



**STATEMENT OF GAMING REVENUES  
GAMING TAXES, AND EXPENDITURES  
(UNAUDITED)  
FOR THE NINE (9) MONTHS ENDED  
MARCH 31, 2010**

**COLORADO DIVISION OF GAMING  
TAX REVENUES COMPARISON  
MARCH 31, 2010 AND 2009**

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

**The tax rates for period ending June 30, 2010 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, 2009 were the same as they are for year ending June 30, 2010.

**For Periods Beginning July 1, 2008 and 2009 through March 31, 2009 and 2010**

| <b>AGP Comparison</b> |                       |                       |                      |                   |
|-----------------------|-----------------------|-----------------------|----------------------|-------------------|
| Range                 | Prior Year<br>AGP     | Current Year<br>AGP   | Difference           | Percent<br>Change |
| \$0 - \$2 Million     | \$ 12,505,677         | \$ 8,746,453          | \$ (3,759,224)       | (30.06%)          |
| \$2 - \$5 Million     | \$ 32,142,833         | \$ 34,632,302         | \$ 2,489,469         | 7.75%             |
| \$5 - \$8 Million     | \$ 38,117,975         | \$ 47,736,849         | \$ 9,618,874         | 25.23%            |
| \$8 - \$10 Million    | \$ 16,988,979         | \$ 9,977,806          | \$ (7,011,173)       | (41.27%)          |
| \$10 - \$13 Million   | \$ 23,875,858         | \$ 35,744,132         | \$ 11,868,274        | 49.71%            |
| \$13+ Million         | \$ 406,654,874        | \$ 437,086,045        | \$ 30,431,171        | 7.48%             |
| Total                 | <u>\$ 530,286,196</u> | <u>\$ 573,923,587</u> | <u>\$ 43,637,391</u> | <u>8.23%</u>      |

| <b>Tax Comparison</b> |                      |                      |                     |                   |
|-----------------------|----------------------|----------------------|---------------------|-------------------|
| Range                 | Prior Year<br>Tax    | Current Year<br>Tax  | Difference          | Percent<br>Change |
| \$0 - \$2 Million     | \$ 196,264           | \$ 191,866           | \$ (4,398)          | (2.24%)           |
| \$2 - \$5 Million     | \$ 1,622,856         | \$ 1,632,646         | \$ 9,790            | 0.60%             |
| \$5 - \$8 Million     | \$ 5,320,618         | \$ 5,466,316         | \$ 145,698          | 2.74%             |
| \$8 - \$10 Million    | \$ 3,408,788         | \$ 3,517,559         | \$ 108,771          | 3.19%             |
| \$10 - \$13 Million   | \$ 6,860,137         | \$ 6,679,061         | \$ (181,076)        | (2.64%)           |
| \$13+ Million         | \$ 47,530,975        | \$ 56,217,209        | \$ 8,686,234        | 18.27%            |
| Total                 | <u>\$ 64,939,638</u> | <u>\$ 73,704,657</u> | <u>\$ 8,765,019</u> | <u>13.50%</u>     |

| <b>AGP Summary</b>  |                                      |                                     |            |
|---------------------|--------------------------------------|-------------------------------------|------------|
| Range               | Prior Year<br>No. of Open<br>Casinos | This Year<br>No. of Open<br>Casinos | Difference |
| \$0 - \$2 Million   | 7                                    | 5                                   | (2)        |
| \$2 - \$5 Million   | 10                                   | 11                                  | 1          |
| \$5 - \$8 Million   | 6                                    | 7                                   | 1          |
| \$8 - \$10 Million  | 2                                    | 1                                   | (1)        |
| \$10 - \$13 Million | 2                                    | 3                                   | 1          |
| \$13+ Million       | 13                                   | 12                                  | (1)        |
|                     | <u>40</u>                            | <u>39</u>                           | <u>(1)</u> |

