

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

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

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

We have completed the financial audit of the Division of Gaming, Department of Revenue, State of Colorado, as of and for the year ended June 30, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen

Greenwood Village, Colorado
January 21, 2016



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DEPARTMENT OF REVENUE, STATE OF COLORADO
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**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
YEAR ENDED JUNE 30, 2015**

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen, LLP to conduct the financial audit of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division) for the Fiscal Year ended June 30, 2015. The audit of the Division was performed under authority of Section 12-47.1-702(1), C.R.S., which requires the State Auditor to conduct an annual audit of the Division. The purpose of the audit was to express an opinion on the financial statements of the Division for the years ended June 30, 2015 and 2014.

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

The purposes and scope of this audit were:

- To express an opinion on the financial statements of the Division as of and for the years ended June 30, 2015 and 2014, 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, 2015.
- To evaluate progress in implementing any prior audit recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated January 21, 2016, has been issued, which states that the financial statements of the Division as of and for the years ended June 30, 2015 and 2014, are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated January 21, 2016, 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, 2015**

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 83 full-time employees and a budget of approximately \$15.6 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.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Extended Gaming Fund and Limited Gaming Fund and do not purport to, and do not, present fairly the financial position of the Department of Revenue, State of Colorado as of June 30, 2015 and 2014, 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 5-24, 46 and 47-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016 on our consideration of the Division’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 21, 2016

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

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, 2015. Please read it in conjunction with the Division's financial statements, which begin on page 25.

Financial Highlights

- Gaming Tax revenues were \$110,104,977 for the fiscal year ended June 30, 2015, compared to revenues of \$104,877,982 for the prior fiscal year ending June 30, 2014, which is an increase of \$5,226,995 or 4.98%.
- 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 \$97,218,342 compared to last fiscal year's total Gaming Distribution of \$92,219,372. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2015 and 2014, respectively.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2015 and 2014. 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, 2014 and July 1, 2013, respectively, and the ending fund balances as of June 30, 2015 and 2014, 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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2015 was \$97,378,588. This represents an increase of \$4,901,734 compared to fiscal year 2014 excess of revenues over expenditures of \$92,476,854.

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

The largest source of revenue for the Division is from gaming taxes paid by casinos. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). The adjusted gross proceeds of casinos increased 3.45% in fiscal year 2015, as compared to fiscal year 2014. The increase was due primarily to Colorado's improving economy and population growth. Additionally, there were no significant natural disasters that impacted the three gaming towns, as was experienced in fiscal year 2014. The gaming tax revenues earned by the Division for the fiscal years ending June 30, 2015 and 2014 were \$110,104,977 and \$104,877,982, respectively. This represents an increase of \$5,226,995 and was due primarily to an increase in AGP in the 16.00% and 20.00% tax brackets. For fiscal year 2015, the tax rates remained the same as in fiscal year 2014 and 2013.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2015, 2014, and 2013 are below.

AGP Range	Tax Rate for Fiscal Year		
	2015	2014	2013
Charitable Events	3.00%	3.00%	3.00%
\$0 - \$2 Million	0.25%	0.25%	0.25%
\$2 - \$5 million	2.00%	2.00%	2.00%
\$5 - \$8 million	9.00%	9.00%	9.00%
\$8 - \$10 million	11.00%	11.00%	11.00%
\$10 - \$13 million	16.00%	16.00%	16.00%
\$13+ million	20.00%	20.00%	20.00%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Revenues (Continued)

Below is a chart of the changes in revenues to fiscal year 2015 from fiscal year 2014.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	\$ 5,226,995	4.98%	In fiscal year 2015, there was an increase in taxes due mainly to an increase in AGP in the 16% and 20% tax brackets. AGP increased as a result of Colorado's improving economy and population growth. There were no significant natural disasters as in fiscal year 2014.
License and Application Fees	(41,177)	(6.86)%	License and application fees vary from year to year depending on the type of license and application that is received.
Background Investigations	11,760	6.00%	This is reimbursed revenue (see footnote 5). There was \$4,712 more in labor and miscellaneous charges and \$7,048 more in travel during fiscal year 2015.
Fines and Other	22,230	222.54%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	94,515	21.52%	Interest rates increased 0.05% on average during fiscal year 2015. The average rate was 1.01% in fiscal year 2015 and 0.96% in fiscal year 2014. Increase is also due to an increase in average cash balance for FY 2015 compared to FY 2014.
Change in Fair Value of Investments	<u>(308,049)</u>	(133.74)%	This represents the difference between the net change in the fair value of the Division's investments during fiscal year 2015 versus the net change in the fair value of the Division's investments during fiscal year 2014.
Total Revenues	<u>\$ 5,006,274</u>	4.71%	Revenues, excluding the change in fair value of investments, increased by 5.01%.

For fiscal year 2014, the excess of revenues over expenditures was \$92,476,854. This represents an increase of \$799,705, or 0.87%, compared to fiscal year 2013's excess of revenues over expenditures of \$91,677,149.

The net increase in fair value of investments of \$230,341, and net decrease of \$1,017,934 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2014 and 2013, respectively.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Revenues (Continued)

The adjusted gross proceeds of casinos decreased 2.67% in fiscal year 2014. The tax increase was 0.71%. Taxes increased due to an increase in the 20.00% tax bracket.

Below is a chart of the changes in revenues to fiscal year 2014 from fiscal year 2013.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	\$ 743,883	0.71%	In fiscal year 2014, there was a slight increase in taxes due mainly to an increase in AGP in the highest tax bracket. Overall AGP decreased due mostly to road closures caused by significant flooding in September 2013.
License and Application Fees	(25,953)	(4.14)%	License and application fees vary from year to year depending on the type of license and application that is received.
Background Investigations	(94,032)	(32.41)%	This is reimbursed revenue (see footnote 5). There was \$76,671 less in labor and miscellaneous charges and \$17,361 less in travel during fiscal year 2014. This resulted in decreased revenue from applicants.
Fines and Other	(12,851)	(56.27)%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	(55,150)	(11.15)%	Interest rates decreased 0.11% on average during fiscal year 2014. The average rate was 0.96% in fiscal year 2014 and 1.07% in fiscal year 2013.
Change in Fair Value of Investments	<u>1,248,275</u>	122.63%	This represents the difference between the net change in the fair value of the Division's investments during fiscal year 2014 versus the net change in the fair market value of the Division's investments during fiscal year 2013.
Total Revenues	<u>\$ 1,804,172</u>	1.73%	Revenues, excluding the change in fair value of investments, increased by 0.53%.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Expenditures

