



**STATEMENT OF GAMING REVENUES  
GAMING TAXES, AND EXPENDITURES  
(UNAUDITED)  
FOR THE TWELVE (12) MONTHS ENDED  
JUNE 30, 2013**

# STATE OF COLORADO

**DEPARTMENT OF REVENUE**  
Division of Gaming

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John Hickenlooper  
Governor

Barbara J. Brohl  
Executive Director

Laura L. Manning  
Director

August 22, 2013

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

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

The attached combined financial statements for June 30, 2013 have not been audited. They contain the most current data available. This information has been collected and recorded in accordance with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in blue ink that reads "Vickie Floyd". The signature is written in a cursive style.

Vickie Floyd  
Division Controller

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

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**DIVISION OF GAMING  
FINANCIAL STATEMENTS  
JUNE 30, 2013  
(UNAUDITED)**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") provides an overview of financial activities for the year ended June 30, 2013. Please read it in conjunction with the Division's financial statements, which begin on page 23.

**Financial Highlights**

- Gaming Tax revenues were \$104,134,099 for the fiscal year ended June 30, 2013, which is an increase of \$2,053,238 or 2.01%, compared to revenues of \$102,080,861 for the prior fiscal year ending June 30, 2012.
- An increase in the Division's total excess of revenues over expenditures increased the Gaming Distribution to \$92,686,815 compared to last fiscal year's distribution of \$91,197,385. Amounts represent the limited gaming distribution for fiscal 2013 and the extended gaming distribution paid subsequent to fiscal 2013. This distribution amount represents an increase of \$1,489,430 over last fiscal year or 1.63%.

**Using This Report**

This financial report consists of financial statements for the fiscal years ended June 30, 2013 and 2012. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund and the Limited Gaming Fund. The tax comparison shows the tax rates and compares current and previous fiscal years' adjusted gross proceeds (similar to gross income of the casinos) and taxes paid, separated by tax bracket. It also lists how many casinos were in which tax bracket at the end of the fiscal year. The Balance Sheet provides comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provides information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2012 and July 1, 2011, respectively, and the ending fund balances as of June 30, 2013 and 2012, respectively. The Statement of Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Using This Report (continued)**

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, an increase from the previous \$5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is referred to as Extended Gaming. The Extended Gaming Funds to be distributed are transferred to a separate fund every fiscal year end beginning with fiscal year 2010; therefore, a new Extended Gaming Fund was created separate from the Limited Gaming Fund for this purpose.

**Revenues**

The total excess of revenues over expenditures of the Division for fiscal year 2013 was \$91,677,146. This represents an increase of \$426,929 compared to fiscal year 2012 excess of revenues over expenditures of \$91,250,217.

The fiscal year 2013 net decrease in fair value of investments of \$1,017,934 and net decrease of \$175,970 in fiscal year 2012 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2013 and 2012, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos. The gaming tax revenues earned for the fiscal years ending June 30, 2013 and 2012 were \$104,134,099 and \$102,080,061, respectively. The taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds. The tax rates for fiscal year 2013 were increased approximately 5% from 2012 rates, per the authority of the Colorado Limited Gaming Control Commission. The adjusted gross proceeds of casinos increased 0.2% in fiscal year 2013. The tax increase was 1.98%. Taxes increased due to the graduated tax scale and the 5% increase in tax rates for fiscal year 2013.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2013, 2012, and 2011 are below.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Revenues (continued)**

The tax rates for the fiscal year ended June 30, 2013 are:

- 0.25% 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 the fiscal year 2012 were:

- 0.2375% 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 the fiscal year 2011 were:

- 0.25% 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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Revenues (continued)**

Below is a chart of the changes in revenues to fiscal year 2013 from fiscal year 2012.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	\$ 2,053,238	2.01%	In fiscal year 2013, Commission approved a 5% tax rate increase, but a change of ownership in January 2013 of a large casino, caused their taxes to revert to the lowest tax bracket.
License and application fees	(3,329)	(0.53)%	License and application fees vary from year to year depending on the type of license and application that is received.
Background investigations	68,341	30.81%	There was \$57,170 more in labor and miscellaneous charges and \$11,171 more in travel during fiscal year 2013.
Fines and other	(161,934)	(87.64)%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(119,764)	(19.50)%	Interest rates decreased (0.30)% on average during fiscal year 2013. The average rate was 1.07% in fiscal year 2013 and 1.37% in fiscal year 2012.
Change in fair value of investments	<u>(841,964)</u>	(478.47)%	This number includes the change in fair value of investments.
Total revenues	<u>\$ 994,588</u>	0.96%	Revenues, excluding the change in fair value of investments, increased by 1.74%.

