# STATEMENT OF GAMING REVENUES

# GAMING TAXES, AND EXPENDITURES

# (UNAUDITED)

# FOR THE NINE (9) MONTHS ENDED

# MARCH 31, 2012

**COLORADO DIVISION OF GAMING**
**TAX REVENUES COMPARISON**
**MARCH 31, 2012 AND 2011**

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

**The tax rates for period ending June 30, 2012 are:**

.2375% on amounts up to $2 million
1.90% on amounts over $2 million and up to $5 million
8.55% on amounts over $5 million and up to $8 million
10.45% on amounts over $8 million and up to $10 million
15.20% on amounts over $10 million and up to $13 million
19.00% on amounts over $13 million

The tax rates for year ending June 30, 2012 were lowered by 5% compared to tax rates for the year ending June 30, 2011, see below:

**The tax rates for period ending June 30, 2011 were:**

.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

**For Periods Beginning July 1, 2010 and 2011 through March 31, 2011 and 2012**

**AGP Comparison**

| Range | Prior Year AGP | Current Year AGP | Difference | Percent Change |
|---|---|---|---|---|
| $0 - $2 Million | $ 7,625,142 | $ 6,761,973 | $ (863,169) | (11.32%) |
| $2 - $5 Million | $ 38,575,454 | $ 43,492,232 | $ 4,916,778 | 12.75% |
| $5 - $8 Million | $ 45,654,367 | $ 27,143,354 | $ (18,511,013) | (40.55%) |
| $8 - $10 Million | $ 9,054,783 | $ 8,599,529 | $ (455,254) | (5.03%) |
| $10 - $13 Million | $ 34,489,459 | $ 47,704,398 | $ 13,214,939 | 38.32% |
| $13+ Million | $ 428,910,663 | $ 435,332,092 | $ 6,421,429 | 1.50% |
| Total | $ 564,309,868 | $ 569,033,578 | $ 4,723,710 | 0.84% |

**Tax Comparison**

| Range | Prior Year Tax | Current Year Tax | Difference | Percent Change |
|---|---|---|---|---|
| $0 - $2 Million | $ 194,063 | $ 177,560 | $ (16,503) | (8.50%) |
| $2 - $5 Million | $ 1,671,509 | $ 1,529,352 | $ (142,157) | (8.50%) |
| $5 - $8 Million | $ 5,278,893 | $ 4,971,257 | $ (307,636) | (5.83%) |
| $8 - $10 Million | $ 3,416,026 | $ 3,406,651 | $ (9,375) | (0.27%) |
| $10 - $13 Million | $ 6,478,313 | $ 6,643,068 | $ 164,755 | 2.54% |
| $13+ Million | $ 54,582,133 | $ 53,073,098 | $ (1,509,035) | (2.76%) |
| Total | $ 71,620,937 | $ 69,800,986 | $ (1,819,951) | (2.54%) |

**AGP Summary**

| Range | Prior Year No. of Open Casinos | This Year No. of Open Casinos | Difference |
|---|---|---|---|
| $0 - $2 Million | 4 | 6 | 2 |
| $2 - $5 Million | 11 | 13 | 2 |
| $5 - $8 Million | 7 | 4 | (3) |
| $8 - $10 Million | 1 | 1 | 0 |
| $10 - $13 Million | 3 | 4 | 1 |
| $13+ Million | 11 | 12 | 1 |
| | 37 | 40 | 3 |