Total expenditures for the Division in fiscal year 2015 were \$13,981,725. This is an increase of \$104,540, or 0.75%, as compared to fiscal year 2014 expenditures of \$13,877,185. The information below shows the changes in expenditures from fiscal year 2014 to fiscal year 2015 with explanations provided for large variances. In order to provide clarity and to more accurately reflect the year-over-year changes, this section no longer combines expenditure line items.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries and Benefits	\$ 191,508	2.65%	In fiscal year 2015, the increase was primarily due to 2.5% across the board raises. The average decrease in health, dental, and life insurance was 0.24%.
Annual and Sick Leave Payouts	23,599	52.19%	In fiscal year 2015, four long-time employees left the Division, two of which were upper management with higher accumulated leave balances.
Professional Services	5,915	3.51%	In fiscal year 2015, the increase was due primarily to the Phase 1 cost of the EZ File Gaming Industry tax filing system rewrite, MLO enforcement group licensing software upgrade, and training. These increases were partially offset by a decrease in professional services related to building maintenance and a decrease in temporary services to cover job vacancies in the Division.
Travel	(2,588)	(4.83)%	In fiscal year 2015, Division travel decreased.
Automobiles	(17,562)	(9.28)%	In fiscal year 2015, variable (mileage) and fixed (lease) costs for vehicles decreased.
Printing	1,555	8.42%	In fiscal year 2015, the increase was due primarily to an increase in central copier costs.
Police Supplies	10,843	96.16%	In fiscal year 2015, the increase was due primarily to the purchase of emergency lights for Division vehicles.
Computer Services	(33,419)	(29.13)%	In fiscal year 2014, \$36,298 of shared communication costs were included with computer services and in fiscal year 2015 they are being classified as IT costs in 'Other operating expenditures'. Computer checks increased \$2,879.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Expenditures (Continued)

	Increase (Decrease) Amount	Percent Change	Explanation
Materials, Supplies and Services	(123,736)	(34.01)%	In fiscal year 2015, materials, supplies, and services decreased due primarily to a \$127,027 decrease purchases, and non-capital equipment. The decrease in building and equipment maintenance, software was partially offset by an increase in registrations.
Postage	(646)	(7.91)%	In fiscal year 2015, postage costs decreased.
Telephone	(78,632)	(63.81)%	In fiscal year 2015, digital data charges decreased \$84,820 because these costs are now classified with consolidated IT costs in 'Other operating expenditures'. Local call charges increased \$6,963, and long distance and other charges decreased \$775.
Utilities	471	1.90%	In fiscal year 2015, utilities costs increased.
Other Operating Expenditures	(11,974)	(2.47)%	In fiscal year 2015, the decrease was due primarily to a decrease in costs related to IT's multiuse network. The decrease was partially offset by an increase in Risk Management costs.
Leased Space	6,021	2.12%	Rent for the Golden office increased by \$13,238 in fiscal year 2015. The Division received a rent credit of \$7,217 in April 2015.
Capital Outlay	141,920	100.00%	In fiscal year 2015, capital outlay costs increased due to replacement of the boiler in the Cripple Creek office, replacement of fingerprint machines in the Golden and Cripple Creek offices, and phase 1 of the EZ File re-write project. Fiscal year 2014 had no capital outlay costs.
State Agency Services	(14,744)	(0.31)%	In fiscal year 2015, indirect costs, which are based on FTE or workload, increased by \$22,198. Legal Services costs increased \$27,979; Gaming's attorney general had been on leave in early fiscal year 2014. State Auditor and Local Affairs costs increased \$9,978. Colorado State Patrol, Fire Prevention and Control, and Bureau of Investigation costs decreased \$74,899.
Background Investigations	<u>6,009</u>	26.67%	Background expenses vary based on the scope and stage of investigations pending.
Total Expenditures	<u>\$ 104,540</u>	0.75%	

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2014 were \$13,877,185. This is an increase of \$1,004,467, or 7.80%, as compared to fiscal year 2013 expenditures of \$12,872,718. The information below shows the changes in expenditures from fiscal year 2013 to fiscal year 2014 with explanations provided for large variances. In order to provide clarity and to more accurately reflect the year-over-year changes, this section no longer combines expenditure line items.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries and Benefits	\$ 279,245	4.02%	In fiscal year 2014, the average increase in health, dental, and life insurance was 7.58%.
Annual and Sick Leave Payouts	39,737	724.60%	In fiscal year 2014, four long-time employees left the Division, versus two employees in fiscal year 2013, resulting in an increase in annual leave payout.
Professional Services	65,932	64.41%	In fiscal year 2014, the increase was due mostly to increased costs for temporary services to cover job vacancies in the Division, asbestos remediation in the Central City building, and roof analysis for the Cripple Creek building. These increases were partially offset by decreases in training and consulting costs.
Travel	5,703	11.92%	In fiscal year 2014, Division travel increased.
Automobiles	13,241	7.52%	In fiscal year 2014, variable (mileage) and fixed (lease) costs for vehicles increased by \$10,440 and \$2,801, respectively.
Printing	(683)	(3.58)%	In fiscal year 2014, Printing costs decreased due primarily to lower Central copier costs.
Police Supplies	2,552	29.25%	In fiscal year 2014, police supplies increased due primarily to purchase of ballistic vests.
Computer Services	(6,241)	(5.16)%	In fiscal year 2014, there was a \$3,069 decrease in shared communication costs and a \$3,172 decrease in computer checks.
Materials, Supplies and Services	3,858	1.07%	In fiscal year 2014, materials, supplies and services increased due primarily to an increase in building and equipment maintenance that was partially offset by a decrease in purchased services and equipment.
Postage	3,838	88.70%	In fiscal year 2014, increased postage costs are due primarily to the shift of postage costs to operating costs from indirect costs, as some postage had been classified in prior years.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Expenditures (Continued)

	Increase (Decrease) Amount	Percent Change	Explanation
Telephone	16,564	15.53%	In fiscal year 2014, digital data charges were \$17,567 more due to an increase in costs for the multi-use network. Local call charges were \$74 more, and long distance and other charges were \$1,077 less.
Utilities	1,777	7.73%	In fiscal year 2014, utilities costs increased.
Other Operating Expenditures	437,823	924.44%	In fiscal year 2014, the increase was due primarily to an increase in IT costs and services, and the upgrade of the State's financial reporting system.
Leased Space	18,258	6.89%	Rent for the Golden office increased by \$25,479 in fiscal year 2014, but the Division received a rent credit of \$7,221 in July 2014.
Capital Outlay	(23,205)	(100.00)%	In fiscal year 2014, there were no capital outlay costs; fiscal year 2013 costs were for two cameras for badge systems and installation of a new building entry system in the Central City office.
State Agency Services	164,771	3.60%	In fiscal year 2014, Indirect costs, which are based on FTE or workload, decreased by \$148,469. Legal services costs increased \$15,099 due to increased attorney general hours utilized in fiscal year 2015 since Gaming's attorney general had been on leave in early fiscal 2014. Sunset review (ended in fiscal 2013), State Auditor, and Local Affairs costs decreased \$2,317. Colorado State Patrol, Fire Prevention and Control, and Bureau of Investigation costs increased \$300,458 since greater budget amounts for public safety were approved.
Background Investigations	<u>(18,703)</u>	(45.36)%	In fiscal year 2014, the Background Unit received numerous key and change of ownership applications, but received only one new business application which was smaller in scope than fiscal year 2013 new business applications.
Total Expenditures	<u>\$ 1,004,467</u>	7.80%	

