplies	-	40,056	40,056	-	21,665	21,665
Computer Services & Name Searches	-	70,680	70,680	-	74,905	74,905
Materials, Supplies, and Services	-	358,672	358,672	-	423,806	423,806
Postage	-	5,804	5,804	-	5,723	5,723
Telephone	-	90,231	90,231	-	67,311	67,311
Utilities	-	24,991	24,991	-	23,363	23,363
Other Operating Expenditures	-	76,301	76,301	-	74,292	74,292
Leased Space	-	320,170	320,170	-	304,318	304,318
Capital Outlay	-	-	-	-	28,841	28,841
State Agency Services	-	6,085,727	6,085,727	-	6,193,030	6,193,030
Background Expenditures	-	76,800	76,800	-	31,017	31,017
Total Expenditures	-	16,174,813	16,174,813	-	15,385,240	15,385,240
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	317,241	112,963,774	113,281,015	(176,696)	110,817,967	110,641,271
OTHER FINANCING SOURCES (USES)						
Limited Gaming Distribution	-	(93,850,620)	(93,850,620)	-	(94,879,391)	(94,879,391)
Extended Gaming Distribution	(16,738,280)	-	(16,738,280)	(13,419,866)	-	(13,419,866)
Transferred to Extended Gaming Fund	-	(17,900,224)	(17,900,224)	-	(16,719,148)	(16,719,148)
Transfer from Limited Gaming Fund	17,900,224	-	17,900,224	16,719,148	-	16,719,148
Transfer in from the State General Fund	-	139,182	139,182	-	-	-
Insurance Recoveries	-	2,800	2,800	-	-	-
Total Other Financing Sources (Uses)	1,161,944	(111,608,862)	(110,446,918)	3,299,282	(111,598,539)	(108,299,257)
NET CHANGE IN FUND BALANCE	1,479,185	1,354,912	2,834,097	3,122,586	(780,572)	2,342,014
Fund Balance - Beginning of Year	16,536,570	1,668,868	18,205,438	13,413,984	2,449,440	15,863,424
FUND BALANCE - END OF YEAR	$ 18,015,755	$ 3,023,780	$ 21,039,535	$ 16,536,570	$ 1,668,868	$ 18,205,438

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 44-30-201, 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 due to the passage of 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 State of Colorado's comprehensive annual financial report, which can be obtained at www.colorado.gov/pacific/osc/cafr.

The Division's financial statements are intended to present only those transactions attributable to the Division. The financial statements of the Division are not intended to present financial information of the State in conformity with generally accepted accounting principles. The Division's accounts 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 Funds, 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 44-30-701, C.R.S.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Governmental Accounting Standards Board ("GASB") issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010 to clarify fund balances. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements that are trying to identify resources that are liquid and available to be used to provide services." 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.

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. For this purpose, the Division considers revenue to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, if measurable.

Budget

The Limited Gaming Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual compares actual revenues and expenditures to those, which are legally authorized by state statute. Fiscal year 2019 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,	
	2019	2018
Appropriations	$ 17,000,698	$ 16,925,549
Supplemental appropriations	695,950	37,690
Total appropriations	$ 17,696,648	$ 16,963,239

Accrued Payroll

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

NOTE 2 CASH AND EQUITY IN TREASURER'S POOL

The Division deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (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. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2019 and 2018, the Division had cash on deposit with the State Treasurer of $102,643,883 and $100,930,710, respectively, which represented approximately 1.1% of the total $9,096.5 million and 1.3% of $7,635.8 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2019, the Pool's resources included $73.7 million of cash on hand and $9,022.8 million of investments.

On the basis of the Division's participation in the Pool, the Division reports 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. During the years ended June 30, 2019 and 2018, the Division's share of unrealized gain (loss) was $1,710,918 and $(1,190,439), respectively.