**COLORADO DIVISION OF GAMING**
**COMBINED BALANCE SHEETS**
**MARCH 31, 2012 AND 2011**
**(UNAUDITED)**

| | FY 2012 | | | FY 2011 | | |
|---|---|---|---|---|---|---|
| | EXTENDED GAMING FUND | LIMITED GAMING FUND | TOTAL FUND BALANCE | EXTENDED GAMING FUND | LIMITED GAMING FUND | TOTAL FUND BALANCE |
| **ASSETS:** | | | | | | |
| Cash (Note 2) | $ 14,426 | $ 53,028,782 | $ 53,043,208 | $ 19,207 | $ 56,582,146 | $ 56,601,353 |
| Accounts Receivable (Note 3) | | | | | | |
| Gaming Taxes | 0 | 11,833,924 | 11,833,924 | 0 | 10,965,350 | 10,965,350 |
| Accounts Receivable Other Agencies | 0 | 0 | 0 | 0 | 25 | 25 |
| Fines Receivable | 0 | 1,108 | 1,108 | 0 | 1,041 | 1,041 |
| Miscellaneous | 0 | 3,663 | 3,663 | 0 | 5,519 | 5,519 |
| Net Accounts Receivable | 0 | 11,838,695 | 11,838,695 | 0 | 10,971,935 | 10,971,935 |
| Prepaid Expenses | 0 | 51,035 | 51,035 | 0 | 39,942 | 39,942 |
| Total Current Assets | 14,426 | 64,918,512 | 64,932,938 | 19,207 | 67,594,023 | 67,613,230 |
| **TOTAL ASSETS** | $ 14,426 | $ 64,918,512 | $ 64,932,938 | $ 19,207 | $ 67,594,023 | $ 67,613,230 |
| **LIABILITIES AND FUND BALANCE:** | | | | | | |
| Accounts Payable | $ 0 | $ 19,192 | $ 19,192 | $ 0 | $ 11,274 | $ 11,274 |
| Wages & Salaries Payable | 0 | 1,013 | 1,013 | 0 | 547 | 547 |
| Due to Other State Agencies (Note 13) | 0 | 294,357 | 294,357 | 0 | 286,040 | 286,040 |
| Background and Other Deposits (Note 5) | 0 | 237,065 | 237,065 | 0 | 106,117 | 106,117 |
| Deferred Revenue (Note 6) | 0 | 256,830 | 256,830 | 0 | 290,620 | 290,620 |
| Total Liabilities | 0 | 808,457 | 808,457 | 0 | 694,598 | 694,598 |
| **FUND BALANCE:** | | | | | | |
| **Restricted** | 0 | 30,993,711 | 30,993,711 | 0 | 32,001,222 | 32,001,222 |
| **Committed** | 0 | 30,993,712 | 30,993,712 | 0 | 32,001,222 | 32,001,222 |
| **Restricted for:** | | | | | | |
| Required Reserve | 0 | 2,071,597 | 2,071,597 | 0 | 2,857,039 | 2,857,039 |
| Extended Gaming Recipients | 14,426 | 0 | 14,426 | 19,207 | 0 | 19,207 |
| **Nonspendable:** | | | | | | |
| Prepaids | 0 | 25,518 | 25,518 | 0 | 19,971 | 19,971 |
| **Committed to:** | | | | | | |
| Prepaids | 0 | 25,517 | 25,517 | 0 | 19,971 | 19,971 |
| Total Fund Balance | 14,426 | 64,110,055 | 64,124,481 | 19,207 | 66,899,425 | 66,918,632 |
| **TOTAL LIABILITIES AND FUND BALANCE** | $ 14,426 | $ 64,918,512 | $ 64,932,938 | $ 19,207 | $ 67,594,023 | $ 67,613,230 |

**COLORADO DIVISION OF GAMING**
**COMBINED STATEMENT OF REVENUES,**
**EXPENDITURES, AND CHANGES IN FUND BALANCE**
**MARCH 31, 2012 AND 2011**
**(UNAUDITED)**