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Assets, Liabilities, and Fund Balance

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

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

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

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

The year-end total fund balance reflects the overall financial position of the Division, which was \$11,085,607 at June 30, 2014 compared to \$10,731,671 at June 30, 2013. Total assets of \$96,025,610 at June 30, 2014 were \$641,556 or 0.66%, lower than the prior year balance of \$96,667,166. The decrease in total assets was due primarily to the decreases in cash and gaming taxes receivable.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Assets, Liabilities, and Fund Balance (Continued)

The Division's total liabilities were \$84,940,003 at June 30, 2014 and \$85,935,495 at June 30, 2013. The \$995,492 net decrease was due primarily to the \$563,897 decrease in the fiscal year 2014 Limited Gaming Distribution, and to a \$373,217 decrease in interagency payables.

The following compares fiscal year 2014 and fiscal year 2013 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Cash and temporary cash investments	\$ 84,830,199	\$ 85,302,807	\$ (472,608)	(0.55)%
Gaming taxes and other receivables	11,156,563	11,359,359	(202,796)	(1.79)%
Prepaid expenses	<u>38,848</u>	<u>5,000</u>	<u>33,848</u>	676.96%
Total assets	<u>\$ 96,025,610</u>	<u>\$ 96,667,166</u>	<u>\$ (641,556)</u>	(0.66)%
Accounts payable, wages, and accrued payroll payable	\$ 659,334	\$ 657,353	\$ 1,981	0.30%
Due to other State agencies, other governments, and the State General Fund	83,840,370	84,778,602	(938,232)	(1.11)%
Other liabilities	<u>440,299</u>	<u>499,540</u>	<u>(59,241)</u>	(11.86)%
Total liabilities	<u>84,940,003</u>	<u>85,935,495</u>	<u>(995,492)</u>	(1.16)%
Fund balance	<u>11,085,607</u>	<u>10,731,671</u>	<u>353,936</u>	3.30%
Total liabilities and fund balance	<u>\$ 96,025,610</u>	<u>\$ 96,667,166</u>	<u>\$ (641,556)</u>	(0.66)%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Statement of Revenues, Expenditures, and Changes in Fund Balance

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

	Fiscal Year		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Revenues				
Gaming taxes	\$ 110,104,977	\$ 104,877,982	\$ 5,226,995	4.98%
License and application fees	559,135	600,312	(41,177)	(6.86)%
Other revenue	<u>696,201</u>	<u>875,745</u>	<u>(179,544)</u>	(20.50)%
Total revenues	<u>111,360,313</u>	<u>106,354,039</u>	<u>5,006,274</u>	4.71%
Expenditures				
Operating expenditures	9,231,985	9,118,710	113,275	1.24%
Background investigations	28,541	22,532	6,009	26.67%
State agency services	<u>4,721,199</u>	<u>4,735,943</u>	<u>(14,744)</u>	(0.31)%
Total expenditures	<u>13,981,725</u>	<u>13,877,185</u>	<u>104,540</u>	0.75%
Excess of revenues over expenditures	97,378,588	92,476,854	4,901,734	5.30%
Fund balance, beginning of year	11,085,607	10,731,671	353,936	3.30%
Less: Gaming Fund distributions paid or accrued during the fiscal year	<u>95,721,852</u>	<u>92,122,918</u>	<u>3,598,934</u>	3.91%
Fund balance, end of year	<u>\$ 12,742,343</u>	<u>\$ 11,085,607</u>	<u>\$ 1,656,736</u>	14.94%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

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

The following compares total fiscal year 2014 and fiscal year 2013 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Revenues				
Gaming taxes	\$ 104,877,982	\$ 104,134,099	\$ 743,883	0.71%
License and application fees	600,312	626,265	(25,953)	(4.14)%
Other revenue	875,745	(210,497)	1,086,242	516.04%
Total revenues	<u>106,354,039</u>	<u>104,549,867</u>	<u>1,804,172</u>	1.73%
Expenditures				
Operating expenditures	9,118,710	8,260,311	858,399	10.39%
Background investigations	22,532	41,235	(18,703)	(45.36)%
State agency services	4,735,943	4,571,172	164,771	3.60%
Total expenditures	<u>13,877,185</u>	<u>12,872,718</u>	<u>1,004,467</u>	7.80%
Excess of revenues over expenditures	92,476,854	91,677,149	799,705	0.87%
Fund balance, beginning of year	10,731,671	12,058,477	(1,326,806)	(11.00)%
Less: Gaming Fund distributions paid or accrued during the fiscal year	<u>92,122,918</u>	<u>93,003,955</u>	<u>(881,037)</u>	(0.95)%
Fund balance, end of year	<u>\$ 11,085,607</u>	<u>\$ 10,731,671</u>	<u>\$ 353,936</u>	3.30%

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

In fiscal years 2015 and 2014, the Division had several vacant positions.

Improving Economy

The economic rebound in Colorado and Colorado's population growth contributed to an increase in year-over-year AGP and taxes of 3.45% and 4.98%, respectively. Additionally, there were no significant natural disasters that impacted the three gaming towns, as was experienced in fiscal year 2014.

Computer Systems / Projects

In July of 2014, Colorado implemented a new statewide financial and procurement system, referred to as the Colorado Operations Resource Engine.

In June of 2015, the Division completed Phase 1 of converting the web-based application (called EZ File) used by the Colorado Gaming Industry for submitting gaming tax returns and the tracking of slot devices and casino personnel.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Distribution

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

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

At the end of each fiscal year, the Division distributes the balance remaining in the Limited Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2015 was \$97,218,342, which includes \$9,875,492 for the Extended Gaming Fund distribution.