**COLORADO DIVISION OF GAMING  
COMBINED BALANCE SHEETS  
MARCH 31, 2010 AND 2009  
(UNAUDITED)**

|   | <u>FY 2010</u>              | <u>FY 2009</u>              |
|---|-----------------------------|-----------------------------|
| <b>ASSETS:</b>                            |                             |                             |
| Cash (Note 2)                             | \$ 58,678,226               | \$ 50,369,654               |
| Accounts Receivable (Note 3)              |                             |                             |
| Gaming Taxes                              | 10,776,165                  | 10,254,952                  |
| Accounts Receivable Other Agencies        | 0                           | 3,000                       |
| Fines Receivable                          | 1,653                       | 1,085                       |
| Miscellaneous                             | <u>3,172</u>                | <u>1,959</u>                |
| Net Accounts Receivable                   | 10,780,990                  | 10,260,996                  |
| Prepaid Expenses                          | <u>48,871</u>               | <u>68,894</u>               |
| Total Current Assets                      | <u>69,508,087</u>           | <u>60,699,544</u>           |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 69,508,087</u></b> | <b><u>\$ 60,699,544</u></b> |
| <br><b>LIABILITIES AND FUND BALANCE:</b>  |                             |                             |
| Accounts Payable                          | \$ 18,219                   | \$ 28,109                   |
| Due to Other State Agencies (Note 13)     | 260,676                     | 252,133                     |
| Background and Other Deposits (Note 5)    | 122,436                     | 164,754                     |
| Deferred Revenue (Note 6)                 | <u>262,010</u>              | <u>236,780</u>              |
| Total Liabilities                         | <u>663,341</u>              | <u>681,776</u>              |
| Fund Balance:                             |                             |                             |
| Reserved Fund Balance                     | 2,148,380                   | 1,683,522                   |
| Unreserved Fund Balance                   | <u>66,696,366</u>           | <u>58,334,246</u>           |
| Total Fund Balance                        | <u>68,844,746</u>           | <u>60,017,768</u>           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b><u>\$ 69,508,087</u></b> | <b><u>\$ 60,699,544</u></b> |

**COLORADO DIVISION OF GAMING  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
MARCH 31, 2010 AND 2009  
(UNAUDITED)**

|  | FY 2010       | FY 2009       |
|--|---------------|---------------|
| <b>REVENUES:</b>                               |               |               |
| Gaming Taxes                                   | \$ 73,706,187 | \$ 64,939,931 |
| License and Application Fees                   | 446,820       | 430,380       |
| Background Investigations                      | 288,524       | 174,519       |
| Fines  | 59,063        | 8,306         |
| Interest Income (Note 2)                       | 719,354       | 821,083       |
| Other Revenue                                  | 683           | 382           |
| TOTAL REVENUES                                 | 75,220,631    | 66,374,601    |
| <br>   |               |               |
| <b>EXPENDITURES:</b>                           |               |               |
| Salaries and Benefits                          | 4,910,058     | 4,492,300     |
| Annual and Sick Leave Payouts                  | 2,497         | 8,839         |
| Professional Services                          | 26,047        | 28,371        |
| Travel   | 16,029        | 61,800        |
| Automobiles                                    | 107,143       | 100,574       |
| Printing                                       | 7,343         | 9,327         |
| Police Supplies                                | 4,105         | 9,889         |
| Computer Services & Name Searches              | 101,036       | 76,271        |
| Materials, Supplies, and Services              | 143,828       | 177,506       |
| Postage  | 2,231         | 2,348         |
| Telephone                                      | 55,292        | 51,067        |
| Utilities                                      | 15,067        | 12,894        |
| Other Operating Expenditures                   | 12,076        | 14,176        |
| Leased Space (Note 9)                          | 116,821       | 119,521       |
| Capital Outlay                                 | 2,000         | 15,965        |
| EXPENDITURES - SUBTOTAL                        | 5,521,573     | 5,180,848     |
| <br>   |               |               |
| STATE AGENCY SERVICES (Note 13)                |               |               |
| Colorado Bureau of Investigations              | 562,380       | 540,339       |
| Fire Safety                                    | 94,070        | 115,394       |
| Colorado State Patrol                          | 1,592,521     | 1,518,184     |
| State Auditors                                 | 17,050        | 17,050        |
| Indirect Costs - Department of Revenue         | 463,740       | 433,876       |
| Local Affairs                                  | 118,571       | 110,759       |
| Colorado Department of Law                     | 95,609        | 100,574       |
| TOTAL STATE AGENCY SERVICES                    | 2,943,941     | 2,836,176     |
| <br>   |               |               |
| Background Expenditures                        | 58,751        | 23,331        |
| TOTAL EXPENDITURES                             | 8,524,265     | 8,040,355     |
| <br>   |               |               |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>    | 66,696,366    | 58,334,246    |
| <br>   |               |               |
| <b>FUND BALANCE AT JULY 1, 2009 AND 2008</b>   | 2,148,380     | 1,683,522     |
| <br>   |               |               |
| <b>FUND BALANCE AT MARCH 31, 2010 AND 2009</b> | \$ 68,844,746 | \$ 60,017,768 |