| | FY 2012 | | | FY 2011 | | |
|---|---|---|---|---|---|---|
| | EXTENDED GAMING FUND | LIMITED GAMING FUND | TOTAL FUND BALANCE | EXTENDED GAMING FUND | LIMITED GAMING FUND | TOTAL FUND BALANCE |
| **REVENUES:** | | | | | | |
| Gaming Taxes | $ 0 | $ 69,765,880 | $ 69,765,880 | $ 0 | $ 71,632,023 | $ 71,632,023 |
| License and Application Fees | 0 | 458,358 | 458,358 | 0 | 449,340 | 449,340 |
| Background Investigations | 0 | 144,610 | 144,610 | 0 | 159,168 | 159,168 |
| Fines | 0 | 183,225 | 183,225 | 0 | 65,042 | 65,042 |
| Interest Income (Note 2) | 14,426 | 407,714 | 422,140 | 19,207 | 627,623 | 646,830 |
| Other Revenue | 0 | 121 | 121 | 0 | 317 | 317 |
| TOTAL REVENUES | 14,426 | 70,959,908 | 70,974,334 | 19,207 | 72,933,513 | 72,952,720 |
| **OTHER FINANCING SOURCES / USES:** | | | | | | |
| Insurance Recoveries (Note 14) | 0 | 0 | 0 | 0 | 8,458 | 8,458 |
| TOTAL REVENUES & OTHER FIN. SOURCES | 14,426 | 70,959,908 | 70,974,334 | 19,207 | 72,941,971 | 72,961,178 |
| **EXPENDITURES:** | | | | | | |
| Salaries and Benefits | 0 | 4,884,902 | 4,884,902 | 0 | 4,971,368 | 4,971,368 |
| Annual and Sick Leave Payouts | 0 | 23,099 | 23,099 | 0 | 4,638 | 4,638 |
| Professional Services | 0 | 30,193 | 30,193 | 0 | 35,383 | 35,383 |
| Travel | 0 | 32,409 | 32,409 | 0 | 14,377 | 14,377 |
| Automobiles | 0 | 128,974 | 128,974 | 0 | 112,691 | 112,691 |
| Printing | 0 | 8,567 | 8,567 | 0 | 10,215 | 10,215 |
| Police Supplies | 0 | 5,879 | 5,879 | 0 | 4,214 | 4,214 |
| Computer Services & Name Searches | 0 | 84,739 | 84,739 | 0 | 80,696 | 80,696 |
| Materials, Supplies, and Services | 0 | 176,493 | 176,493 | 0 | 339,751 | 339,751 |
| Postage | 0 | 3,571 | 3,571 | 0 | 2,127 | 2,127 |
| Telephone | 0 | 69,304 | 69,304 | 0 | 85,318 | 85,318 |
| Utilities | 0 | 16,828 | 16,828 | 0 | 14,677 | 14,677 |
| Other Operating Expenditures | 0 | 8,796 | 8,796 | 0 | 8,311 | 8,311 |
| Leased Space (Note 9) | 0 | 209,632 | 209,632 | 0 | 138,003 | 138,003 |
| Capital Outlay | 0 | 5,052 | 0 | 0 | 15,645 | 15,645 |
| EXPENDITURES - SUBTOTAL | 0 | 5,688,438 | 5,688,438 | 0 | 5,837,414 | 5,837,414 |
| STATE AGENCY SERVICES (Note 13) | | | | | | |
| Colorado Bureau of Investigations | 0 | 587,109 | 587,109 | 0 | 511,300 | 511,300 |
| Fire Safety | 0 | 104,941 | 104,941 | 0 | 113,960 | 113,960 |
| Colorado State Patrol | 0 | 1,745,697 | 1,745,697 | 0 | 1,629,539 | 1,629,539 |
| State Auditors | 0 | 17,050 | 17,050 | 0 | 16,198 | 16,198 |
| Indirect Costs - Department of Revenue | 0 | 514,620 | 514,620 | 0 | 544,561 | 544,561 |
| Local Affairs | 0 | 118,577 | 118,577 | 0 | 113,637 | 113,637 |
| Regulatory Agencies | 0 | 3,750 | 3,750 | 0 | 0 | 0 |
| Colorado Department of Law | 0 | 119,703 | 119,703 | 0 | 103,274 | 103,274 |
| TOTAL STATE AGENCY SERVICES | 0 | 3,211,447 | 3,211,447 | 0 | 3,032,469 | 3,032,469 |
| Background Expenditures | 0 | 21,565 | 21,565 | 0 | 29,702 | 29,702 |
| TOTAL EXPENDITURES | 0 | 8,921,450 | 8,921,450 | 0 | 8,899,585 | 8,899,585 |
| **Excess of Revenues Over Expenditures** | 14,426 | 62,038,458 | 62,052,884 | 19,207 | 64,042,386 | 64,061,593 |
| FY 11 and FY 10 Extended Gaming Distribution | (8,916,605) | 0 | (8,916,605) | (7,930,401) | 0 | (7,930,401) |
| **FUND BALANCE AT JULY 1, 2011 & 2010** | 8,916,605 | 2,071,597 | 10,988,202 | 7,930,401 | 2,857,039 | 10,787,440 |
| **TOTAL FUND BAL. MARCH 31, 2012 AND 2011** | $ 14,426 | $ 64,110,055 | $ 64,124,481 | $ 19,207 | $ 66,899,425 | $ 66,918,632 |