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

	June 30,	
	2015	2014
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 7,702,884	\$ 6,535,622
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,185,059	1,005,480
10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	987,549	837,900
Total distribution attributable to extended gaming	\$ 9,875,492	\$ 8,379,002

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Distribution (Continued)

Limited Gaming Distribution

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

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

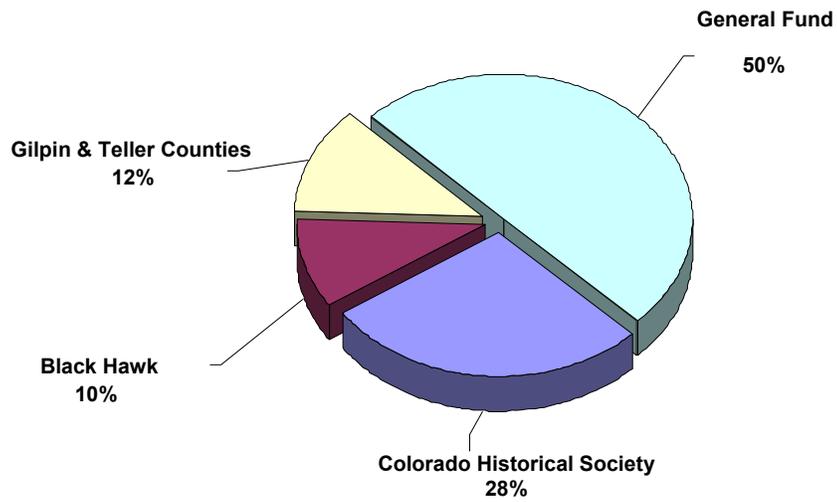
The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2015.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Distribution (Continued)

Limited Gaming Distribution (Continued)

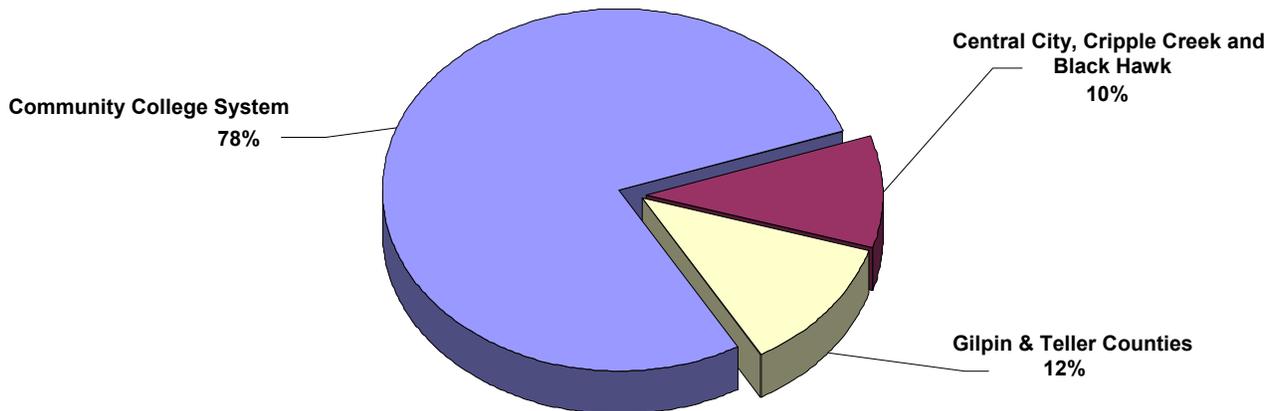
Colorado Limited Gaming Distribution Formula
(Original Recipients)



DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014

Distribution (Continued)

Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Distribution (Continued)

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

	For the Years Ended June 30,		Difference	Percent Difference
	2015	2014		
Colorado State Historical Fund	\$ 24,455,998	\$ 23,475,304	\$ 980,694	4.18%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000	-	0.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Bioscience Discovery Evaluation Grant Program	-	5,500,000	(5,500,000)	(100.00)%
Advanced Industries Acceleration Cash Fund	5,500,000	-	5,500,000	100.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	<u>2,100,000</u>	<u>2,100,000</u>	<u>-</u>	0.00%
Total payments to other State agencies	<u>54,555,998</u>	<u>53,575,304</u>	<u>980,694</u>	1.83%
City of Black Hawk	6,592,639	6,244,431	348,208	5.58%
City of Central	724,072	733,603	(9,531)	(1.30)%
City of Cripple Creek	1,417,574	1,406,003	11,571	0.82%
Gilpin County	8,780,053	8,373,641	406,412	4.85%
Teller County	<u>1,701,089</u>	<u>1,687,203</u>	<u>13,886</u>	0.82%
Total payment due to other governments	<u>19,215,427</u>	<u>18,444,881</u>	<u>770,546</u>	4.18%
Due to the State General Fund	<u>13,571,425</u>	<u>11,820,185</u>	<u>1,751,240</u>	14.82%
Due to the Limited Gaming recipients	87,342,850	83,840,370	3,502,480	4.18%
Due to the Extended Gaming recipients	<u>9,875,492</u>	<u>8,379,002</u>	<u>1,496,490</u>	17.86%
Total distribution	<u>\$ 97,218,342</u>	<u>\$ 92,219,372</u>	<u>\$ 4,998,970</u>	5.42%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Distribution (Continued)

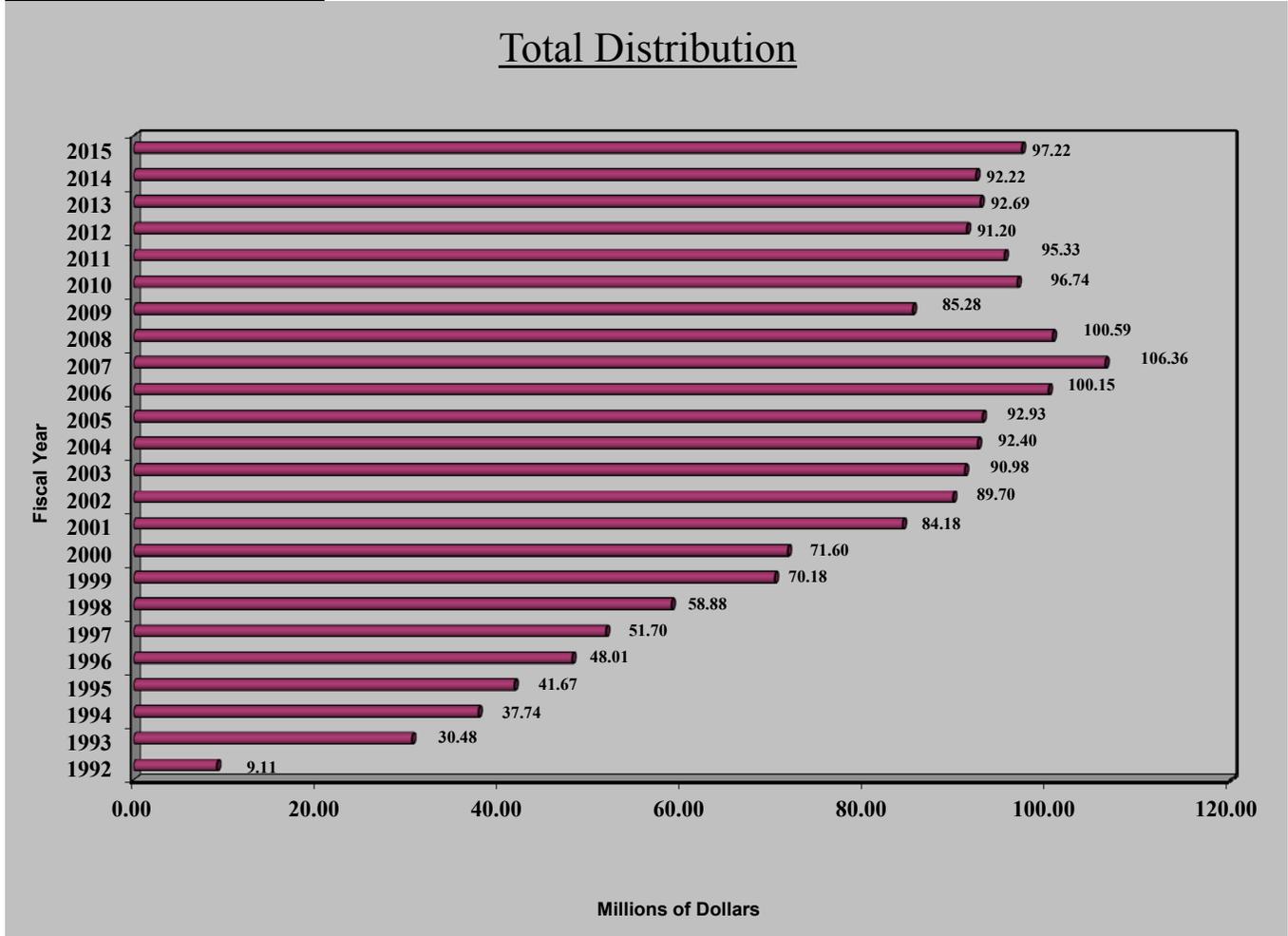
The total distribution for the fiscal year ended June 30, 2014 was \$92,219,372.