**COLORADO DIVISION OF GAMING**  
**STATEMENT OF BUDGET TO ACTUAL**  
**FOR THE YEAR-TO-DATE ENDED MARCH 31, 2010**  
**(UNAUDITED)**

|   | COMMISSION<br>APPROVED<br>BUDGET | SUPPLE-<br>MENTAL<br>CHANGES /<br>ROLLFORWARDS | ANNUAL<br>REVISED<br>ESTIMATE/<br>BUDGET * | YEAR-TO-DATE<br>ACTUAL | OVER/<br>(UNDER)       | % EARNED<br>% EXPENDED |
|---|----------------------------------|--|--|------------------------|------------------------|------------------------|
| <b>REVENUES:</b>                            |                                  |  |  |                        |                        |                        |
| Gaming Taxes                                | \$ 129,291,401                   | \$ 0   | \$ 129,291,401                             | \$ 73,706,187          | \$ (55,585,214)        | 57.01%                 |
| License and Application Fees                | 637,848                          | 0  | 637,848                                    | 446,820                | (191,028)              | 70.05%                 |
| Background Investigations                   | 253,768                          | 0  | 253,768                                    | 288,524                | 34,756                 | 113.70%                |
| Fines                                       | 0                                | 0  | 0  | 59,063                 | 59,063                 | 100.00%                |
| Interest Revenue                            | 1,311,461                        | 0  | 1,311,461                                  | 719,354                | (592,107)              | 54.85%                 |
| Other Revenue                               | 0                                | 0  | 0  | 683                    | 683                    | 100.00%                |
| <b>TOTAL REVENUES</b>                       | <b>131,494,478</b>               | <b>0</b>                                       | <b>131,494,478</b>                         | <b>75,220,631</b>      | <b>(56,273,847)</b>    | <b>57.20%</b>          |
| <b>EXPENDITURES:</b>                        |                                  |  |  |                        |                        |                        |
| Personal Services                           | 6,755,705                        | (129,160)                                      | 6,626,545                                  | 4,469,738              | (2,156,807)            | 67.45%                 |
| Health, Dental and Life Insurance           | 465,003                          | 0  | 465,003                                    | 338,499                | (126,504)              | 72.79%                 |
| Short Term Disability                       | 7,747                            | 0  | 7,747                                      | 6,132                  | (1,615)                | 79.15%                 |
| Amortization Equalization Disbursement      | 119,190                          | 0  | 119,190                                    | 74,899                 | (44,291)               | 62.84%                 |
| Supplemental Amort. Equal. Disbursement     | 74,494                           | 0  | 74,494                                     | 45,249                 | (29,245)               | 60.74%                 |
| Operating Expenditures                      | 613,084                          | 0  | 613,084                                    | 204,516                | (408,568)              | 33.36%                 |
| Workers Compensation                        | 30,847                           | 0  | 30,847                                     | 23,135                 | (7,712)                | 75.00%                 |
| Risk Management                             | 11,922                           | 0  | 11,922                                     | 8,942                  | (2,981)                | 75.00%                 |
| Licensure Activities                        | 181,497                          | 0  | 181,497                                    | 96,608                 | (84,889)               | 53.23%                 |
| Leased Space                                | 96,684                           | 0  | 96,684                                     | 66,722                 | (29,962)               | 69.01%                 |