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, 2019.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2019 and 2018, the Division had accounts receivable balances of $13,505,779 and $13,369,520, respectively. On June 30, 2019 and 2018, the Division had $13,499,598 and $13,364,571 of gaming taxes receivable, from 33 Colorado casinos each year. These receivables primarily represent June 2019 and 2018 gaming taxes, which were due on July 15, 2019 and July 16, 2018, respectively, and were subsequently collected by the Department of Revenue in July 2019 and 2018 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 State's financial statements. In addition, these capital assets are depreciated over their estimated useful lives, but depreciation expense is also reported only in the State's 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 acquisition value 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 State's 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, 2017	$ 536,138	$ -	$ 536,138	$ 934,151	$ 1,134,912	$ 2,069,063	$ 2,605,201
Additions	-	-	-	24,789	-	24,789	24,789
Disposals	-	-	-	(445,572)	-	(445,572)	(445,572)
Balances, June 30, 2018	536,138	-	536,138	513,368	1,134,912	1,648,280	2,184,418
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2019	536,138	-	536,138	513,368	1,134,912	1,648,280	2,184,418
Accumulated Depreciation							
Balances, June 30, 2017	-	-	-	(645,794)	(301,713)	(947,507)	(947,507)
Additions	-	-	-	(80,208)	(31,557)	(111,765)	(111,765)
Disposals	-	-	-	445,560	-	445,560	445,560
Balances, June 30, 2018	-	-	-	(280,442)	(333,270)	(613,712)	(613,712)
Additions	-	-	-	(79,942)	(31,557)	(111,499)	(111,499)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2019	-	-	-	(360,384)	(364,827)	(725,211)	(725,211)
Total capital assets, net	$ 536,138	$ -	$ 536,138	$ 152,984	$ 770,085	$ 923,069	$ 1,459,207

NOTE 5 OTHER LIABILITIES

Included in 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 $206,415 and $226,688 at June 30, 2019 and 2018, respectively, represent background investigation deposits. Also included are $4,975 and $6,314 for June 30, 2019 and June 30, 2018 respectively, 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, 2019 and 2018, unearned license fees were $316,127 and $277,009, respectively.

NOTE 6 ACCRUED COMPENSATED ABSENCES

Pursuant to the provisions of GASB No. 34, accrued compensated absences are only reported in the State's 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, 2019:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2017	$ 503,387	$ 57,245	$ 560,632
Increase	334,806	51,013	385,819
Decrease	(311,846)	(42,796)	(354,642)
Balances, June 30, 2018	526,347	65,462	591,809
Increase	356,956	54,848	411,804
Decrease	(336,891)	(48,056)	(384,947)
Balances, June 30, 2019	$ 546,412	$ 72,254	$ 618,666

NOTE 7 GAMING DISTRIBUTIONS

Limited Gaming Distribution

Due to the passage of SB18-191, a change was implemented to the amount of the limited gaming distribution to the Local Government Limited Gaming Impact Fund (LGLGIF) beginning in fiscal year 2018. The LGLGIF will be given $5,000,000, annually increased by an amount equal to the percentage increase of the share distributed to the State General Fund, plus the amount of the projected annual direct and indirect costs to administer the Local Government Limited Gaming Impact Grant Program for the upcoming fiscal year. If the state share does not increase from the previous fiscal year, then the State Treasurer shall transfer an amount equal to the previous fiscal year's transfer, plus the amount of the projected annual direct and indirect costs to administer the Local Government Limited Gaming Impact Grant Program for the upcoming fiscal year.

In accordance with Section 44-30-701, C.R.S., 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; $5,398,346 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;

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

- 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, 2019 and 2018, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,629,136 and $2,699,464, respectively.