The table below compares the amounts distributed to the various recipients for fiscal years 2014 and 2013.

	For the Years Ended June 30,		Difference	Percent Difference
	2014	2013		
Colorado State Historical Fund	\$ 23,475,304	\$ 23,633,194	\$ (157,890)	(0.67)%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000	-	0.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Bioscience Discovery Evaluation Grant Program	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	<u>2,100,000</u>	<u>2,100,000</u>	-	0.00%
Total payments to other State agencies	<u>53,575,304</u>	<u>53,733,194</u>	<u>(157,890)</u>	(0.29)%
City of Black Hawk	6,244,431	6,174,172	70,259	1.14%
City of Central	733,603	795,932	(62,329)	(7.83)%
City of Cripple Creek	1,406,003	1,470,323	(64,320)	(4.37)%
Gilpin County	8,373,641	8,364,125	9,516	0.11%
Teller County	<u>1,687,203</u>	<u>1,764,387</u>	<u>(77,184)</u>	(4.37)%
Total payment due to other governments	<u>18,444,881</u>	<u>18,568,939</u>	<u>(124,058)</u>	(0.67)%
Due to the State General Fund	<u>11,820,185</u>	<u>12,102,134</u>	<u>(281,949)</u>	(2.33)%
Due to the Limited Gaming recipients	83,840,370	84,404,267	(563,897)	(0.67)%
Due to the Extended Gaming recipients	<u>8,379,002</u>	<u>8,282,548</u>	<u>96,454</u>	1.16%
Total distribution	<u>\$ 92,219,372</u>	<u>\$ 92,686,815</u>	<u>\$ (467,443)</u>	(0.50)%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

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 2015:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Operating	\$ 587,134	\$ 1,228	\$ 588,362
Indirect Costs – Department of Revenue	744,297	(4,232)	740,065
Legal Services	173,471	20,600	194,071

The budgeted expenditures approved at the beginning of the year were \$15,595,403. The amendments to the budget resulted in a net increase of \$17,596. As a result, the final approved budget for fiscal year 2015 was \$15,612,999. Total actual expenditures were \$13,981,725 resulting in excess appropriations, or a savings of \$1,631,274 for fiscal year 2015.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2015 AND 2014**

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2016 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 2016. The Division's request totaled \$11,210,625, which represents a 0.74% decrease from the fiscal year 2015 appropriation. The line item in the 2016 Gaming Budget Request, Office of Information Technology (OIT) Payments, consolidates five OIT service components previously appropriated and billed to State agencies through common policy line items. Costs are allocated via FTE and/or proportionally where available. The allocation represents the Division's share of these expenses. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for \$4,331,622 and a budget request submitted by the Department of Local Affairs for \$165,389. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2016 included the continuation of current tax structure, tax rates, and continuation of license and application fees in effect. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2015. The Division's fiscal year 2016 revenue estimates total \$107.0 million, a \$4.4 million decrease over fiscal year 2015 actual revenue.

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

Contacting the Division of Gaming's Financial Management

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

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
JUNE 30, 2015 AND 2014**

	2015			2014		
	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund
ASSETS						
Cash and Temporary Cash and Investments	\$ 9,907,823	\$ 79,887,622	\$ 89,795,445	\$ 8,415,772	\$ 76,414,427	\$ 84,830,199
Accounts Receivable						
Gaming Taxes	-	11,616,720	11,616,720	-	11,147,333	11,147,333
Fines Receivable	-	282	282	-	1,652	1,652
Miscellaneous	-	3,607	3,607	-	7,578	7,578
Prepaid Expenses	-	31,248	31,248	-	38,848	38,848
Total Assets	<u>\$ 9,907,823</u>	<u>\$ 91,539,479</u>	<u>\$ 101,447,302</u>	<u>\$ 8,415,772</u>	<u>\$ 87,609,838</u>	<u>\$ 96,025,610</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ -	\$ 215,226	\$ 215,226	\$ -	\$ 88,428	\$ 88,428
Accrued Payroll Payable	-	624,398	624,398	-	570,845	570,845
Wages and Salaries Payable	-	3,534	3,534	-	61	61
Due to Other State Agencies	-	54,555,998	54,555,998	-	53,575,304	53,575,304
Due to Other Governments	-	19,215,427	19,215,427	-	18,444,881	18,444,881
Due to the State's General Fund	-	13,571,425	13,571,425	-	11,820,185	11,820,185
Background and Other Deposits	-	258,481	258,481	-	214,539	214,539
Unearned Revenue	-	260,470	260,470	-	225,760	225,760
Total Liabilities	<u>-</u>	<u>88,704,959</u>	<u>88,704,959</u>	<u>-</u>	<u>84,940,003</u>	<u>84,940,003</u>
FUND BALANCE						
Nonspendable:						
Prepaid Expenses	-	31,248	31,248	-	38,848	38,848
Restricted for:						
Required Reserve	32,331	2,803,272	2,835,603	36,770	2,630,987	2,667,757
Extended Gaming Recipients	9,875,492	-	9,875,492	8,379,002	-	8,379,002
Total Fund Balance	<u>9,907,823</u>	<u>2,834,520</u>	<u>12,742,343</u>	<u>8,415,772</u>	<u>2,669,835</u>	<u>11,085,607</u>
Total Liabilities and Fund Balance	<u>\$ 9,907,823</u>	<u>\$ 91,539,479</u>	<u>\$ 101,447,302</u>	<u>\$ 8,415,772</u>	<u>\$ 87,609,838</u>	<u>\$ 96,025,610</u>