**COLORADO DIVISION OF GAMING**
**STATEMENT OF BUDGET TO ACTUAL**
**FOR THE YEAR-TO-DATE ENDED MARCH 31, 2012**
**(UNAUDITED)**

| | COMMISSION APPROVED BUDGET | SUPPLE-MENTAL CHANGES / ROLLFORWARDS | ANNUAL REVISED ESTIMATE/ BUDGET * | YEAR-TO-DATE ACTUAL | OVER/ (UNDER) | % EARNED % EXPENDED |
|---|---|---|---|---|---|---|
| **REVENUES:** | | | | | | |
| Gaming Taxes | $ 104,935,975 | $ 0 | $ 104,935,975 | $ 69,765,880 | $ (35,170,095) | 66.48% |
| License and Application Fees | 637,848 | 0 | 637,848 | 458,358 | (179,490) | 71.86% |
| Background Investigations | 253,768 | 0 | 253,768 | 144,610 | (109,158) | 56.99% |
| Fines | 0 | 0 | 0 | 183,225 | 183,225 | 100.00% |
| Interest Revenue | 1,000,584 | 0 | 1,000,584 | 407,714 | (592,870) | 40.75% |
| Other Revenue | 0 | 0 | 0 | 121 | 121 | 100.00% |
| TOTAL REVENUES | 106,828,175 | 0 | 106,828,175 | 70,959,908 | (35,868,267) | 66.42% |
| **EXPENDITURES:** | | | | | | |
| Personal Services | 6,587,918 | 0 | 6,587,918 | 4,454,932 | (2,132,987) | 67.62% |
| Health, Dental and Life Insurance | 523,299 | 0 | 523,299 | 396,081 | (127,218) | 75.69% |
| Short Term Disability | 9,262 | 0 | 9,262 | 6,804 | (2,458) | 73.46% |
| Amortization Equalization Disbursement | 167,324 | 0 | 167,324 | 104,039 | (63,285) | 62.18% |
| Supplemental Amort. Equal. Disbursmnt | 134,460 | 0 | 134,460 | 82,522 | (51,938) | 61.37% |
| Operating Expenditures | 588,084 | 0 | 588,084 | 260,693 | (327,391) | 44.33% |
| Workers Compensation | 45,759 | 0 | 45,759 | 34,319 | (11,440) | 75.00% |
| Risk Management | 10,722 | 0 | 10,722 | 8,042 | (2,680) | 75.00% |
| Licensure Activities | 181,497 | 0 | 181,497 | 75,235 | (106,262) | 41.45% |
| Leased Space | 279,509 | 0 | 279,509 | 209,632 | (69,877) | 75.00% |
| Vehicle Lease Payments - Fixed | 85,677 | (3,854) | 81,823 | 61,423 | (20,400) | 75.07% |
| Vehicle Lease Payments - Variable | 62,155 | 0 | 62,155 | 62,155 | 0 | 100.00% |
| Utilities | 25,465 | 0 | 25,465 | 16,828 | (8,637) | 66.08% |
| EDO - MNT | 47,881 | 0 | 47,881 | 35,911 | (11,970) | 75.00% |
| EDO - Communications | 27,100 | 0 | 27,100 | 20,325 | (6,775) | 75.00% |
| Legal Services | 83,485 | (83,485) | 0 | 0 | 0 | 0.00% |
| Indirect Costs - Department of Revenue | 690,400 | 0 | 690,400 | 514,620 | (175,780) | 74.54% |
| State Agency Services | 3,706,998 | 0 | 3,706,998 | 2,556,324 | (1,150,674) | 68.96% |
| Division Expenditures | 13,256,995 | (87,339) | 13,169,656 | 8,899,885 | (4,269,771) | 67.58% |
| Background Expenditures | 263,964 | 0 | 263,964 | 21,565 | (242,399) | 8.17% |
| TOTAL EXPENDITURES | 13,520,959 | (87,339) | 13,433,620 | 8,921,450 | (4,512,170) | 66.41% |
| **EXCESS OF REVENUES OVER EXPENDITURES** | $ 93,307,216 | N/A | $ 93,394,555 | $ 62,038,458 | $ (31,356,097) | 66.43% |

