



**STATEMENT OF GAMING REVENUES
GAMING TAXES, AND EXPENDITURES**

(UNAUDITED)

FOR THE TWELVE (12) MONTHS ENDED

JUNE 30, 2009

STATE OF COLORADO

DEPARTMENT OF REVENUE
Division of Gaming

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Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

Ron Kammerzell
Division Director

August 27, 2009

State Treasurer and Members of the Colorado Limited Gaming Control Commission:

Pursuant to Section 12-47.1-203 (i), C.R.S., the Colorado Division of Gaming is required to furnish monthly a, "report which contains a full and complete statement of the division's revenues and expenses."

The attached combined financial statements for June 30, 2009 have not been audited. They contain the most current data available. This information has been collected and recorded in accordance with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Vickie Floyd".

Vickie Floyd
Division Controller

**COLORADO DIVISION OF GAMING
FINANCIAL STATEMENTS
(UNAUDITED)**

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**DIVISION OF GAMING
STATEMENT OF REVENUES
GAMING TAXES, AND EXPENDITURES
(UNAUDITED)**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009. Please read it in conjunction with the Division's financial statements, which begin on page 17.

Financial Highlights

- Gaming Tax revenues were \$94,906,581 for the fiscal year ended June 30, 2009, which is a decrease of \$13,279,050 or (12.3)%, compared to revenues of \$108,185,631 for the prior fiscal year ending June 30, 2008.
- The decline in the Division's net income decreased the Gaming Distribution to \$85,281,086 compared to last fiscal year's distribution of \$100,591,698. This distribution amount represents a decrease of \$15,310,612 over last fiscal year, or (15.2)%.

Using This Report

This financial report consists of financial statements for the fiscal years ended June 30, 2009 and 2008. The tax comparison shows the tax rates and compares current and previous fiscal years' adjusted gross proceeds (similar to net income of the casinos) and taxes paid, broken down by tax bracket. It also lists how many casinos were in which tax bracket at the end of the fiscal year. The Balance Sheet provides 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 Statement of Revenues, Expenditures, and Changes in Fund Balance provides 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, 2007 and July 1, 2008, respectively, and the ending fund balances as of June 30, 2008 and 2009, respectively. The Statement 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.

Revenues

The excess of revenues over expenditures of the Division for fiscal year 2009 was \$86,193,296. This represents a decrease of \$15,563,142 or (15.3)% compared to fiscal year 2008 excess of revenues over expenditures of \$101,756,437.

The net increase in fair value of investments of \$447,352 and net increase of \$982,009 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2009 and June 30, 2008, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Revenues (continued)

The largest source of revenue for the Division is from gaming taxes paid by casinos. The gaming tax revenues earned for the fiscal years ending June 30, 2009 and 2008 were \$94,906,581 and \$108,185,631, respectively. The taxes are paid on a graduated scale ranging from 0.25% to 20% of adjusted gross proceeds. The tax rates for fiscal year 2009 changed from what they were in 2008. These changes are as follows:

Tax Rates for Fiscal Year 2009:	Tax Rates for Fiscal Year 2008:
0.25% on amounts up to \$2 million	0.25% on amounts up to \$2 million
2% on amounts over \$2 million and up to \$5 million	2% on amounts over \$2 million and up to \$4 million
9% on amounts over \$5 million and up to \$8 million	4% on amounts over \$4 million and up to \$5 million
11% on amounts over \$8 million and up to \$10 million	11% on amounts over \$5 million and up to \$10 million
16% on amounts over \$10 million and up to \$13 million	16% on amounts over \$10 million and up to \$15 million
20% on amounts over \$13 million	20% on amounts over \$15 million

The adjusted gross proceeds of casinos decreased (9.3)% in fiscal year 2009. The tax decrease was (12.3)%. Taxes decreased at a higher rate than adjusted gross proceeds as there were two less casinos operating at the end of fiscal year 2009 compared to fiscal year 2008.

Below is a chart of the changes in revenues from fiscal year 2008 to fiscal year 2009.

	Increase (Decrease) <u>Amount</u>	Percent <u>Change</u>	Explanation
Gaming taxes	\$ (13,279,050)	(12.27)%	Gaming taxes decreased due to a sluggish economy, high gas prices July 2008 - September 2008, and a legislative enacted smoking ban that took effect January 1, 2008.
License and application fees	110,428	21.13%	Business license fees were up \$60,000 in 2009. In addition, the Division received 1,160 more individual license applications compared to fiscal year 2008, thereby increasing individual license fees in fiscal year 2009. The increase is largely due to the passing of Amendment 50 which expanded gaming hours and games available, both of which required casinos to hire more licensed staff.
Background investigations	(129,438)	(34.78)%	There was \$36,375 more required travel and \$93,063 more in labor and miscellaneous charges during FY08.
Fines and other	(39,804)	(75.64)%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(757,343)	(38.64)%	Interest rates decreased (1.33)% on average during fiscal year 2009.
Change in fair value of investments	(534,657)	(54.45)%	This represents the net change in the fair market value of the Division's investments during fiscal year 2009 versus fiscal year 2008.
Total revenues	<u>\$ (14,629,865)</u>	(13.05)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (12.69)%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Revenues (continued)

For fiscal year 2008, the excess of revenues over expenditures was \$101,756,437. This represents a decrease of \$5,264,987 or (5.0)% compared to fiscal year 2007 excess of revenues over expenditures of \$107,021,424.

The net increase in fair value of investments of \$982,009 and net increase of \$646,281 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2008 and June 30, 2007, respectively.

The gaming tax revenues earned for the fiscal years ending June 30, 2008 and 2007 were \$108,185,631 and \$112,005,553, respectively. The taxes were paid on a graduated scale ranging from 0.25% to 20% of adjusted gross proceeds. The tax rates remained constant for fiscal years 2008 and 2007. The adjusted gross proceeds of casinos decreased (3.2)% in fiscal year 2008. The tax decrease was (3.4)%. Taxes decreased at a higher rate than adjusted gross proceeds as there were two less casinos operating at the end of fiscal year 2008 compared to fiscal year 2007.

Below is a chart of the changes in revenues from fiscal year 2007 to fiscal year 2008.

	Increase (Decrease) <u>Amount</u>	Percent <u>Change</u>	<u>Explanation</u>
Gaming taxes	\$ (3,819,922)	(3.41)%	Gaming taxes decreased due to a sluggish economy, high gas prices, and a legislative enacted smoking ban that took effect January 1, 2008.
License and application fees	(27,638)	(5.02)%	Business license fees were down \$25,500 in 2008. In addition, the Division received 384 less individual license applications compared to fiscal year 2007, thereby reducing individual license fees in fiscal year 2008.
Background investigations	40,917	12.35%	There were increases in background investigation activity during fiscal year 2008.
Fines and other	(227,725)	(81.23)%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(260,868)	(11.75)%	Interest rates decreased (0.43)% on average during fiscal year 2008.
Change in fair value of investments	335,728	51.95%	This represents the net change in the fair market value of the Division's investments during fiscal year 2008 versus fiscal year 2007.
Total revenues	<u>\$ (3,959,508)</u>	(3.41)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (3.72)%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Expenditures

Total expenditures for the Division in fiscal year 2009 were \$11,251,725. This is an increase of \$933,278 or a 9.0% increase over fiscal year 2008 expenditures of \$10,318,448. The information below shows the changes in expenditures from fiscal year 2008 to fiscal year 2009 with explanations provided for large variances.