| Vehicle Lease Payments - Fixed              | 74,208                           | 7,689  | 81,897                                     | 61,423                 | (20,474)               | 75.00%                 |
| Vehicle Lease Payments - Variable           | 81,799                           | (14,000)                                       | 67,799                                     | 45,675                 | (22,124)               | 67.37%                 |
| Utilities                                   | 25,465                           | 0  | 25,465                                     | 15,067                 | (10,398)               | 59.17%                 |
| EDO - MNT                                   | 23,501                           | 0  | 23,501                                     | 17,626                 | (5,875)                | 75.00%                 |
| EDO - Communications                        | 19,057                           | 0  | 19,057                                     | 14,293                 | (4,764)                | 75.00%                 |
| Capitol Complex Leased Space                | 66,799                           | 0  | 66,799                                     | 50,099                 | (16,700)               | 75.00%                 |
| Legal Services                              | 139,209                          | 0  | 139,209                                    | 95,609                 | (43,600)               | 68.68%                 |
| Indirect Costs - Department of Revenue      | 612,365                          | 6,241  | 618,606                                    | 463,740                | (154,866)              | 74.97%                 |
| State Agency Services                       | 3,338,626                        | 0  | 3,338,626                                  | 2,367,542              | (971,084)              | 70.91%                 |
| Cripple Creek Office Building Purchase      | 839,000                          | 0  | 839,000                                    | 0                      | (839,000)              | 0.00%                  |
| <b>Division Expenditures</b>                | <b>13,576,202</b>                | <b>(129,230)</b>                               | <b>13,446,972</b>                          | <b>8,465,514</b>       | <b>(4,981,458)</b>     | <b>62.95%</b>          |
| <b>Background Expenditures</b>              | <b>263,964</b>                   | <b>0</b>                                       | <b>263,964</b>                             | <b>58,751</b>          | <b>(205,213)</b>       | <b>22.26%</b>          |
| <b>TOTAL EXPENDITURES</b>                   | <b>13,840,166</b>                | <b>(129,230)</b>                               | <b>13,710,936</b>                          | <b>8,524,265</b>       | <b>(5,186,671)</b>     | <b>62.17%</b>          |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <b>\$ 117,654,312</b>            | <b>N/A</b>                                     | <b>\$ 117,783,542</b>                      | <b>\$ 66,696,366</b>   | <b>\$ (51,087,176)</b> | <b>56.63%</b>          |

\* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.  
The percent of the fiscal year elapsed through March 31, 2010 is 75.0%.

# COLORADO DIVISION OF GAMING

## NOTES TO FINANCIAL STATEMENTS

### March 31, 2010

#### **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 activities. Therefore, the Division's accounts are presented in a manner consistent with presentation of statewide financial activities, which are reported in accordance with generally accepted accounting principles for governmental organizations.

#### **A. Fund Structure and Basis of Accounting**

The financial activities of the Division are organized on the basis of individual funds, each of which is considered to be a separate entity. The operations of the Special Revenue Fund are recorded in a discrete set of self-balancing accounts that comprise the assets, liabilities, fund equity, 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 fixed assets and long-term liabilities are not recorded in the Special Revenue Fund. They are recorded in a separate fund.