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through March 31, 2012 is 75.0%.

# COLORADO DIVISION OF GAMING
# NOTES TO FINANCIAL STATEMENTS
# March 31, 2012

## 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.

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

### 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 are 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.

## 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:

| Assets | | Carrying Value |
|---|---|---|
| Building and Land | $1,671,050 | |
| Accumulated Depreciation - Buildings | (129,137) | $1,541,913 |
| Furniture & Equipment | 223,414 | |
| Accumulated Depr. - Furn. & Equip. | (178,458) | 44,956 |
| Total | | $1,586,869 |

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.

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

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

Fund Balance Classification

The Governmental Accounting Standards Board (GASB) issued statement # 54, effective July 1 2010, to clarify fund balances. This statement creates new fund balance classifications for the purpose of showing financial statement users the degree of constraints on the use of resources. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements who are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division now has restricted fund balance classifications presented on the balance sheet. Therefore, based upon the Constitutional Amendment, fund balance is classified as follows:

- Restricted Fund Balance: 50% of the Division's net income (less prepaid expense balance). These funds can only be spent on items related to the administration of the Division of Gaming.
- Committed Fund Balance: 50% of the Division's net income (less prepaid expense balance.) This balance may be distributed at year end to any fund as dictated by the General Assembly.
- Restricted for: Funds that are reserved based on legislation.
- Prepaids: Prepaid expense balances constitute a prior outlay of cash and are not available. 50% of the prepaid expense balance is assigned to nonspendable. 50% is assigned to committed and is also not available to be spent.

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.

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

### B. Budget

The statement of budget to actual compares those revenues and expenditures, which are legally authorized by State statute. The fiscal year 2012 revenue projections 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 supplemental budget requests with the exception of POTS transfers. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

| | |
|---|---|
| Appropriation as of July 1, 2011 | $13,520,959 |
| Supplemental appropriations | (87,339) |
| Total appropriation | $13,433,620 |

## 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, 2012 was $53 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 for its limited gaming fund and extended gaming fund. The amount of $407,714 is interest earned on the average daily cash balances. During the month of March, the State Treasurer was paying interest at 1.35% annualized.

## 3. ACCOUNTS RECEIVABLE

As of March 31, 2012, the Division had an accounts receivable balance of $11,838,695. This amount includes $11,833,924 in gaming taxes collected by the Department of Revenue for the Division for the month of March 2012, which were due on the 16th of April 2012. In addition, the Division had a fines receivable balance of $1,108, $1,628 in outstanding credit card deposits, and $2,035 due from others.

## 4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

| | Balances at July 1, 2011 | Deletions | Additions | Balances at March 31, 2012 |
|---|---|---|---|---|
| Computer Equipment | $ 90,505 | | | $ 90,505 |
| Office Equipment | 114,488 | | $ 4,541 | 119,029 |
| Investigative Equipment | 13,879 | | | 13,879 |
| Software | 371,036 | | | 371,036 |
| Building and Land | 1,671,050 | | | 1,671,050 |
| Total | $ 2,260,958 | | $ 4,541 | $ 2,265,499 |

## 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 $230,751 at March 31, 2012. Additionally, on March 31, 2012, the Division of Gaming held $6,314 on deposit, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