Expenditures	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	\$ 953,278	17.62%	In fiscal year 2009, a \$130,342 personnel settlement occurred. The average raise was 4.3% and the average increase to health, dental, and life contributions by the State was 18.7%. Additional PERA funding was also required in Fiscal Year 2009.
State agency services	(82,488)	(2.14)%	In fiscal year 2009, Colorado State Patrol decreased its costs billed to the Division by \$81,006.
Materials, supplies and services	29,067	9.75%	Due to the passage of Amendment 50, 13 new positions were added in 2009 which required new furniture, computers, and supplies. Additionally, police radios were purchased for \$17,323.
Travel and automobiles	19,888	10.00%	In fiscal year 2009, the Division's travel expenditures increased due to higher airfare costs July – September 2008, and more training related travel for the implementation of Amendment 50 Gaming rule changes.
Computer services	29,574	27.78%	In fiscal year 2009, there were 1,133 more non-background individual licenses applications; therefore, the cost of computer database name checks run for each applicant increased.
Professional services	5,154	7.84%	In fiscal year 2009, the Division expended funds to train staff on the playing rules for the gambling games known as craps and roulette which are new games allowed in Colorado due to the passing of Amendment 50.
Other	11,344	24.56%	In fiscal year 2009, the Division's Risk Management bill was \$6,600 higher and \$5,888 was incurred related to a personnel settlement.
Telephone	9,680	15.98%	In fiscal year 2009, the Division added more cell phone services and cell phones due to the addition of 13 positions because of the passage of Amendment 50.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Expenditures (continued)

Expenditures	Increase (Decrease)		Explanation
	<u>Amount</u>	<u>Percent Change</u>	
Background investigation	(35,465)	(55.26)%	In fiscal year 2009, there were less foreign travel expenditures than in fiscal year 2008.
Leased Space	10,178	6.88%	In fiscal year 2009, the Division's share of Capitol Complex leased space maintenance was \$3,277 less, and Cripple Creek's leased space was \$13,455 more.
Capital outlay	(16,933)	(29.04)%	In fiscal year 2009, Central City's roof repairs were \$8,061. \$8,664 was spent towards the purchase of the Cripple Creek building, and \$24,660 was spent for craps and roulette training tables. In fiscal year 2008, Central City's roof repairs were \$58,318.
Total Expenditures	\$ 933,277	9.04%	

Total expenditures for the Division in fiscal year 2008 were \$10,318,448. This is an increase of \$1,305,479 or a 14.5% increase over fiscal year 2007 expenditures of \$9,012,969. The information below shows the changes in expenditures from fiscal year 2007 to fiscal year 2008 with explanations provided for large variances.

Expenditures	Increase (Decrease)		Explanation
	<u>Amount</u>	<u>Percent Change</u>	
Salaries, benefits, and leave payouts	\$ 701,003	14.88%	The average increase to health, dental, and life contributions by the State was 13.23%. Additional PERA funding was also required in Fiscal Year 2008.
State agency services	512,252	15.30%	In fiscal year 2008, Colorado State Patrol increased its costs billed to the Division by \$591,760.
Materials, supplies and services	55,017	22.62%	In fiscal year 2008, a new Cripple Creek office was built and furnished, the Central City office had repair work done to its outside stairs and handicap-ramp, and training registrations increased.
Travel and automobiles	21,167	11.90%	In fiscal year 2008, the Division's travel expenditures increased due to higher airfare costs created by rising fuel prices.
Computer services	(5,512)	(4.92)%	In fiscal year 2008, there were 366 less non-background individual licenses applications; therefore, the cost of computer database name checks run for each applicant was down.
Professional services	(1,791)	(2.65)%	In fiscal year 2007, the Division expended funds to identify a location for the new Cripple Creek office. In fiscal year 2008, no such expenditure was incurred.
Other	(20,321)	(30.56)%	In fiscal year 2008, paperless regulation manuals were provided for the industry with less print cost incurred, and postage between Division offices was reduced.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Expenditures (continued)

Expenditures	Increase (Decrease)		Explanation
	Amount	Percent Change	
Telephone	6,032	11.06%	In fiscal year 2008, multi-use network services funding requirements increased by \$4,319.
Background investigation	(5,056)	(7.30)%	In fiscal year 2008, there were less foreign travel expenditures than in 2007. A worldwide investigation was completed at the end of fiscal year 2007.
Leased Space	3,250	2.25%	In fiscal year 2008, the Division's share of Capitol Complex leased space maintenance was \$19,718 less, and Cripple Creek's leased space was \$22,968 more.
Capital Outlay	39,438	208.90%	In fiscal year 2008, Central City's roof repairs were \$58,318. In fiscal year 2007 there were \$1,020 in roof repairs and \$17,860 for three new badge systems.
Total expenditures	<u>\$ 1,305,479</u>	14.48%	

Assets, Liabilities and Fund Balance

The year-end fund balance reflects the overall financial position of the Division, which was \$3,031,507 at June 30, 2009 compared to \$2,119,297 at June 30, 2008. Total assets of \$89,611,143 at June 30, 2009, are \$14,156,251 or (13.6)% lower than the prior year balance of \$103,767,394. The decrease in total assets is primarily due to the decreases in cash and Gaming Taxes Receivable.

The Division's total liabilities were \$86,579,636 at June 30, 2009 which is a decrease from \$101,648,097 at June 30, 2008. The \$15,068,461 net decrease is primarily due to the \$15,310,612 decrease in the fiscal year 2009 gaming distribution.

The following compares fiscal year 2009 and fiscal year 2008 assets, liabilities and fund balances.

	Fiscal Year		Increase (Decrease)	
	2009	2008	Dollars	Percent
Cash and temporary cash investments	\$ 79,463,014	\$ 93,204,207	\$(13,741,193)	(14.74)%
Accounts receivable	10,123,057	10,528,255	(405,198)	(3.85)%
Prepaid expenses	25,072	34,932	(9,860)	(28.23)%
Total assets	<u>\$ 89,611,143</u>	<u>\$ 103,767,394</u>	<u>\$(14,156,251)</u>	(13.64)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Assets, Liabilities and Fund Balance (continued)

	Fiscal Year	Fiscal Year	Increase (Decrease)	
	2009	2008	Dollars	Percent
Accounts payable, wages and accrued payroll payable	\$ 637,259	\$ 498,404	\$ 138,855	27.86%
Due to other State agencies, other governments, and the State General Fund	85,490,026	100,853,957	(15,363,931)	(15.23)%
Other liabilities	452,351	295,736	156,615	52.96%
Total liabilities	<u>86,579,636</u>	<u>101,648,097</u>	<u>(15,068,461)</u>	(14.82)%
Fund balance	<u>3,031,507</u>	<u>2,119,297</u>	<u>912,210</u>	43.04%
Total liabilities and fund balance	<u>\$ 89,611,143</u>	<u>\$ 103,767,394</u>	<u>\$ (14,156,251)</u>	(13.64)%

In fiscal year 2008, the year-end fund balance reflects the overall financial position of the Division, which was \$2,119,297 at June 30, 2008 compared to \$954,558 at June 30, 2007. Fiscal year end June 30, 2008 had total assets of \$103,767,394, which were \$4,494,614 or (4.2)% lower than the prior year balance of \$108,262,008. The decrease in total assets is primarily due to the decreases in cash and Gaming Taxes Receivable.

In fiscal year 2008, the total liabilities were \$101,648,097 at June 30, 2008 which is a decrease from \$107,307,450 at June 30, 2007. The \$5,659,353 net decrease is primarily due to the \$5,765,016 decrease in the fiscal year 2008 gaming distribution.

The following chart compares fiscal year 2008 and fiscal year 2007 assets, liabilities and fund balances.