On August 28th, 2019, the Commission approved the limited gaming distribution of $93,850,620 for the fiscal year ended June 30, 2019 in accordance with Section 44-30-701, C.R.S. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2019	2018
Distribution to other State agencies		
Colorado State Historical Fund	$ 26,278,174	$ 26,566,229
Local Government Limited Gaming Impact Fund	5,398,346	5,443,865
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	56,776,520	57,110,094
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk	9,385,062	9,487,939
Gilpin and Teller Counties	11,262,074	11,385,527
Total distributions to other governments	20,647,136	20,873,466
Distribution to the State General Fund	16,426,964	16,895,831
Total distributions	$ 93,850,620	$ 94,879,391

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:

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

- 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 44-30-702(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.

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 2019, the actual annual decrease is 0.2%. The annual adjustment amount attributable to the 0.2% decrease for fiscal year 2019 is $(42,399).

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

On August 28, 2019, the Commission approved the extended gaming distribution of $17,931,787 for the fiscal year ended June 30, 2019, in accordance with Section 44-30-702 C.R.S. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	$ 13,986,794	$ 13,055,858
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties	2,151,814	2,008,594
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities	1,793,179	1,673,828
Total transfer for distribution attributable to extended gaming	$ 17,931,787	$ 16,738,280

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, 2019 and 2018 were $320,170 and $304,318, respectively. The lease began in September 2010 with an initial term of ten years. Estimated future payments are as follows:

Year Ended June 30,	
2020	$ 328,615
Total	$ 328,615

Sunset Review

Under Section 44-30-206 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 lifetime retirement benefit formula(s) 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.

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:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer Contribution Rate[1]	10.15 %	10.15 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)[1]	(1.02)%	(1.02)%
Amount Apportioned to the SDTF[1]	9.13 %	9.13 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411[1]	4.50 %	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411[1]	5.50 %	5.50 %
Total Employer Contribution Rate to the SDTF[1]	19.13 %	19.13 %

[1] Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. $139,182 of the direct distribution payment is allocated to the Division which is recorded as a transfer in from the State General Fund and an expenditure in the fund financial statements.

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 $1,059,321 for the fiscal year ended June 30, 2019.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 (other than current year contributions), or deferred inflows or outflows related to pensions. The following disclosure amounts are for informational purposes only.

The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2019, the Division's proportionate share of the net pension liability is $20,177,610. At December 31, 2018, the Division's proportion was 0.1773283233%, which was a decrease of 0.0060026706% from its proportion of 0. 0.1833309939% measured as of December 31, 2018.

For the year ended June 30, 2019, the Division's share of pension expense was ($2,924,850). At June 30, 2019, 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	$ 577,012	$ -
Changes of Assumptions or Other Inputs	1,062,454	10,419,406
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,019,198	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	956,932
Contributions Subsequent to the Measurement Date	533,120	-
Total	$ 3,191,784	$ 11,376,338

$533,120 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, 2020. 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,	Amount
2019	$ (4,317,087)
2020	(5,008,795)
2021	50,069
2022	558,139

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2017 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.17%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	4.72%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007;	2.00% Compounded Annually
and DPS Benefit Structure (Automatic)	Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount Rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% Compounded Annually, Thereafter
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

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

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

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

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30-Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	100.00	

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

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 3.50%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates 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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	$ 25,084,242	$ 20,177,610	$ 16,026,152

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

Defined Contribution Retirement Plan (DC Plan)

Plan Description

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

NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)

Funding Policy

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

	Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2019	
	CY16	CY17		CY18		CY19
	7-1-16 to 12-31-16	1-1-17 to 6-30-17	7-1-17 to 12-31-17	1-1-18 to 6-30-18	7-1-18 to 12-31-18	1-1-19 to 6-30-19
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-4111	4.60%	5.00%	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-4111	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Employer Contribution Rate for AED and SAED1	9.10%	10.00%	10.00%	10.00%	10.00%	10.00%

[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.

Voluntary Investment Program

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.

NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)

Funding Policy

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

The Division participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description

Eligible employees of the Division are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Division were $56,482 for the year ended June 30, 2019.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

At June 30, 2019, the Division's proportionate share of the net OPEB liability is $805,821. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The Division's proportion of the net OPEB liability was based on the Division's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF. At December 31, 2018, the Division's proportion was 0.0592279656%, which was a decrease of 0.0027926806% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2018, the Division's share of OPEB expense was ($1,186). At June 30, 2019, the Division's share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 2,925	$ 1,227
Changes of Assumptions or Other Inputs	5,653	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	4,634	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	62,525
Contributions Subsequent to the Measurement Date	28,426	-
Total	$ 41,638	$ 63,752

$28,426 reported as deferred outflows of resources related to OPEB resulting from Division contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ (11,928)
2020	(11,928)
2021	(11,926)
2022	(8,709)
2023	(5,841)
Thereafter	(208)

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.25% for 2018, Gradually Rising to 5.00% in 2025

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	**Cost for Members Without Medicare Part A**	**Premiums for Members Without Medicare Part A**
Self-Funded Medicare Supplement Plans	$ 736	$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

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

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Division's proportionate share of the net OPEB liability, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Proportionate Share of the Net OPEB Liability	$ 783,569	$ 805,821	$ 831,415

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF'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 of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB 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.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the Division's proportionate share of the net OPEB liability, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	$ 901,644	$ 805,821	$ 723,902

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 12 RISK MANAGEMENT

The Division participates in the State's 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 2019	2018
State agency services:		
Colorado State Patrol	$ 3,155,129	$ 3,284,723
Colorado Bureau of Investigation	1,045,357	1,012,001
Colorado Division of Fire Prevention and Control	199,073	193,504
Indirect costs (Colorado Department of Revenue)	906,594	866,168
Legal Services (Colorado Department of Law)	169,913	170,162
Office of the State Auditor	32,427	33,810
Colorado Department of Local Affairs	-	164,060
Office of Information Technology Purchased Services	577,234	468,602
Total payments to State agencies	$ 6,085,727	$ 6,193,030

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

	June 30, 2019	2018
State agencies:		
Colorado State Historical Society	$ 26,278,174	$ 26,566,229
Colorado Department of Local Affairs	5,398,346	5,443,865
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	56,776,520	57,110,094
Other governments:		
City of Black Hawk	6,916,791	7,090,337
City of Central	891,581	852,017
City of Cripple Creek	1,576,690	1,545,585
Gilpin County	9,370,046	9,530,825
Teller County	1,892,028	1,854,702
Total liabilities to other governments	20,647,136	20,873,466
State General Fund	16,426,964	16,895,831
Total liabilities to State agencies, State General Fund, and other governments	$ 93,850,620	$ 94,879,391

Total related party liabilities of $93,850,620 and $94,879,391 at June 30, 2019 and June 30, 2018, respectively, are solely related to the fiscal year 2019 and fiscal year 2018 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, 2019

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Gaming Taxes	$ 129,408,898	$ -	$ 129,408,898	$ 125,000,293	$ (4,408,605)
License and Application Fees	674,694	-	674,694	659,323	(15,371)
Background Investigations	331,999	-	331,999	287,014	(44,985)
Fines and Fees	-	-	-	179,468	179,468
Interest Revenue	435,290	-	435,290	1,284,028	848,738
Other Revenue	-	-	-	303,221	303,221
TOTAL REVENUES	130,850,881	-	130,850,881	127,713,347	(3,137,534)
EXPENDITURES:					
Personal Services	8,597,904	673,746	9,271,650	8,745,345	526,305
Operating Expenditures	576,996	5,653	582,649	507,193	75,456
Workers Compensation	65,904	-	65,904	65,904	-
Risk Management	17,800	-	17,800	17,800	-
Licensure Activities	181,497	-	181,497	87,481	94,016
Leased Space	321,790	-	321,790	320,170	1,620
Vehicle Lease Payments - Fixed	89,473	(5,163)	84,310	72,482	11,828
Vehicle Lease Payments - Variable	100,106	(3,467)	96,639	92,102	4,537
Utilities	23,425	2,500	25,925	24,991	934
Legal Services	171,107	(1,194)	169,913	169,913	-
CORE Operations	58,170	-	58,170	58,170	-
Payments to Office of Information Technology	577,234	-	577,234	577,234	-
Information Technology	52,400	23,875	76,275	53,075	23,200
Indirect Costs - Department of Revenue	966,649	-	966,649	906,594	60,055
State Agency Services	4,936,279	-	4,936,279	4,399,559	536,720
Division Expenditures	16,736,734	695,950	17,432,684	16,098,013	1,334,671
Background Expenditures	263,964	-	263,964	76,800	187,164
TOTAL EXPENDITURES	17,000,698	695,950	17,696,648	16,174,813	1,521,835
EXCESS OF REVENUES OVER EXPENDITURES	$ 113,850,183	$ (695,950)	$ 113,154,233	$ 111,538,534	$ (1,615,699)