## 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, 2012 deferred license fees were $256,830.

## 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 | $461,170 |
| Sick Leave | 50,323 |
| Total | $511,493 |

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 and interest, less expenses, attributable to Amendment 50 will be distributed as follows:

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

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

(1) "Extended gaming" means subsection (7) of section 9 of article XVIII of the state constitution as approved by statewide voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central 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 each fiscal year ending June 30, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the previous fiscal year by a factor of 3% and adding that amount to the amount of limited gaming revenues collected during the previous fiscal year. This amount is $98,008,133.60. Any gaming tax revenues collected over this amount in fiscal year 2012 will be attributable to extended gaming revenues. If the annual increase in total gaming tax revenues is less than 3%, either positive or negative, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual growth or decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of limited gaming tax revenues collected during the previous fiscal year.

(2) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming revenues by subtracting the amount of limited gaming revenues from the amount of total gaming tax revenues collected during the fiscal year.

## 8. GAMING DISTRIBUTION (Continued)

### A. Extended Gaming Distribution (continued)

(3) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming expenses by multiplying the total of all expenses of the Commission and other state agencies for the fiscal year by the percentage of total limited gaming revenues attributable to extended gaming revenues.

The original or limited gaming fund recipients will receive an annual adjustment of the lesser of 6 % or the actual percentage, of annual growth in extended gaming revenues.

### B. Limited Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S and amended by Senate Bill 11-159, 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 State General Fund is further divided as follows:

- The first $19,200,000 will be directed to the General Fund;
- Any amount of the 50% General Fund distribution greater than $48,500,000 will be directed to the General Fund.

Any amount of the 50% General Fund distribution which is greater than $19,200,000 and less than or equal to $48,500,000 is to be further divided as follows:

- 50% to the Colorado Travel & Tourism Promotion Fund;
- 18% to the Bioscience Discovery Evaluation Cash Fund;
- 15% to the Local Government Limited Gaming Impact Fund;
- 7% to the Innovative Higher Education Research Fund;

## 8. GAMING DISTRIBUTION (Continued)

### B. Limited Gaming Distribution (continued)

- 5% to the General Fund (previously New Jobs Incentives Cash Fund); [1]
- 4% to the Creative Industries Cash Fund;
- 1% to the Creative Industries Cash Fund for the operation of the Colorado Office of Film, Television, and Media.

[1] Senate Bill 11-159 Fiscal Note indicates current law governing the New Jobs Incentives Program is discontinued. As of January 1, 2011, employers are no longer eligible to receive performance-based incentives from the New Jobs Incentives Cash Fund.

Senate Bill 11-159 Section 1(2)(a)(III)(b) declares that if a transfer specified in subparagraph (II) of paragraph (a) of this subsection (2) provides moneys for a purpose or program that is repealed or otherwise discontinued as of the date of the transfer, then the transfer shall not be made to that particular fund but shall instead be transferred to the State General Fund.

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, 2012, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $2,074,634. This amount equals Division expenditures for the preceding two-month period.

| | |
|---|---|
| Fund Balance as of March 31, 2012 | $64,110,055 |
| Less: Two month Reserve | (2,074,634) |
| Available for Distribution at March 31, 2012 | $62,035,421 |

## 9. COMMITMENTS AND CONTINGENCIES

### A. Lease

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

## 9. COMMITMENTS AND CONTINGENCIES (Continued)

### A. Lease (continued)

**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 a new location in Cripple Creek, Colorado. The lease began in September 2007 with an initial term of ten years.

On June 15, 2010 the Division exercised the lease agreement's option to purchase the Cripple Creek building. The purchase price (including the land) was approximately $844,000.

**Golden**

In May 2010, the Division entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. The initial term of the lease is ten years. The lease term began on September 17, 2010, and a rental credit of $20,501 was applied per the signed lease agreement. September's prorated rental payment based on 14 days of occupancy was $10,661, leaving a credit balance of $9,840 once the rental credit was applied. The remaining credit balance was applied to October's rental payment of $22,845, thus reducing the payment amount for October to $13,005.