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			2014		
	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund	Extended Gaming Fund	Limited Gaming fund	Total Gaming Fund
REVENUES						
Gaming Taxes	\$ -	\$ 110,104,977	\$ 110,104,977	\$ -	\$ 104,877,982	\$ 104,877,982
License and Application Fees	-	559,135	559,135	-	600,312	600,312
Background Investigations	-	207,886	207,886	-	196,126	196,126
Fines	-	31,155	31,155	-	6,468	6,468
Interest Income	16,862	516,942	533,804	8,224	431,065	439,289
Net (Decrease)/Increase in the Fair Value of Investments	(4,439)	(73,269)	(77,708)	23,115	207,226	230,341
Other Revenue	-	1,064	1,064	-	3,521	3,521
Total Revenues	12,423	111,347,890	111,360,313	31,339	106,322,700	106,354,039
EXPENDITURES						
Salaries and Benefits	-	7,420,875	7,420,875	-	7,229,367	7,229,367
Annual and Sick Leave Payouts	-	68,820	68,820	-	45,221	45,221
Professional Services	-	174,209	174,209	-	168,294	168,294
Travel	-	50,966	50,966	-	53,554	53,554
Automobiles	-	171,755	171,755	-	189,317	189,317
Printing	-	20,022	20,022	-	18,467	18,467
Police Supplies	-	22,119	22,119	-	11,276	11,276
Computer Services	-	81,292	81,292	-	114,711	114,711
Materials, Supplies, and Services	-	240,075	240,075	-	363,811	363,811
Postage	-	7,519	7,519	-	8,165	8,165
Telephone	-	44,602	44,602	-	123,234	123,234
Utilities	-	25,235	25,235	-	24,764	24,764
Other Operating Expenditures	-	473,210	473,210	-	485,184	485,184
Leased Space	-	289,366	289,366	-	283,345	283,345
Capital Outlay	-	141,920	141,920	-	-	-
State agency services	-	4,721,199	4,721,199	-	4,735,943	4,735,943
Background Expenditures	-	28,541	28,541	-	22,532	22,532
Total Expenditures	-	13,981,725	13,981,725	-	13,877,185	13,877,185
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,423	97,366,165	97,378,588	31,339	92,445,515	92,476,854
OTHER FINANCING SOURCES (USES)						
Gaming Distributions	(8,379,002)	(87,342,850)	(95,721,852)	(8,282,548)	(83,840,370)	(92,122,918)
Transfer to Extended Gaming Fund	-	(9,858,630)	(9,858,630)	-	(8,370,778)	(8,370,778)
Transfer from Limited Gaming Fund	9,858,630	-	9,858,630	8,370,778	-	8,370,778
Total Other Financing Sources (Uses)	1,479,628	(97,201,480)	(95,721,852)	88,230	(92,211,148)	(92,122,918)
NET CHANGE IN FUND BALANCE	1,492,051	164,685	1,656,736	119,569	234,367	353,936
Fund Balance - Beginning of Year	8,415,772	2,669,835	11,085,607	8,296,203	2,435,468	10,731,671
FUND BALANCE - END OF YEAR	\$ 9,907,823	\$ 2,834,520	\$ 12,742,343	\$ 8,415,772	\$ 2,669,835	\$ 11,085,607

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Fund Structure and Basis of Accounting

The financial activities 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 Special Revenue Funds, which consist 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 12-47.1-701, C.R.S.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Expenditures are recorded when the related fund liability is incurred, if measurable.

Budget

The Schedule 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. The fiscal year 2015 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:

	Year Ended June 30,	
	2015	2014
Appropriations	\$ 15,595,403	\$ 15,269,257
Supplemental Appropriations	17,596	(29,574)
Total Appropriations	\$ 15,612,999	\$ 15,239,683

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.

Reclassification

Certain amounts in the June 30, 2014 financial statements have been reclassified to conform to the current year’s presentation.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 CASH AND TEMPORARY CASH INVESTMENTS

The Division deposits its cash with the Colorado State Treasurer as required by Section 24-36-103(1), C.R.S. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. Cash held by the State Treasury for the Division as of June 30, 2015 and 2014 were approximately \$89.8 million and \$84.8 million, respectively.

The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Division reports its share of the State Treasury's unrealized gains and losses based on its participation in the State Treasurer's pool. During the years ended June 30, 2015 and 2014, the Division's share of unrealized (loss) gain was \$(77,708) and \$230,341, respectively.

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of the Division's participation in the Pool, the Division reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in revenue reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2015, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0% of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$87,396,440 of corporate bonds rated lower medium and \$25,018,750 of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 CASH AND TEMPORARY CASH INVESTMENTS (CONTINUED)

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3% of the Pool), 1.339 years for U.S. Government Securities (47.5% of the Pool), 2.528 years for Asset Backed Securities (18.5% of the Pool), 2.196 years for Corporate Bonds (22.9% of the Pool), and 0.010 years for Money Market Mutual Funds (4.8% of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2015.

The temporary cash investments of \$293,092 and \$370,800 at June 30, 2015 and 2014, respectively, represent the cumulative unrealized net gain on cash and temporary cash investments and are not available for use in the gaming distribution calculation.

The Division receives interest payments from the State Treasurer's Office on cash held on behalf of the Division. During the years ended June 30, 2015 and 2014, \$533,804 and \$439,289, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2015 and 2014, the State Treasurer paid interest at 1.01% and 0.96%, respectively, based on average annualized monthly interest rates.