	Fiscal Year	Fiscal Year	Increase (Decrease)	
	2008	2007	Dollars	Percent
Cash and temporary cash investments	\$ 93,204,207	\$ 95,932,328	\$ (2,728,121)	(2.84)%
Accounts receivable	10,528,255	12,296,429	(1,768,174)	(14.38)%
Prepaid expenses	34,932	33,251	1,681	5.06%
Total assets	<u>\$ 103,767,394</u>	<u>\$ 108,262,008</u>	<u>\$ (4,494,614)</u>	(4.15)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Assets, Liabilities and Fund Balance (continued)

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)	
			Dollars	Percent
Accounts payable, wages and accrued payroll payable	\$ 498,404	\$ 455,545	\$ 42,859	9.41%
Due to other State agencies, other governments, and the State General Fund	100,853,957	106,524,957	(5,671,000)	(5.32)%
Other liabilities	295,736	326,948	(31,212)	(9.55)%
Total liabilities	101,648,097	107,307,450	(5,659,353)	(5.27)%
Fund balance	2,119,297	954,558	1,164,739	122.02%
Total liabilities and fund balance	\$ 103,767,394	\$ 108,262,008	\$ (4,494,614)	(4.15)%

Statement of Revenues, Expenditures and Changes in Fund Balance

The following compares fiscal year 2009 and fiscal year 2008 revenues, expenditures and changes in fund balance.

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease)	
			Dollars	Percent
Revenues				
Gaming taxes	\$ 94,906,581	\$ 108,185,631	\$ (13,279,050)	(12.27)%
License and application fees	632,999	522,571	110,428	21.13%
Other revenue	1,905,441	3,366,683	(1,461,242)	(43.40)%
Total revenues	97,445,021	112,074,885	(14,629,864)	(13.05)%
Expenditures				
Operating expenditures	7,444,236	6,393,006	1,051,230	16.44%
Background investigation	28,712	64,177	(35,465)	(55.26)%
State agency services	3,778,777	3,861,265	(82,488)	(2.14)%
Total expenditures	11,251,725	10,318,448	933,277	9.04%
Excess of revenues over expenditures	86,193,296	101,756,437	(15,563,141)	(15.29)%
Fund balance, beginning of year	2,119,297	954,558	1,164,739	122.02%
Less: Gaming Fund distribution	85,281,086	100,591,698	(15,310,612)	(15.22)%
Fund balance, end of year	\$ 3,031,507	\$ 2,119,297	\$ 912,210	43.04%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

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

The following chart compares fiscal year 2008 and fiscal year 2007 revenues, expenditures and changes in fund balance.

	Fiscal Year	Fiscal Year	Increase (Decrease)	
	2008	2007	Dollars	Percent
Revenues				
Gaming taxes	\$ 108,185,631	\$ 112,005,553	\$ (3,819,922)	(3.41)%
License and application fees	522,571	550,209	(27,638)	(5.02)%
Other revenue	3,366,683	3,478,631	(111,948)	(3.22)%
Total revenues	<u>112,074,885</u>	<u>116,034,393</u>	<u>(3,959,508)</u>	<u>(3.41)%</u>
Expenditures				
Operating expenditures	6,393,006	5,594,723	798,283	14.27%
Background investigation	64,177	69,233	(5,056)	(7.30)%
State agency services	3,861,265	3,349,013	512,252	15.30%
Total expenditures	<u>10,318,448</u>	<u>9,012,969</u>	<u>1,305,479</u>	<u>14.48%</u>
Excess of revenues over expenditures	101,756,437	107,021,424	(5,264,987)	(4.92)%
Fund balance, beginning of year	954,558	289,848	664,710	229.33%
Less: Gaming Fund distribution	100,591,698	106,356,714	(5,765,016)	(5.42)%
Fund balance, end of year	<u>\$ 2,119,297</u>	<u>\$ 954,558</u>	<u>\$ 1,164,739</u>	<u>122.02%</u>

Conditions Affecting Financial Position or Results of Operations

Amendment 50

In November 2008, Colorado voters approved Amendment 50, which significantly expanded limited gaming in Colorado. Amendment 50, which was implemented July 2, 2009, increased the maximum bet limit to \$100, authorized the table games of craps and roulette, and extended the hours of operation to 24/7. These changes had considerable impacts on the Division of Gaming in the areas of staffing, training and drafting new internal controls and regulations to address the new games and 24-hour gaming.

Staffing Changes

During this fiscal year the Division received approval to add 13 additional positions or Full-Time Equivalent (FTE) as a result of Amendment 50. The additional FTE are needed to staff an additional shift in the field offices to cover the expanded hours of operation and to supplement the field operations and audit sections. This brings the total FTE assigned to the Division of Gaming to 92. However, due to significant budget deficits for fiscal year 2009 and those projected for fiscal year 2010, some of these positions are being held vacant until further notice. These vacancies will have a negative impact on the Division's program objectives and on its delivery of customer service to the industry.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Staffing Changes (continued)

Also during this period, the Central City/Black Hawk field office audit staff were relocated to the Lakewood office. This move was made to address the ongoing recruitment and retention difficulties for those field office positions. As a result, the audit group assigned to the Central City/Black Hawk area became fully staffed early in the fiscal year.

Weak Economy

The nation-wide recession and high gasoline prices continued to plague the gaming industry during the entire fiscal year of 2009 and negatively impacted revenues generated by casinos not only in Colorado, but across the nation. In this economic downturn, patrons have less discretionary income. Coupled with the increased costs of traveling to the casinos located in mountain towns, players are visiting casinos more infrequently and spending less. As discussed earlier, gaming tax revenues for fiscal year 2009 are down approximately 13% compared to fiscal year 2008.

Smoking Ban

In addition to the weak economy, casinos have continued to feel the economic impact of a statutory change that went into effect January 1, 2008, banning smoking in Colorado casinos. The Colorado Clean Indoor Air Act passed in 2006 originally exempted casinos from a statewide smoking ban in public places. Casinos anticipated that revenues would be adversely impacted when the ban went into effect because of the number of patrons that had previously smoked in casinos. The perfect storm comprising a weak economy and the smoking ban makes it impossible to quantify the decline in casino revenues attributable to the smoking ban.

Field Offices

As noted in last year's report, the Division moved into a new office facility in Cripple Creek in September 2007. This new facility provides for future expansion needs and a more efficient work environment for staff. The Division entered into a 10-year lease contract with the developer with an option to purchase the building. The Division received approval to purchase this facility from the Capital Construction Development Committee and the Legislature approved the funding for the purchase using proceeds from the Limited Gaming Fund. Although the Division initially expected to close on the purchase of the building during this fiscal year, this has been pushed into fiscal year 2010. The Division has three (3) years in which to close on this purchase.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Distribution

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 distribution for fiscal year ended June 30, 2009 was \$85,281,086.

The chart below compares the amounts distributed to the various recipients for fiscal years 2009 and 2008.

Funds Distribution Comparison

	<u>For the Years Ended</u>			Percent
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Difference</u>	<u>Difference</u>
Colorado State Historical Fund	\$ 23,878,704	\$ 28,165,675	\$ (4,286,971)	(15.22)%
Colorado Department of Transportation	10,127,274	14,292,757	(4,165,483)	(29.14)%
Colorado Travel and Tourism Promotion Fund	15,578,699	20,107,662	(4,528,963)	(22.52)%
Local Government Limited Gaming Impact Fund	5,543,271	6,538,460	(995,190)	(15.22)%
State Council on the Arts Cash Fund	1,200,026	1,587,447	(387,421)	(24.41)%
Colorado Film Commission	300,000	-	300,000	100.00%
Film Incentives Cash Fund	180,011	634,979	(454,968)	(71.65)%
New Jobs Incentives Cash Fund	1,400,052	3,174,894	(1,774,842)	(55.90)%
Bioscience Discovery Evaluation Grant Program	4,500,000	-	4,500,000	100.00%
Innovative Higher Education Research Fund	1,000,000	-	1,000,000	100.00%
Clean Energy Fund	-	3,959,650	(3,959,650)	(100.00)%
Total payments to other state agencies	<u>63,708,037</u>	<u>78,461,524</u>	<u>(14,753,487)</u>	(18.80)%
City of Black Hawk	6,056,663	7,172,188	(1,115,525)	(15.55)%
City of Central City	773,499	972,722	(199,222)	(20.48)%
City of Cripple Creek	1,697,946	1,914,260	(216,314)	(11.30)%
Gilpin County	8,196,195	9,773,892	(1,577,697)	(16.14)%
Teller County	<u>2,037,536</u>	<u>2,297,112</u>	<u>(259,576)</u>	(11.30)%
Total payment due to other governments	<u>18,761,839</u>	<u>22,130,174</u>	<u>(3,368,335)</u>	(15.22)%
Due to the General Fund	<u>2,811,210</u>	-	<u>2,811,210</u>	100.00%
Total distribution	<u>\$ 85,281,086</u>	<u>\$ 100,591,698</u>	<u>\$ (15,310,612)</u>	(15.22)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The distribution for fiscal year ended June 30, 2008 was \$100,591,698.