#### 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 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.

##### Fixed Assets

All fixed assets are stated at historical cost, or estimated historical cost, if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Fund Structure and Basis of Accounting (continued)**

The Governmental Accounting Standards Board (GASB) issued statement number 34 which became effective July 1, 2001. This statement requires the Division to depreciate its' fixed assets; however, the fixed assets and depreciation amounts will only be represented on the statewide financial statements, not on the Division's individual financial statements. The capitalization criteria for fixed 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.

The calculation for the amount of depreciation is based upon the cost of the asset and its' estimated useful life. The estimated useful life of a capital asset is a function of each agency's own experience. The Division has determined the useful lives of furniture and equipment ranges from 5 to 10 years, building 30 years, and the licensing software 10 years.

Below is a chart depicting the Division's fixed assets and accumulated depreciation:

| <u>Assets</u>                        |                  | <u>Carrying<br/>Value</u> |
|--------------------------------------|------------------|---------------------------|
| Building and Land                    | \$819,518        |                           |
| Accumulated Depreciation - Buildings | <u>(70,732)</u>  | \$748,786                 |
| Furniture & Equipment                | 203,962          |                           |
| Accumulated Depr. - Furn. & Equip.   | <u>(172,286)</u> | 31,676                    |
| Software                             | 372,861          |                           |
| Accumulated Depreciation - Software  | <u>(361,760)</u> | 11,101                    |
| Construction in Progress             | \$ 8,663         | <u>8,663</u>              |
| Total                                |                  | <u><u>\$800,226</u></u>   |

**Long-term Liabilities**

The Division's long-term liability is the accrued compensated absence liability. This amount is recorded in a separate fund and is reported on the statewide financial statements. Prior to the implementation of GASB 34, this liability was reported on the Division's year-end financial statements.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Fund Structure and Basis of Accounting (continued)**

**BASIS OF ACCOUNTING**

The Division uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. Measurable means the amount can be determined. Available means collectible 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.

**B. Budget**

The statement of revenues and expenditure-budget to actual compares those revenues and expenditures, which are legally authorized by State statute. The fiscal year 2010 revenue projections were provided by the Division, based on the tax rate structure established by the Commission. Each year, the Division Director 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.

|                                  |                     |
|----------------------------------|---------------------|
| Appropriation as of July 1, 2009 | \$13,840,166        |
| Supplemental appropriations      | <u>(129,230)</u>    |
| Total appropriation              | <u>\$13,710,936</u> |

**2. CASH AND INVESTMENTS**

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. 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 of Gaming on March 31, 2010 was \$58.7 million.

The Division of Gaming receives interest payments from the State Treasurer's Office on cash held by the Treasurer's Office on behalf of the Division. The amount of \$719,354 is interest earned on the average daily cash balance. During the month of March, the State Treasurer was paying interest at 2.39% annualized.



**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**3. ACCOUNTS RECEIVABLE**

As of March 31, 2010, the Division had an accounts receivable balance of \$10,780,990. This amount includes \$10,776,165 in gaming taxes collected by the Department of Revenue for the Division for the month of March 2010, which were due on the 15th of April 2010. In addition, the Division had a fines receivable balance of \$1,653, \$433 in outstanding credit card deposits, and \$2,739 due from others.

**4. CHANGES IN FIXED ASSETS**

A summary of changes in fixed assets follows:

|                         | Balances at<br>July 1, 2009 | Deletions | Additions | Balances at<br>March 31, 2010 |
|-------------------------|-----------------------------|-----------|-----------|-------------------------------|
| Computer Equipment      | \$ 94,355                   |           |           | \$ 94,355                     |
| Office Equipment        | 103,517                     |           |           | 103,517                       |
| Investigative Equipment | 6,090                       |           |           | 6,090                         |
| Software                | 372,861                     |           |           | 372,861                       |
| Building and Land       | 819,518                     |           |           | 819,518                       |
| <b>Total</b>            | <b>\$ 1,396,341</b>         |           |           | <b>\$ 1,396,341</b>           |

**5. DEPOSITS**

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 for background investigations were \$118,122 at March 31, 2010. Additionally, on March 31, 2010, the Division of Gaming held \$4,314 on deposit, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**6. DEFERRED REVENUE**

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 March 31, 2010 deferred license fees were \$262,010.