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, 2015.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2015 and 2014, the Division had accounts receivable balances of \$11,620,609 and \$11,156,563, respectively. At June 30, 2015 and 2014, the Division had \$11,616,720 and \$11,147,333 of gaming taxes receivable from 36 and 38 Colorado casinos, respectively. These receivables primarily represent June 2015 and 2014 gaming taxes, which were due on July 15, 2015 and July 15, 2014, respectively, and were subsequently collected by the Department of Revenue in July 2015 and 2014 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management. The remainder of the Accounts Receivable balances is from fines and miscellaneous sources.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

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

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

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			Total
	Land	Construction in Progress	Subtotal	Equipment	Building	Subtotal	
Cost							
Balances - June 30, 2013	\$ 536,138	\$ -	\$ 536,138	\$ 670,873	\$ 1,134,912	\$ 1,805,785	\$ 2,341,923
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balances - June 30, 2014	536,138	-	536,138	670,873	1,134,912	1,805,785	2,341,923
Additions	-	-	-	141,919	-	141,919	141,919
Disposals	-	-	-	(73,492)	-	(73,492)	(73,492)
Balances - June 30, 2015	536,138	-	536,138	739,300	1,134,912	1,874,212	2,410,350
Accumulated Depreciation							
Balances - June 30, 2013	-	-	-	(548,954)	(169,003)	(717,957)	(717,957)
Additions	-	-	-	(20,982)	(31,893)	(52,875)	(52,875)
Disposals	-	-	-	-	-	-	-
Balances - June 30, 2014	-	-	-	(569,936)	(200,896)	(770,832)	(770,832)
Additions	-	-	-	(22,249)	(31,893)	(54,142)	(54,142)
Disposals	-	-	-	73,492	-	73,492	73,492
Balances - June 30, 2015	-	-	-	(518,693)	(232,789)	(751,482)	(751,482)
Total Capital Assets, Net	\$ 536,138	\$ -	\$ 536,138	\$ 220,607	\$ 902,123	\$ 1,122,730	\$ 1,658,868

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 OTHER LIABILITIES

Included in other liabilities are deposits and unearned revenue. Applicants applying for gaming licenses are required to remit deposits to the Division, which are used to perform background investigations of these applicants. These deposits are recorded as liabilities until the Division incurs expenditures to perform the background investigations or until any remaining balance is refunded to the applicant. Deposits of \$252,167 and \$208,152 at June 30, 2015 and 2014, respectively, represent background investigation deposits, as well as \$6,314 and \$6,387 of monies at June 30, 2015 and 2014, respectively, 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, 2015 and 2014, unearned license fees were \$260,470 and \$225,760, respectively.

NOTE 6 ACCRUED COMPENSATED ABSENCES

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

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

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Total</u>
Balances - June 30, 2013	\$ 488,012	\$ 52,015	\$ 540,027
Increase	317,651	49,499	367,150
Decrease	<u>(320,349)</u>	<u>(47,707)</u>	<u>(368,056)</u>
Balances - June 30, 2014 ⁽¹⁾	485,314	53,807	539,121
Increase	314,970	50,857	365,827
Decrease	<u>(326,581)</u>	<u>(46,128)</u>	<u>(372,709)</u>
Balances - June 30, 2015 ⁽²⁾	<u>\$ 473,703</u>	<u>\$ 58,536</u>	<u>\$ 532,239</u>

⁽¹⁾ At June 30, 2014, \$13,070 annual leave and \$1,471 sick leave were classified as current.

⁽²⁾ At June 30, 2015, \$6,660 annual leave and \$731 sick leave were classified as current.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 GAMING DISTRIBUTIONS

Limited Gaming Distribution

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

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

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2015 and 2014, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,573,759 and \$2,335,805, respectively. In addition, \$261,844 and \$331,952 as of June 30, 2015 and 2014, respectively, is restricted for unrealized gain on investments.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

On August 27, 2015, the Commission approved partial limited gaming distributions. On October 15th, 2015, the Commission approved the actual limited gaming distribution of \$87,342,850 for the fiscal year ended June 30, 2015 in accordance with Section 12-47.1-701, C.R.S. On August 28th 2014, \$83,840,370 was approved as the 2014 limited gaming distribution. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2015	2014
Distribution to Other State Agencies:		
Colorado State Historical Fund	\$ 24,455,998	\$ 23,475,304
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000
Colorado Office of Film, Television, and Media		
Operational Account Cash Fund	500,000	500,000
Advanced Industries Acceleration Cash Fund	5,500,000	-
Bioscience Discovery Evaluation Grant Program	-	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	54,555,998	53,575,304
Distributions to Other Governments:		
Cities of Cripple Creek, Central, and Black Hawk	8,734,285	8,384,037
Gilpin and Teller Counties	10,481,142	10,060,844
Total Distributions to Other Governments	19,215,427	18,444,881
Distribution to the State General Fund	13,571,425	11,820,185
Total Distributions	\$ 87,342,850	\$ 83,840,370

Extended Gaming Distribution

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

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

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

Extended Gaming Distribution (Continued)

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

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

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 2015, the actual annual increase is 24.53%, which is greater than 6%. The annual adjustment amount attributable to the 6% increase for fiscal year 2015 is \$722,095.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

Extended Gaming Distribution (Continued)

On August 27, 2015, the Commission approved partial extended gaming distributions. On October 15th, 2015, the Commission approved the actual extended gaming distribution of \$9,875,492 for the fiscal year ended June 30, 2015, in accordance with Section 12-47.1-701.5 C.R.S. On August 28th, 2014, \$8,379,002 was approved as the 2014 extended gaming distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	Year Ended June 30,	
	2015	2014
Distributions to Extended Gaming Recipients:		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 7,702,884	\$ 6,535,622
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,185,059	1,005,480
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	987,549	837,900
Total transfer for distribution attributable to extended gaming	\$ 9,875,492	\$ 8,379,002

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. The lease began in September 2010 with an initial term of ten years. Lease expenses for the years ended June 30, 2015 and 2014 were \$289,366 and \$283,345, respectively. Estimated future payments are as follows:

Year Ended June 30,	Amount
2016	\$ 302,599
2017	308,777
2018	315,281
2019	321,785
2020	328,615
Total	\$ 1,577,057

Sunset Review

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

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information About the Pension Plan

Plan Description

Eligible employees of the Division are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (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% 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 five years of service credit has been obtained and the benefit structure under which contributions were made.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

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

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

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% of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13	CY14	CY15	CY14	CY15
	7/1/12 to 12/31/12	1/1/13 to 6/30/13	7/1/13 to 12/31/13	1/1/14 to 6/30/14	7/1/14 to 12/31/14	1/1/15 to 6/30/15
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	14.63%	15.53%	15.53%	16.43%	16.43%	17.33%

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

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions (Continued)

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 \$888,726 for the fiscal year ended June 30, 2015.

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

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

At June 30, 2015, the Division's proportionate share of the net pension liability is \$18,102,462. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, the Division's proportion was 0.1924460197%, which was a decrease of 0.0058728384 from its proportion of 0.1983188581% measured as of December 31, 2013.

For the year ended June 30, 2015, the Division's share of pension expense was \$1,446,832. At June 30, 2015, the Division's share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,341
Net difference between projected and actual earnings on pension plan investments	369,111	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	340,868
Contributions subsequent to the measurement date	455,633	-
Total	<u>\$ 824,744</u>	<u>\$ 342,209</u>

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$455,633 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, 2016. 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
2016	\$ (90,721)
2017	(66,933)
2018	92,278
2019	92,278
Total	\$ 26,902

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.90% - 9.57%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.50%
Future Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to 1/1/07; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After 12/31/06 (ad hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years.