The chart below compares the amounts distributed to the various recipients for fiscal years 2008 and 2007.

Funds Distribution Comparison

	<u>For the Years Ended</u>		<u>Difference</u>	<u>Percent Difference</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>		
Colorado State Historical Fund	\$ 28,165,675	\$ 29,779,880	\$ (1,614,205)	(5.42)%
Colorado Department of Transportation	14,292,757	5,259,411	9,033,346	171.76%
Colorado Travel and Tourism Promotion Fund	20,107,662	19,676,799	430,863	2.19%
Local Government Limited Gaming Impact Fund	6,538,460	6,913,186	(374,726)	(5.42)%
State Council on the Arts Cash Fund	1,587,447	1,553,431	34,016	2.19%
Film Incentives Cash Fund	634,979	621,373	13,606	2.19%
New Jobs Incentives Cash Fund	3,174,894	3,106,863	68,031	2.19%
Bioscience Discovery Evaluation Grant Program	-	2,500,000	(2,500,000)	(100.00)%
Clean Energy Fund	<u>3,959,650</u>	<u>7,000,000</u>	<u>(3,040,350)</u>	(43.43)%
 Total payments to other state agencies	 <u>78,461,524</u>	 <u>76,410,943</u>	 <u>2,050,581</u>	 2.68%
City of Black Hawk	7,172,188	7,530,055	(357,867)	(4.75)%
City of Central City	972,722	1,067,821	(95,099)	(8.91)%
City of Cripple Creek	1,914,260	2,037,795	(123,535)	(6.06)%
Gilpin County	9,773,892	10,317,452	(543,560)	(5.27)%
Teller County	<u>2,297,112</u>	<u>2,445,354</u>	<u>(148,242)</u>	(6.06)%
 Total payment due to other governments	 <u>22,130,174</u>	 <u>23,398,477</u>	 <u>(1,268,303)</u>	 (5.42)%
 Due to the General Fund	 <u>-</u>	 <u>6,547,294</u>	 <u>(6,547,294)</u>	 (100.00)%
Total distribution	<u>\$ 100,591,698</u>	<u>\$ 106,356,714</u>	<u>\$ (5,765,016)</u>	(5.42)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

In accordance with Section 12-47.1-701, C.R.S. and amended by House Bill 06-1201, House Bill 06-1360, House Bill 07-246, House Bill 07-1060, House Bill 07-1206, House Bill 08-1001, Senate Bill 09-52, and Senate Bill 09-217 at the end of each State fiscal year, the balance remaining in the Limited Gaming Fund is to be distributed by the State Treasurer according to the following formula:

- 50% to the State General Fund, of which 13% is to be distributed to the Local Government Limited Gaming Impact Fund. In addition, of the 50%, \$10,127,274 is to be distributed to the Colorado Department of Transportation, \$15,578,699 is to be distributed to the Colorado Travel and Tourism Promotion Fund, \$1,200,026 is to be distributed to the Colorado Council on the Arts Cash Fund, \$180,011 is to be distributed to the Film Incentives Cash Fund, \$300,000 is to be distributed to the Film Commission via the Office of Economic Development, \$1,400,052 is to be distributed to the New Jobs Incentives Cash Fund, \$1,000,000 is to be distributed to the Innovative Higher Education Research Fund, \$4,500,000 is to be distributed to the Bioscience Discovery Evaluation Grant Program, and \$2,811,210 is to be distributed 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 City, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

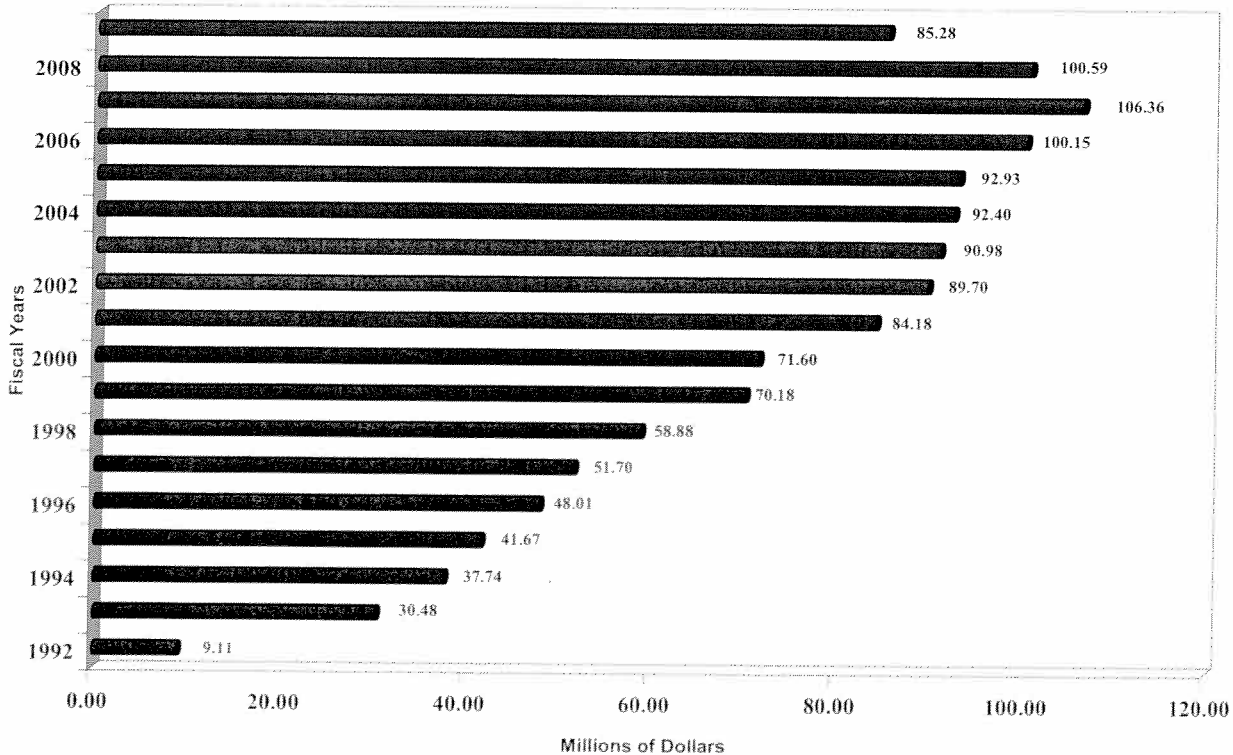
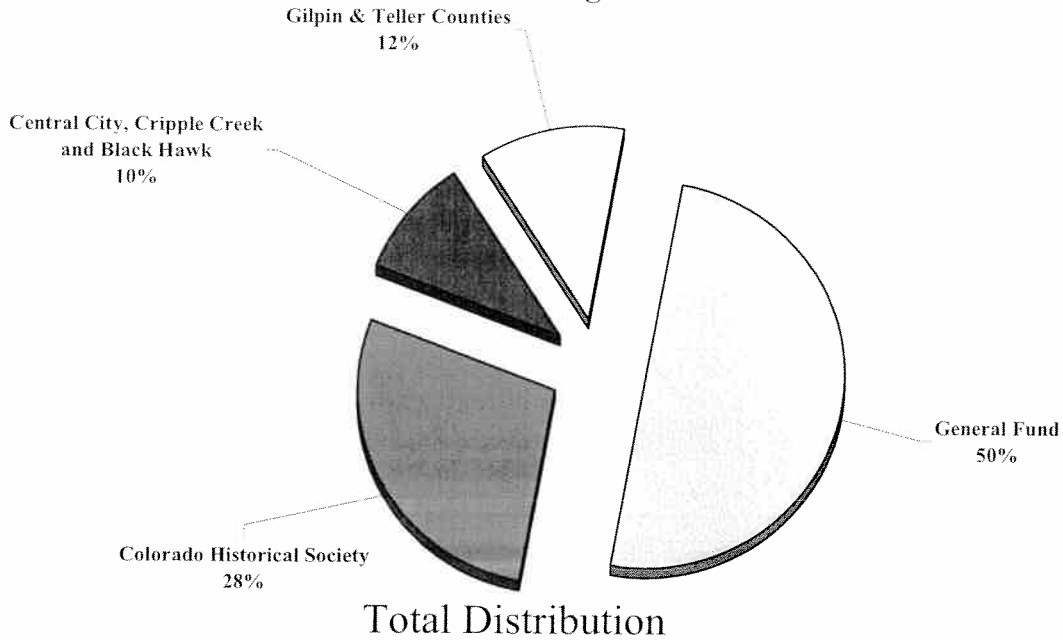
**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Distribution (continued)