**7. ACCRUED COMPENSATED ABSENCES**

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 | \$468,715               |
| Sick Leave   | <u>53,970</u>           |
| Total        | <u><u>\$522,685</u></u> |

The current and long-term portion of vacation and sick leave benefits are recorded in a separate fund and are only reported on the statewide financial statements.

**8. GAMING DISTRIBUTION**

**A. 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 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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**8. GAMING DISTRIBUTION (Continued)**

**A. 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 City 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);
- (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 the fiscal year ending June 30, 2010, the Commission shall determine limited gaming revenues by multiplying the amount of total gaming tax revenues collected during the fiscal year ending June 30, 2009, by a factor of three percent and adding that amount to the amount of total gaming tax revenues collected during fiscal year 2009. This amount is \$97,753,778.27. Any gaming tax revenues collected over this amount in fiscal year 2010, will be attributable to extended gaming revenues.
- (2) After the end of each subsequent 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 three percent and adding that amount to the amount of total gaming tax revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than three percent, 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 total gaming tax revenues collected during the previous fiscal year.
- (3) 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.
- (4) 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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**8. GAMING DISTRIBUTION (Continued)**

**A. Extended Gaming Distribution (continued)**

The original or limited gaming fund recipients will receive an annual adjustment of the lesser of 6 percent, or the actual percentage, of annual growth in extended gaming revenues. For revenues collected in fiscal year 2010, the payment shall equal 6 percent of the first year's extended gaming revenues. In addition, an amount equal to the expenses incurred by the Commission to administer extended gaming during the fiscal year ending June 30, 2009, shall be subtracted in fiscal year 2010 from the amount to be distributed to the recipients of extended gaming revenues and added to the amount to be distributed to the recipients of limited gaming revenues. This amount is \$372,332.

**B. Limited Gaming Distribution**

In accordance with Section 12-47.1-701, C.R.S. and amended by House Bill 10-1339, the balance remaining in the limited gaming fund is to be distributed by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% to the State General Fund;
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in the respective cities.

In addition, the 50% that goes to the General Fund is further divided as follows:

- 13% to the Local Government Limited Gaming Impact Fund less \$2 million to the State General Fund;
- \$14.2 million to the State General Fund plus \$2 million from Local Government Limited Gaming Impact Fund's share;
- \$5.5 million to the Bioscience Discovery Evaluation Cash Fund, and;
- \$14,922,231 to the Colorado Travel & Tourism Promotion Fund<sup>1</sup>;
- \$2 million to the Innovative Higher Education Research Fund<sup>1</sup>;
- \$1,356,142 to the New Jobs Incentives Cash Fund<sup>1</sup>;
- \$1,178,071 to the State Council on the Arts Cash Fund<sup>1</sup>;

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**8. GAMING DISTRIBUTION (Continued)**

**B. Limited Gaming Distribution (continued)**

- \$428,556 to the Colorado Office of Film, Television, and Media Operational Account Cash Fund<sup>1</sup>;

<sup>1</sup>If the total of all designated funds exceed the 50% General Fund share, marked funds will be reduced proportionally to equal the 50% General Fund share. If the total of all designated funds is less than the 50% General Fund share, marked funds will be increased proportionally to equal the 50% General Fund share.