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	1,425,240
EXCESS OF REVENUES OVER EXPENDITURES	$ 112,963,774

* 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

Fiscal Year	2019	2018	2017	2016	2015	2014
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Division's proportion (percentage) of the collective net pension liability	0.177328323%	0.183309939%	0.191842059%	0.191372585%	0.192446020%	0.198318858%
Division's proportionate share of the collective pension liability	20,177,610	36,699,165	35,237,801	20,153,510	18,102,462	17,666,186
Covered payroll	5,683,059	5,264,601	5,465,598	5,319,912	4,965,164	4,904,861
Division's proportionate share of the net pension liability as a percentage of its covered payroll	355.05%	697.09%	644.72%	378.83%	364.59%	360.18%
Plan fiduciary net position as a percentage of the total pension liability	55.11%	43.20%	42.60%	56.10%	59.80%	61.10%

* The amounts presented for each fiscal year were determined as of December 31. Information earlier than fiscal year 2014 was not available.

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

	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	$ 1,059,321	$ 998,250	$ 980,190	$ 947,398	$ 888,726	$ 819,042	$ 738,518
Contributions in relation to the statutorily required contribution	1,059,321	998,250	980,190	947,398	888,726	819,042	738,518
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered payroll	19.13%	19.13%	18.68%	17.78%	17.25%	16.47%	15.41%

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

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE
NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY
Last 10 Fiscal Years

Fiscal Year	2019	2018	2017
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016
Division's proportion (percentage) of the collective net OPEB liability	0.059227966%	0.010347596%	0.009566987%
Division's proportionate share of the collective OPEB liability	805,821	806,020	851,584
Covered payroll	5,683,059	5,264,601	5,465,598
Division's proportionate share of the net OPEB liability as a percentage of its covered payroll	14.18%	15.31%	15.58%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31.

Information earlier than 2017 was not available.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
SCHEDULE OF NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	$ 56,482	$ 53,226	$ 53,524	$ 54,363	$ 52,558	$ 50,724	$ 48,876
Contributions in relation to the statutorily required contribution	56,482	53,226	53,524	54,363	52,558	50,724	48,876
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

NOTE 1 CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follow:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

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 and Colorado Limited Gaming Control Commission
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 Limited Gaming Fund and Extended 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, 2019, and the related notes to the financial statements and have issued our report thereon dated November 1, 2019.

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.

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
November 1, 2019

**REQUIRED AUDITOR COMMUNICATIONS TO THE
LEGISLATIVE AUDIT COMMITTEE AND COLORADO LIMITED GAMING CONTROL COMMISSION**

Members of the Legislative Audit Committee and Colorado Limited Gaming Control Commission
Division of Gaming, Department of Revenue, State of Colorado

We have audited the financial statements of the Limited Gaming Fund and Extended 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, 2019, 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 November 1, 2019. 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.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019.

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.

<u>*Accounting estimates*</u>

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 November 1, 2019.

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, Colorado Limited Gaming Control Commission, 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
November 1, 2019