The charts below reflect the distribution formula and the Colorado Limited Gaming Fund distribution from the inception of Colorado gaming in 1991 through 2009.

Colorado Limited Gaming Distribution Formula



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Budget

The Colorado Limited Gaming Control Commission approves the Division's budget. Throughout the year, the budget can be amended if approved by the Colorado Limited Gaming Commission.

Changes approved in June 2008

- Personal services appropriation was increased by \$163,486, and capital outlay by \$11,711. This was due to the approval of three (3) new FTE.
- Cripple Creek building purchase appropriation was increased by \$847,000.

Changes approved in August 2008

- Operating was increased by \$25,000.

Changes approved in November 2008

- Indirect costs were increased by \$14,240.
- Personal services was increased by \$360,514, and operating was increased by \$241,541. This was due to the passage of Amendment 50 and the approval of thirteen (13) new FTE.

Changes approved in January 2009

- Indirect costs were increased by \$5,716 for indirect postage costs.

Changes approved in June 2009

- Personal services was decreased by \$(119,262), and operating was increased by the same amount.

The budget approved at the beginning of the year was \$11,512,337. The amendments and rollforwards to the budget resulted in a net increase of \$1,669,208. Therefore, the final approved budget for fiscal year 2009 was \$13,181,545. Total actual expenditures were \$11,251,725 resulting in excess appropriations, or a savings of \$1,929,820 for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2009 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 statewide figure setting policy adopted by the Joint Budget Committee (JBC) for fiscal year 2010. The Division's request totaled \$9,677,540, which represents a (2.35)% decrease from the fiscal year 2009 appropriation. The largest decrease is due to the fact that in fiscal year 2009, a \$241,541 supplemental was approved in the operating appropriation due to the additional staff needed because of the passage of Amendment 50. The startup costs associated with the new employees will obviously not be needed in fiscal year 2010. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for \$3,180,532 and a budget request submitted by the Department of Local Affairs for \$158,094. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2010 included the continuation of the current tax structure, tax rates, license and application fees in effect, and continuation of the current interest rate being paid to the fund. Fiscal year 2010 revenue estimates total \$131.5 million, a \$34.5 million increase over fiscal year 2009 actual revenue. The 2010 estimate has taken into consideration the passing of Amendment 50, and its subsequent implementation on July 2, 2009. This Amendment to the Limited Gaming Act allows for 24-hour gaming, an increase of the betting limit from \$5 to \$100, and the allowance of craps and roulette betting which were not previously allowed in Colorado. All of these Amendment 50 conditions and additions are expected to increase the adjusted gross proceeds of the casinos and therefore the taxes collected.

During the almost 18 years of gaming in Colorado we have 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, 1881 Pierce Street Suite 112, Lakewood, CO 80214-1496, or visit our website: www.colorado.gov/revenue/gaming

**COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
JUNE 30, 2009 AND 2008**

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds.

The tax rates for period ending June 30, 2009 are:

- .25% on amounts up to \$2 million
- 2% on amounts over \$2 million and up to \$5 million
- 9% on amounts over \$5 million and up to \$8 million
- 11% on amounts over \$8 million and up to \$10 million
- 16% on amounts over \$10 million and up to \$13 million
- 20% on amounts over \$13 million

The tax rates for year ending June 30, 2008 changed for year ending June 30, 2009.

The tax rates for year ending June 30, 2008 were:

- .25% on amounts up to \$2 million
- 2% on amounts over \$2 million and up to \$4 million
- 4% on amounts over \$4 million and up to \$5 million
- 11% on amounts over \$5 million and up to \$10 million
- 16% on amounts over \$10 million and up to \$15 million
- 20% on amounts over \$15 million

For Periods Beginning July 1, 2007 and 2008 through June 30, 2008 and 2009

AGP Comparison				
Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
\$0 - \$2 Million	\$ 6,550,451	\$ 4,141,925	\$ (2,408,526)	(36.77%) C
\$2 - \$5 Million	NA	\$ 44,050,802	\$ 44,050,802	100.00% A
\$2 - \$4 Million	\$ 22,186,575	NA	\$ (22,186,575)	(100.00%) B
\$5 - \$8 Million	NA	\$ 31,659,704	\$ 31,659,704	100.00% A
\$4 - \$5 Million	\$ 23,583,655	NA	\$ (23,583,655)	(100.00%) B
\$8 - \$10 Million	NA	\$ 29,264,780	\$ 29,264,780	100.00% A
\$5 - \$10 Million	\$ 47,395,064	NA	\$ (47,395,064)	(100.00%) B
\$10 - \$13 Million	NA	\$ 22,720,859	\$ 22,720,859	100.00% A
\$10 - \$15 Million	\$ 58,659,237	NA	\$ (58,659,237)	(100.00%) B
\$13+ Million	NA	\$ 569,455,348	\$ 569,455,348	100.00% A
\$15+ Million	\$ 615,095,046	NA	\$ (615,095,046)	(100.00%) B
Total	\$ 773,470,028	\$ 701,293,418	\$ (72,176,610)	(9.33%)

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

Tax Comparison				
Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
\$0 - \$2 Million	\$ 211,376	\$ 200,355	\$ (11,021)	(5.21%) C
\$2 - \$5 Million	NA	\$ 1,861,016	\$ 1,861,016	100.00% A
\$2 - \$4 Million	\$ 1,363,732	NA	\$ (1,363,732)	(100.00%) B
\$5 - \$8 Million	NA	\$ 5,999,373	\$ 5,999,373	100.00% A
\$4 - \$5 Million	\$ 1,183,346	NA	\$ (1,183,346)	(100.00%) B
\$8 - \$10 Million	NA	\$ 4,319,126	\$ 4,319,126	100.00% A
\$5 - \$10 Million	\$ 11,813,457	NA	\$ (11,813,457)	(100.00%) B
\$10 - \$13 Million	NA	\$ 7,635,337	\$ 7,635,337	100.00% A
\$10 - \$15 Million	\$ 12,585,478	NA	\$ (12,585,478)	(100.00%) B
\$13+ Million	NA	\$ 74,891,070	\$ 74,891,070	100.00% A
\$15+ Million	\$ 81,019,009	NA	\$ (81,019,009)	(100.00%) B
Total	\$ 108,176,398	\$ 94,906,277	\$ (13,270,121)	(12.27%)