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. As of March 31, 2010, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was \$1,890,867. This amount equals Division expenditures for the preceding two-month period.

|  |                            |
|--|----------------------------|
| Fund Balance as of March 31, 2010            | \$68,844,746               |
| Less: Two month Reserve                      | <u>(1,890,867)</u>         |
| Available for Distribution at March 31, 2010 | <u><u>\$66,953,879</u></u> |

**9. LEASED SPACE**

The Division occupies office space in Cripple Creek. Rental payments are contingent upon the continuing availability of funds.

**CRIPPLE CREEK**

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at 350 W. Carr Avenue in Cripple Creek, Colorado. This lease began in September 2007 with an initial term of ten years. 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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**9. LEASED SPACE (Continued)**

Additional lease information follows:

| CRIPPLE CREEK      |                                  |                          |                                      |
|--------------------|----------------------------------|--------------------------|--------------------------------------|
| <u>Fiscal Year</u> | <u>Payment</u>                   | <u>Payment Reduction</u> | <u>Total Paid</u>                    |
| FY 2010            | \$ 72,513                        | \$ (5,791)               | \$ 66,722                            |
| <u>Fiscal Year</u> | <u>Estimated Future Payments</u> | <u>Payment Reduction</u> | <u>Adjusted Est. Future Payments</u> |
| FY 2010            | \$ 24,171                        | \$ (1,931)               | \$ 22,240                            |
| FY 2011            | 98,751                           | (7,722)                  | 91,029                               |
| FY 2012            | 100,870                          | (7,722)                  | 93,148                               |
| FY 2013            | 103,042                          | (7,722)                  | 95,320                               |
| FY 2014            | 105,268                          | (7,722)                  | 97,546                               |
| FY 2015            | 107,550                          | (7,722)                  | 99,828                               |
| FY 2016            | 109,888                          | (7,722)                  | 102,166                              |
| FY 2017            | 112,286                          | (7,722)                  | 104,564                              |
|                    | \$761,826                        | \$(55,985)               | \$705,841                            |

The remaining leased space expenditure amount shown on the Statement of Revenues, Expenditures and Changes in Fund Balance represents the Division's share of Capitol Complex lease cost.

**10. PENSION PLAN**

**A. 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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**10. PENSION PLAN (Continued)**

**A. Plan Description (continued)**

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.

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.

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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**10. PENSION PLAN (Continued)**

**A. 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 percent of the employer contributions for this population.)

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.

**B. 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.



**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**10. PENSION PLAN (Continued)**

**B. 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 period ending March 31, 2010 were \$472,362. These contributions met the contribution requirement.

**11. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS**

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer a 403b or 401(a) plans.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**12. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

**A. 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 10.

Beginning July 1, 2004, state agencies are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. As of March 31, 2010, the Division contributed \$40,406 as required by statute.

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.

**Colorado Division of Gaming**  
**Notes to Financial Statements (Continued)**  
**March 31, 2010**

**13. RELATED-PARTY TRANSACTIONS**

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, legal, and other expenses incurred with the Department of Revenue for indirect costs. Interagency charges as of March 31, 2010 consist of the following:

State Agency Services:

|  |                            |
|--|----------------------------|
| Colorado Bureau of Investigation       | \$ 562,380                 |
| Colorado Division of Fire Safety       | 94,070                     |
| Colorado State Patrol                  | 1,592,521                  |
| Office of the State Auditor            | 17,050                     |
| Indirect Costs (Department of Revenue) | 463,740                    |
| Colorado Department of Local Affairs   | 118,571                    |
| Colorado Department of Law             | 95,609                     |
| Total Payments to State Agencies       | <u><u>\$ 2,943,941</u></u> |

As of March 31, 2010, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:

|                                  |                          |
|----------------------------------|--------------------------|
| Colorado Bureau of Investigation | \$ 67,705                |
| Colorado Division of Fire Safety | 15,100                   |
| Colorado State Patrol            | 176,000                  |
| Colorado Department of Revenue   | 1,871                    |
| Total Payments to State Agencies | <u><u>\$ 260,676</u></u> |

**14. 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.