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

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

- ❖ In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and 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. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	<u>\$ 23,211,734</u>	<u>\$ 18,102,462</u>	<u>\$ 13,804,880</u>

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Funding Policy

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8% of their PERA-includable salary and the State of Colorado is required to contribute 10.15% 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 2013		Fiscal Year 2014		Fiscal Year 2015	
	CY12	CY13	CY14	CY15	CY16	CY17
	7/1/12 to 12/31/12	1/1/13 to 6/30/13	7/1/13 to 12/31/13	1/1/14 to 6/30/14	7/1/14 to 12/31/14	1/1/15 to 6/30/15
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	3.00%	3.40%	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%
Total Employer Contribution Rate to the SDTF	5.50%	6.40%	6.40%	7.30%	7.30%	8.20%

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% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 10 OTHER RETIREMENT PLANS (CONTINUED)

401(k) Defined Contribution Plan

Plan Description

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

Funding Policy

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

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan, which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of \$17,500. Participants who are age 50 and older and contributing the maximum amount allowable were allowed to make an additional \$5,500 contribution in 2014, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

The Division made contributions to other retirement plans totaling \$50,574 during Fiscal Year 2015.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description

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

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The Division is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Division are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the Division contributions to the HCTF were \$53,704, \$52,284 and \$49,945, respectively, equal to their required contributions for each year.

NOTE 12 RISK MANAGEMENT

The Division participates in the State 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:

	Year Ended June 30,	
	2015	2014
State Agency Services:		
Colorado State Patrol	\$ 2,696,126	\$ 2,731,841
Colorado Bureau of Investigation	752,072	795,159
Colorado Division of Fire Prevention and Control	193,276	189,373
Indirect Costs (Colorado Department of Revenue)	687,852	665,654
Legal Services (Colorado Department of Law)	192,586	164,607
Office of the State Auditor	33,498	32,676
Colorado Department of Local Affairs	165,789	156,633
Total Payments to State Agencies	<u>\$ 4,721,199</u>	<u>\$ 4,735,943</u>

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year Ended June 30,	
	2015	2014
State Agencies:		
Colorado State Historical Society	\$ 24,455,998	\$ 23,475,304
Colorado Department of Local Affairs	5,000,000	5,000,000
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	<u>54,555,998</u>	<u>53,575,304</u>
Other Governments		
City of Black Hawk	6,592,638	6,244,431
City of Central	724,072	733,603
City of Cripple Creek	1,417,575	1,406,003
Gilpin County	8,780,053	8,373,641
Teller County	1,701,089	1,687,203
Total Liabilities to Other Governments	<u>19,215,427</u>	<u>18,444,881</u>
State General Fund	<u>13,571,425</u>	<u>11,820,185</u>
Total Liabilities to State Agencies, State General Fund, and Other Governments	<u>\$ 87,342,850</u>	<u>\$ 83,840,370</u>

Total related party liabilities of \$87,342,850 at June 30, 2015 and \$83,840,370 at June 30, 2014 are solely related to the fiscal year 2015 and 2014 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, 2015**

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES					
Gaming Taxes	\$ 101,718,182	\$ -	\$ 101,718,182	\$ 110,104,977	\$ 8,386,795
License and Application Fees	512,603	-	512,603	559,135	46,532
Background Investigations	253,768	-	253,768	207,886	(45,882)
Fines and Fees	-	-	-	31,155	31,155
Interest Revenue	521,846	-	521,846	516,942	(4,904)
Other Revenue	-	-	-	1,064	1,064
Total Revenues	<u>103,006,399</u>	<u>-</u>	<u>103,006,399</u>	<u>111,421,159</u>	<u>8,414,760</u>
EXPENDITURES					
Personal Services	8,282,451	-	8,282,451	7,744,736	537,715
Operating Expenditures	587,134	1,228	588,362	383,877	204,485
Workers Compensation	64,679	-	64,679	64,679	-
Risk Management	18,299	-	18,299	18,299	-
Licensure Activities	181,497	-	181,497	113,870	67,627
Leased Space	296,583	-	296,583	289,366	7,217
Vehicle Lease Payments - Fixed	74,381	-	74,381	70,105	4,276
Vehicle Lease Payments - Variable	110,716	-	110,716	101,633	9,083
Utilities	25,465	-	25,465	25,235	230
COFRS Upgrade and CORE Maintenance	26,004	-	26,004	26,004	-
Payments to Office of Information Technology	427,679	-	427,679	427,679	-
Legal Services	173,471	20,600	194,071	192,586	1,485
Indirect Costs - Department of Revenue	744,297	(4,232)	740,065	687,852	52,213
State Agency Services	4,318,783	-	4,318,783	3,807,263	511,520
Division Expenditures	15,331,439	17,596	15,349,035	13,953,184	1,395,851
Background Expenditures	263,964	-	263,964	28,541	235,423
Total Expenditures	<u>15,595,403</u>	<u>17,596</u>	<u>15,612,999</u>	<u>13,981,725</u>	<u>1,631,274</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 87,410,996</u>	<u>\$ (17,596)</u>	<u>\$ 87,393,400</u>	97,439,434	<u>\$ 10,046,034</u>
Reconciliation of Budget Revenues and Expenditures to the Statements of Revenues, Expenditures, and Changed in Fund Balance					
Net (decrease)/increase in the fair value of investments				<u>(73,269)</u>	
EXCESS OF REVENUES OVER EXPENDITURES				<u>\$ 97,366,165</u>	

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

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

	<u>2015</u>	<u>2014</u>
Division's proportion (percentage) of the collective net pension liability (asset)	0.1924460197%	0.1983188581%
Division's proportionate share of the collective pension liability (asset)	18,102,462	17,666,186
Covered-employee payroll	4,965,164	4,904,861
Division's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	364.589%	360.177%
Plan fiduciary net pension as a percentage of the total pension liability	59.80%	61.10%

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

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2013 were not reported in accordance with the current GASB standards, the information is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 888,726	\$ 819,042	\$ 738,518
Contributions in relation to the statutorily required contribution	<u>888,726</u>	<u>819,042</u>	<u>738,518</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered-employee payroll	17.25%	16.47%	15.41%

* The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2012 were not reported in accordance with the current GASB standards, the information is not available.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated January 21, 2016.

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

Greenwood Village, Colorado
January 21, 2016

REQUIRED AUDITOR COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE

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

We have audited the financial statements of the Extended Gaming Fund and Limited Gaming Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the year ended June 30, 2015, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

The State implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* by recognizing its net pension liability related to its pension plan. The Division is only presenting a governmental fund special revenue fund and does not report any pension liability, pension expense, or deferred inflows or out flows of related to pensions. However, the Division has provided relative pension footnote disclosure for informational purposes only, see footnote 9.

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

Accounting estimates

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

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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely 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 financial statement misstatements detected as a result of audit procedures or any uncorrected financial statement misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2016.

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.

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

Restriction on Use

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
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