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

AGP Summary			
Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
\$0 - \$2 Million	4	2	(2)
\$2 - \$5 Million	NA	13	13
\$2 - \$4 Million	7	NA	(7)
\$5 - \$8 Million	NA	5	5
\$4 - \$5 Million	5	NA	(5)
\$8 - \$10 Million	NA	3	3
\$5 - \$10 Million	7	NA	(7)
\$10 - \$13 Million	NA	2	2
\$10 - \$15 Million	5	NA	(5)
\$13+ Million	NA	15	15
\$15+ Million	14	NA	(14)
	42	40	(2)

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

COLORADO DIVISION OF GAMING
(AGENCY OF THE STATE OF COLORADO)
COMBINED BALANCE SHEET - SPECIAL REVENUE FUND
JUNE 30, 2009 and 2008

	GOVERNMENTAL FUND TYPE	
	2009	2008
ASSETS:		
Cash and Temporary Cash Investments - Note 2	\$ 79,463,014	\$ 93,204,207
Accounts Receivable - Note 3		
Gaming Taxes	10,116,064	10,526,668
Accounts Receivable Other Agencies	3,317	0
Fines Receivable	753	1,333
Other	2,923	254
Net Accounts Receivable	10,123,057	10,528,255
Prepaid Expenses	25,072	34,932
TOTAL ASSETS	\$ 89,611,143	\$ 103,767,394
LIABILITIES AND FUND EQUITY:		
Liabilities:		
Accounts Payable	\$ 57,481	\$ 44,617
Accrued Payroll Payable - Note 1	579,458	453,774
Wages and Salaries Payable	320	13
Due to Other State Agencies - Note 13	63,916,977	78,723,783
Due to Other Governments - Note 13	18,761,839	22,130,174
Due to the State's General Fund - Note 13	2,811,210	0
Background and Other Deposits - Note 5	163,101	179,506
Deferred Revenue - Note 5	289,250	116,230
Total Liabilities	86,579,636	101,648,097
Fund Balance:		
Reserved Fund Balance - Note 7	2,148,380	1,683,522
Designated Unreserved Fund Balance - Note 2	883,127	435,775
Total Fund Balance	3,031,507	2,119,297
TOTAL LIABILITIES AND FUND BALANCE	\$ 89,611,143	\$ 103,767,394

See Notes to Financial Statements

COLORADO DIVISION OF GAMING
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 JUNE 30, 2009 AND 2008
 (UNAUDITED)

	<u>FY 2009</u>	<u>FY 2008</u>
REVENUES:		
Gaming Taxes	\$ 94,906,581	\$ 108,185,631
License and Application Fees	632,999	522,571
Background Investigations	242,760	372,198
Fines	12,401	45,514
Interest Income - Note 2	1,202,511	1,959,854
Investment Income - Note 2	447,352	982,009
Other Revenue	417	7,108
TOTAL REVENUES	<u>97,445,021</u>	<u>112,074,885</u>
EXPENDITURES:		
Salaries and Benefits	6,355,102	5,409,358
Annual and Sick Leave Payouts	8,839	1,305
Professional Services	70,867	65,713
Travel	85,623	75,704
Automobiles	133,243	123,274
Printing	12,644	11,694
Police Supplies	33,021	13,610
Computer Services & Name Searches	136,021	106,447
Materials, Supplies, and Services	294,291	284,635
Postage	3,496	3,391
Telephone	70,241	60,561
Utilities	16,849	16,361
Other Operating Expenditures	24,540	14,739
Leased Space - Note 8	158,074	147,896
Capital Outlay	41,385	58,318
EXPENDITURES - SUBTOTAL	<u>7,444,236</u>	<u>6,393,006</u>
STATE AGENCY SERVICES - Note 13		
Colorado Bureau of Investigations	691,465	708,104
Fire Safety	148,302	170,987
Colorado State Patrol	2,039,646	2,120,652
State Auditors	32,550	32,220
Indirect Costs - Department of Revenue	579,221	553,509
Local Affairs	147,678	134,444
Colorado Department of Law	139,915	141,349
TOTAL STATE AGENCY SERVICES	<u>3,778,777</u>	<u>3,861,265</u>
Background Expenditures	28,712	64,177
TOTAL EXPENDITURES	<u>11,251,725</u>	<u>10,318,448</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>86,193,296</u>	<u>101,756,437</u>
FUND BALANCE AT JULY 1, 2008 AND 2007	2,119,297	954,558
FY Distribution - Note 7	<u>(85,281,086)</u>	<u>(100,591,698)</u>
FUND BALANCE AT JUNE 30, 2009 AND 2008	<u>\$ 3,031,507</u>	<u>\$ 2,119,297</u>

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED JUNE 30, 2009
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET*	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED / % EXPENDED
REVENUES:						
Gaming Taxes	\$ 111,991,661	\$ 0	\$ 111,991,661	\$ 94,906,581	\$ (17,085,080)	84.74%
License and Application Fees	579,862	0	579,862	632,999	53,137	109.16%
Background Investigations	230,698	0	230,698	242,760	12,062	105.23%
Fines	0	0	0	12,401	12,401	100.00%
Interest Revenue	1,311,461	0	1,311,461	1,202,511	(108,950)	91.69%
Other Revenue	0	0	0	417	417	100.00%
TOTAL REVENUES	114,113,682	0	114,113,682	96,997,669	(17,116,013)	85.00%
EXPENDITURES:						
Personal Services	5,649,294	404,738	6,054,032	5,944,270	(109,762)	98.19%
Health, Dental and Life Insurance	363,544	0	363,544	363,544	0	100.00%
Short Term Disability	6,483	0	6,483	6,483	0	100.00%
Amortization Equalization Disbursement	79,795	0	79,795	79,795	0	100.00%
Supplemental Amort. Equal. Disbursement	37,404	0	37,404	37,404	0	100.00%
Operating Expenditures	575,734	385,803	961,537	527,947	(433,590)	54.91%
Workers Compensation	38,390	0	38,390	38,390	0	100.00%
Risk Management	16,886	0	16,886	16,886	0	100.00%
Licensure Activities	181,497	0	181,497	130,520	(50,977)	71.91%
Leased Space	94,668	0	94,668	90,807	(3,861)	95.92%
Vehicle Lease Payments - Fixed	53,776	0	53,776	53,776	0	100.00%
Vehicle Lease Payments - Variable	23,930	0	23,930	23,930	0	100.00%
Utilities	25,465	0	25,465	16,849	(8,617)	66.16%
Capital Outlay	15,000	11,711	26,711	22,578	(4,133)	84.53%
EDO - MNT	23,501	0	23,501	23,501	0	100.00%
EDO - Communications	18,813	0	18,813	18,813	0	100.00%
Capitol Complex Leased Space	67,267	0	67,267	67,267	0	100.00%
Legal Services	138,050	0	138,050	138,050	0	100.00%
Indirect Costs - Department of Revenue	559,702	19,956	579,658	579,221	(437)	99.92%
State Agency Services	3,270,813	0	3,270,813	3,027,091	(243,723)	92.55%
Central City Bldg. Repairs (capital construction)	8,361	0	8,361	7,891	(471)	94.37%
Cripple Creek Office Building Purchase	0	847,000	847,000	8,000	(839,000)	0.94%
Division Expenditures	11,248,373	1,669,208	12,917,581	11,223,013	(1,694,568)	86.88%
Background Expenditures	263,964	0	263,964	28,712	(235,252)	10.88%
TOTAL EXPENDITURES	11,512,337	1,669,208	13,181,545	11,251,725	(1,929,820)	85.36%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 102,601,345	\$ (1,669,208)	\$ 100,932,137	\$ 85,745,944	\$ (15,186,193)	84.95%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission. The percent of the fiscal year elapsed through June 30, 2009 is 100.0%.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

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.

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

The Division's financial statements are intended to present only those transactions attributable to the Division. The financial statements of the Division are not intended to present financial information of the State in conformity with generally accepted accounting principles. The Division's accounts are presented in a manner consistent with presentation of statewide financial activities, which are reported in accordance with accounting principles generally accepted in the United States of America for governmental units.