Per House Bill 08-1395, the reduction in property tax due is already reflected in the rental obligations listed below.

| GOLDEN<br>Estimated Future Payments | | |
|---|---|---|
| FISCAL YEAR 2012 | (April 2012-June 2012) | $ 69,877 |
| FISCAL YEAR 2013 | | 285,038 |
| FISCAL YEAR 2014 | | 290,566 |
| FISCAL YEAR 2015 | | 296,582 |
| FISCAL YEAR 2016 | | 302,599 |
| FISCAL YEAR 2017 | | 308,777 |
| FISCAL YEAR 2018 | | 315,281 |
| FISCAL YEAR 2019 | | 321,785 |
| FISCAL YEAR 2020 | | 328,615 |
| | | $ 2,519,120 |

The remaining leased space expenditure amount shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance for fiscal year 2011 represents the Division's share of Capitol Complex lease cost for the Division's previous Lakewood location.

## 9. COMMITMENTS AND CONTINGENCIES (Continued)

### B. 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 in the process of conducting a sunset review. 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.

## 10. PENSION PLAN

### A. Plan Description

Virtually all of the department/institution’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 an 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 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.

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. Community college employees hired after January 1, 2010, are required to become members of PERA and must elect either PERA’s defined benefit or defined contribution plan with 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

## 10. PENSION PLAN (Continued)

### A. Plan Description (continued)

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 any years of service.

- Hired between January 1, 2007 and December 31, 2010 – 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. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.

- Hired on or after January 1, 2017 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 3 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.

- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.

- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

## 10. PENSION PLAN (Continued)

### A. Plan Description (continued)

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.

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 – the 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 are 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.

## 10. PENSION PLAN (Continued)

### B. Funding Policy (continued)

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent. During all of Fiscal Year 2012, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the State participates has a funded ratio of 62.8 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

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 be reduced by one-half percent point when funding levels reach 103 percent.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. For the Judicial Division, the AED and SAD are frozen at the 2010 levels.

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 credit be sufficient to fund the related actuarial liability.

The Division's contributions to PERA and/or the State defined contribution plan for the period ending March 31, 2012 were $440,508. These contributions met the contribution requirement.

## 11. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers voluntary 401k, 457, and defined contribution plans entirely separate from the defined benefit pension plan. Certain agencies and institutions of the State offered 403(b) or 401(a) plans.

## 12. OTHER POST EMPLOYMENT BENEFITS

**Health Care Plan**

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 costsharing 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 benefit 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 B. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. As of March 31, 2012, the Division contributed $37,059 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, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period.

## 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, 2012 consist of the following:

## 13. RELATED-PARTY TRANSACTIONS (Continued)

| | | |
|---|---|---|
| State Agency Services: | | |
| Colorado Bureau of Investigation | $ | 587,109 |
| Colorado Division of Fire Safety | | 104,941 |
| Colorado State Patrol | | 1,745,697 |
| Office of the State Auditor | | 17,050 |
| Indirect Costs (Department of Revenue) | | 514,620 |
| Colorado Department of Local Affairs | | 3,750 |
| Colorado Department of Regulatory Agencies | | 118,577 |
| Colorado Department of Law | | 119,703 |
| Total Payments to State Agencies | $ | 3,211,447 |

As of March 31, 2012, the Division had liabilities to other State agencies as follows:

| | | |
|---|---|---|
| State Agency Liabilities: | | |
| Colorado Bureau of Investigation | $ | 65,000 |
| Colorado Division of Fire Safety | | 15,000 |
| Colorado State Patrol | | 205,000 |
| Colorado Department of Regulatory Agencies | | 3,750 |
| Colorado Department of Revenue | | 5,607 |
| Total Liabilities to State Agencies | $ | 294,357 |

## 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.

The Division had recorded $8,458 in insurance recoveries as of March 31, 2011. The entire amount is related to a single event which occurred in fiscal year 2011 at the Division of Gaming's Cripple Creek office.

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.