Fund Structure and Basis of Accounting

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

Governmental Fund

Special Revenue Fund

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Fund. 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.

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.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 1 - Summary of Significant Accounting Policies (continued)

Budget

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, compares actual revenues and expenditures to those which are legally authorized by State statute. The fiscal year 2009 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 authorization or supplemental budget approval. The Commission must approve all modifications. Appropriations lapse at fiscal year end unless the Commission approves a roll-forward of the unexpended budget.

Total appropriations for the fiscal years are as follows:

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Appropriations	\$ 11,512,337	\$ 10,961,249
Supplemental appropriations	<u>1,669,208</u>	<u>249,431</u>
Total appropriations	<u>\$ 13,181,545</u>	<u>\$ 11,210,680</u>

Accrued Payroll

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

Note 2 - Cash and Temporary Cash Investments

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. The Division deposits cash with the Colorado State Treasurer as required by C.R.S. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division as of June 30, 2009 and 2008, was approximately \$79.0 and \$93.0 million, respectively.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 2 - Cash and Temporary Cash Investments (continued)

The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. 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, 2009 and 2008, the Division's share of unrealized gain was \$447,352 and \$982,009 respectively. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at year end. The unrealized gain included in "Investment Income" in the Statements of Revenues, Expenditures, and Changes in Fund Balance, reflects only the change in fair value during the current fiscal year.

Additional information on the State Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

Designated Unreserved Fund Balance of \$883,127 and the Unreserved Fund Balance of \$435,775 at June 30, 2009 and 2008, respectively, represent the cumulative unrealized net gain on cash and temporary cash investments and is 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, 2009 and 2008, \$1,202,511 and \$1,959,854, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2009 and 2008, the State Treasurer paid interest at 2.94% and 4.27%, respectively, based on average annualized monthly interest rates.

Note 3 - Accounts Receivable

As of June 30, 2009 and 2008, the Division had accounts receivable balances of \$10,123,057 and \$10,528,255, respectively. The Division had \$10,116,064 and \$10,526,668 of gaming taxes receivable from 40 and 42 Colorado casinos at June 30, 2009 and 2008, respectively. These receivables primarily represent June 2009 and 2008 gaming taxes, which were due on July 15, 2009, and July 15, 2008, respectively, and were subsequently collected by the Department of Revenue in July 2009 and 2008 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 4 - Changes in Capital Assets and Accumulated Depreciation

Pursuant to the provisions of Governmental Accounting Standards Board ("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. No stand alone software is capitalized except the Division's licensing system. Capital assets are depreciated using the straight line method over the estimated useful lives of the related assets, which is 30 years for the building, 5 to 10 years for leasehold improvements, furniture, equipment, and 10 years for licensing 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:

	<u>Capital Assets Not Being Depreciated</u>			<u>Capital Assets Being Depreciated</u>			<u>Total</u>
	<u>Land</u>	<u>Construction in Progress</u>	<u>Subtotal</u>	<u>Vehicles and Equipment</u>	<u>Building</u>	<u>Subtotal</u>	
Cost							
Balances, June 30, 2007	\$ 421,000	\$ 1,020	\$ 422,020	\$ 581,763	\$ 331,118	\$ 912,881	\$1,334,901
Additions	-	58,318	58,318	-	-	-	58,318
Disposals	-	-	-	(29,600)	-	(29,600)	(29,600)
Balances, June 30, 2008	421,000	59,338	480,338	552,163	331,118	883,281	1,363,619
Additions	-	8,663	8,663	24,660	67,400	92,060	100,723
Disposals	-	-	-	-	-	-	-
Transfers	-	(59,338)	(59,338)	-	-	-	(59,338)
Balances, June 30, 2009	<u>421,000</u>	<u>8,663</u>	<u>429,663</u>	<u>576,823</u>	<u>398,518</u>	<u>975,341</u>	<u>1,405,004</u>
Accumulated depreciation							
Balances, June 30, 2007	-	-	-	(433,414)	(45,582)	(478,996)	(478,996)
Additions	-	-	-	(47,020)	(7,704)	(54,724)	(54,724)
Disposals	-	-	-	28,503	-	28,503	28,503
Balances, June 30, 2008	-	-	-	(451,931)	(53,286)	(505,217)	(505,217)
Additions	-	-	-	(46,336)	(9,438)	(55,774)	(55,774)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2009	-	-	-	<u>(498,267)</u>	<u>(62,724)</u>	<u>(560,991)</u>	<u>(560,991)</u>
Total capital assets, net	<u>\$ 421,000</u>	<u>\$ 8,663</u>	<u>\$ 429,663</u>	<u>\$ 78,556</u>	<u>\$ 335,794</u>	<u>\$ 414,350</u>	<u>\$ 844,013</u>

* Fiscal Year 2008 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2008 numbers match the audited financial statements.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 5 - Other Liabilities

Included in other liabilities are deposits and deferred 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 \$155,091 and \$171,495 at June 30, 2009 and 2008, respectively, primarily represent background investigation deposits, as well as \$8,010 and \$8,010 of monies at June 30, 2009 and 2008, respectively, seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication. These balances did not change this fiscal year.

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 2-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of June 30, 2009 and 2008, deferred license fees were \$289,250 and \$116,230, respectively.

Note 6 - Accrued Compensated Absences

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

All permanent employees of the Division may accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations. Annual leave and sick leave benefits consist of the following and are all considered long term as of June 30, 2009:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Total</u>
Balances, June 30, 2007	\$ 315,369	\$ 48,074	\$ 363,443
Increase	253,956	40,867	294,823
Decrease	<u>(210,292)</u>	<u>(36,929)</u>	<u>(247,221)</u>
Balances, June 30, 2008	359,033	52,012	411,045
Increase	290,633	47,436	338,069
Decrease	<u>(205,319)</u>	<u>(40,704)</u>	<u>(246,023)</u>
Balances, June 30, 2009	<u>\$ 444,347</u>	<u>\$ 58,744</u>	<u>\$ 503,091</u>

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 7 - Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S. and amended by House Bill 06-1201, House Bill 06-1360, House Bill 07-246, House Bill 07-1060, House Bill 07-1206, House Bill 08-1001, Senate Bill 09-052, and Senate Bill 09-217 at the end of each State fiscal year, the balance remaining in the Limited Gaming Fund is to be distributed by the State Treasurer according to the following formula:

- 50% to the State General Fund, of which 13% is to be distributed to the Local Government Limited Gaming Impact Fund. In addition, of the 50%, \$10,127,274 is to be distributed to the Colorado Department of Transportation, \$15,578,699 is to be distributed to the Colorado Travel and Tourism Promotion Fund, \$1,200,026 is to be distributed to the Colorado Council on the Arts Cash Fund, \$180,011 is to be distributed to the Film Incentives Cash Fund, \$300,000 is to be distributed to the Film Commission via the Office of Economic Development, \$1,400,052 is to be distributed to the New Jobs Incentives Cash Fund, \$1,000,000 is to be distributed to the Innovative Higher Education Research Fund, \$4,500,000 is to be distributed to the to Bioscience Discovery Evaluation Grant Program, and \$2,811,210 is to be distributed 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 City, 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, 2009 and 2008, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two month period was \$2,148,380 and \$1,683,522, respectively.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 7 - Gaming Distribution (continued)

On August 27, 2009, the Commission is expected to approve the distribution of \$85,281,086 for the fiscal year ended June 30, 2009, in accordance with Section 12-47.1-701 C.R.S. In August 2008, \$100,591,698 was approved as the 2008 distribution. The distributions are summarized as follows:

	Year Ended June 30,	
	2009	2008
Distribution to the State General Fund	\$ 2,811,210	\$ -
Distribution to other state agencies		
Colorado State Historical Fund	23,878,704	28,165,675
Local Government Limited Gaming Impact Fund	5,543,271	6,538,460
Colorado Travel and Tourism Promotion Fund	15,578,699	20,107,662
Colorado Council on the Arts Cash Fund	1,200,026	1,587,447
Film Incentives Cash Fund	180,011	634,979
Colorado Film Commission	300,000	-
New Jobs Incentives Cash Fund	1,400,052	3,174,894
Bioscience Discovery Evaluation Grant Program	4,500,000	-
Innovative Higher Education Research Fund	1,000,000	-
Clean Energy Fund	-	3,959,650
Colorado Department of Transportation	10,127,274	14,292,757
Total distributions to other state agencies	66,519,247	78,461,524
Distributions to other governments		
Gilpin and Teller Counties	10,233,730	12,071,004
Cities of Cripple Creek, Central City and Black Hawk	8,528,109	10,059,170
Total distributions to other governments	18,761,839	22,130,174
Total distributions	\$ 85,281,086	\$ 100,591,698

Note 8 - Commitments and Contingencies

Cripple Creek Lease

In April 2002, the Division renewed a lease agreement with a third party to lease office space in Cripple Creek, Colorado with an expiration of June 30, 2007. In February 2007, the Division exercised a hold over agreement extending the lease until completion of construction of a new office location, which occurred in September 2007. Expenditures associated with this lease were \$11,065 for the fiscal year ended June 30, 2008. Total Cripple Creek lease expenditures were \$90,807 in fiscal year 2009 and \$77,352 in fiscal year 2008. The additional amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance represent the Division's share of Capitol Complex lease cost.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 8 - Commitments and Contingencies (continued)

Cripple Creek Lease (continued)

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at a new location in Cripple Creek, Colorado. The initial term of the lease is ten years. The lease began upon substantial completion of construction of the building, which occurred in September 2007. The option to purchase the building expires on June 30, 2013.

On January 1, 2009 House Bill 08-1395 went into effect establishing those properties used by a State of Colorado entity under a lease agreement will be exempt from all property taxes. The portion of the property leased by the State will reduce the assessed value of the property and the real property tax due. This reduction in Property Tax due will decrease the amount owed by the State in rental obligation. The Division's total rental obligation reduction for fiscal year ended June 30, 2009 was \$3,861 for the six month period of January 2009 through June 2009.

<u>Fiscal Year</u>	Rental Obligation	Rental Obligation Reduction	Adjusted Rental Obligation
2010	\$ 96,684	\$ (7,722)	\$ 88,962
2011	98,751	(7,722)	91,029
2012	100,870	(7,722)	93,148
2013	103,042	(7,722)	95,320
2014-2017	<u>434,992</u>	<u>(30,888)</u>	<u>404,104</u>
Total estimated payments	<u>\$ 834,339</u>	<u>\$ (61,776)</u>	<u>\$ 772,563</u>

Sunset Review

Under Section 12-47.1-206 C.R.S., the Division is subject to a "sunset" law, which provides that the Division's existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. The original sunset date for the Division was July 1, 2003. During fiscal year 2003, a sunset review was completed, the law was amended and the sunset date was extended to July 1, 2013. The Division's existence will continue after July 1, 2013, only through the passage of a bill by the General Assembly. The General Assembly is expected to conduct a sunset review prior to the sunset date. A sunset review report is anticipated to be available after October 15, 2012, after which time the General Assembly will determine whether or not the Division will continue.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 8 - Commitments and Contingencies (continued)

Licensing System

In December 2004, the Division entered into a three-year contract with a third party for maintenance and service of the Division's regulatory licensing and document imaging computer system. This contract required the Division to pay approximately \$51,500 to \$55,000 per year through November 30, 2007. In November 2007, the Division entered into an amendment of the original three-year contract which extended the option to renew the maintenance and service agreement through November 2009. During fiscal years 2009 and 2008, the Division expended \$57,260 and \$55,592, respectively, under this contract.

Note 9 - Pension Plan

Plan Description

Virtually all of the Division's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 9 – Pension Plan (continued)

Plan Description (continued)

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below.

Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members (except state troopers) vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 9 – Pension Plan (continued)

Plan Description (continued)

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008, to December 31, 2008, the state contributed 12.05 percent of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95 percent. During all of Fiscal Year 2008-09, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 9 - Pension Plan (continued)

Funding Policy (continued)

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credits be sufficient to fund related actuarial liability.

The Division's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2009, 2008, and 2007 were \$585,054, \$451,640, and \$377,748, respectively. These contributions met the contribution requirement for each year.

Note 10 - Voluntary Tax Deferred Retirement Plans

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state also offer 403(b) or 401(a) plans.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 11 - Post Retirement Health Care and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9. Beginning July 1, 2004, state agencies are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Division contributed \$50,046, \$41,740, and \$38,045 as required by statute in Fiscal Years 2009, 2008, and 2007, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

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

**Notes to Financial Statements
Years Ended June 30, 2009 and 2008**

Note 12 - Risk Management

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

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

Note 13 - Related Party Transactions

On May 23, 1996, SB 96-216 was signed authorizing the Department of Personnel to execute a ten-year lease purchase agreement on behalf of the Department of Revenue for the acquisition of the building located at 1881 Pierce Street, Lakewood, Colorado. The lease purchase of the building occurred on October 31, 1996. The Division's share of the purchase price was approximately \$2,000,000, including both principal and interest. The Division transferred funds annually to the Department of Revenue for its share of the building purchase. Approximately \$177,000 was paid in fiscal year 2007 with no future obligations remaining for fiscal year 2008 or beyond.

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, the Division's share of the building purchase, and other direct and indirect expenses incurred. In fiscal years 2009 and 2008, the legal services expenditures returned to having their own appropriation and line item on the Statement of Revenues, Expenditures, and Changes in Fund Balance. Interagency charges consist of the following:

	For the Years Ended	
	2009	2008
State agency services		
Colorado State Patrol	\$ 2,039,646	\$ 2,120,652
Colorado Bureau of Investigations	691,465	708,104
Colorado Division of Fire Safety	148,302	170,987
Indirect costs (Colorado Department of Revenue)	579,221	553,509
Legal Services (Colorado Department of Law)	139,915	141,349
Office of the State Auditor	32,550	32,220
Colorado Department of Local Affairs	147,678	134,444
Total payments to state agencies	\$ 3,778,777	\$ 3,861,265

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

Note 13 - Related Party Transactions (continued)

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

	June 30,	
	2009	2008
State agencies		
Colorado State Historical Society	\$ 23,878,704	\$ 28,165,675
Colorado Department of Local Affairs	5,543,271	6,538,460
Office of Economic Development	23,158,788	25,504,982
Colorado Department of Transportation	10,127,461	14,292,986
Colorado Department of Higher Education	1,000,000	-
Colorado Bureau of Investigation	-	58,325
Governor's Energy Office	-	3,959,650
Colorado State Patrol	176,758	162,390
Colorado Department of Revenue	10,228	1,330
Colorado Division of Fire Safety	21,767	39,986
Total liabilities to state agencies	63,916,977	78,723,784
State General Fund	2,811,210	-
Other governments		
City of Black Hawk	6,056,663	7,172,188
City of Central City	773,499	972,722
City of Cripple Creek	1,697,946	1,914,260
Gilpin County	8,196,195	9,773,892
Teller County	2,037,536	2,297,112
Total liabilities to other governments	18,761,839	22,130,174
Total liabilities to state agencies, State General Fund and other governments	\$ 85,490,026	\$ 100,853,958

Beginning fiscal year 2007, the State Council on the Arts is included with the Office of Economic Development.

Total related party liabilities of \$85,490,026 and \$100,853,958 at June 30, 2009 and 2008, respectively, include amounts due to the Colorado Bureau of Investigation, State Patrol, Department of Revenue, Department of Transportation, and Division of Fire Safety which total \$208,940 and \$262,260, respectively. The remaining liabilities of \$85,281,086 and \$100,591,698, respectively, are related to the fiscal years 2009 and 2008 gaming distributions.