For fiscal year 2012, the excess of revenues over expenditures was \$91,250,217. This represents a decrease of \$2,757,017 or (2.93)% compared to fiscal year 2011's excess of revenues over expenditures of \$94,007,234.

The net decrease in fair value of investments of \$175,970, and net decrease of \$534,674 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2012 and 2011, respectively.

The adjusted gross proceeds of casinos increased .73% in fiscal year 2012. The tax decrease was (2.56)%. This is due to the 5% decrease in tax rates for fiscal year 2012. Taxes decreased at a higher rate than adjusted gross proceeds due to the graduated tax scale.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Revenues (continued)**

Below is a chart of the changes in revenues to fiscal year 2012 from fiscal year 2011.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	\$ (2,727,115)	(2.60)%	In fiscal year 2012, taxes decreased due to the 5% tax rate decrease from fiscal year 2011.
License and application fees	8,893	1.43%	License and application fees vary from year to year depending on the type of license and application that is received.
Background investigations	12,387	5.91%	There was \$9,427 less in travel and \$21,814 more in labor and miscellaneous charges during fiscal year 2012.
Fines, insurance recoveries, and other	108,191	141.27%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(310,112)	(33.55)%	Interest rates decreased (0.58)% on average during fiscal year 2012. The average rate was 1.37% in fiscal year 2012 and 1.95% in fiscal year 2011.
Change in fair value of investments	<u>358,704</u>	67.09%	This represents the difference between the net change in the fair market value of the Division's investments during fiscal year 2012 versus the net change in the fair market value of the Division's investments during fiscal year 2011.
Total revenues	<u>\$ (2,549,052)</u>	(2.40)%	This number includes the change in fair value of investments. Revenues, excluding the change in fair value of investments, decreased by (2.71)%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Expenditures**

Total expenditures for the Division in fiscal year 2013 were \$12,872,721. This is an increase of \$567,659 or a 4.61% increase from fiscal year 2012 expenditures of \$12,305,062. The information below shows the changes in expenditures from fiscal year 2012 to fiscal year 2013 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	\$ 263,877	3.94%	In fiscal year 2013, the average increase in health, dental, and life insurance was 10.52%. Two employees left the Division in fiscal year 2013, versus thirteen in fiscal year 2012, resulting in a decrease in annual leave payout.
State agency services	220,421	5.07%	In fiscal year 2013 Indirect costs increased by \$128,291, based on FTE or workload. Legal Services costs decreased \$18,287; Gaming's attorney general has been out. Sunset review began November 2012. Colorado State Patrol, Fire Prevention and Control, and Bureau of Investigation costs increased \$116,271.
Materials, supplies, and services	95,513	34.97%	In fiscal year 2013, increase due mostly to Central City building maintenance of \$41,523, new I-pads and the replacement of desktop and laptop computers including software at a cost of \$72,202. Other services and supplies as well as police supplies decreased \$12,220.
Travel and automobiles	786	.35%	In fiscal year 2013, the variable (mileage) costs for vehicles were \$101,171, which is \$3,321 higher than fiscal year 2012. Fixed costs were lower than fiscal year 2012 by \$7,739. Travel increased by \$5,194.
Computer services	5,961	5.18%	In fiscal year 2013, there was a \$2,668 increase for shared communication costs and a \$3,293 increase in computer checks.
Professional services	(24,911)	(19.57)%	In fiscal year 2013, decrease due mostly to costs for major auditing software training/implementation and IT upgrades, which occurred in 2012.
Other	41,621	79.72%	In fiscal year 2013, increase due to upgrade to the Colorado Financial Reporting System (COFRS) began, Gaming costs in fiscal year 2013 were \$26,004. Risk management increased \$6,498; Division incurred \$3,500 personnel settlement; utilities, postage and printing all increased in fiscal year 2013.
Telephone	13,903	14.99%	In fiscal year 2013, digital data charges were \$12,137 more, local call charges were \$397 less, long distance and other charges were \$2,164 more.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Expenditures (continued)**

Background investigations	12,711	44.56%	In fiscal year 2013, the Background Unit completed investigation of a large new company application, and received five plus, large scope change of ownership applications which are still in progress.
Leased space	(3,293)	(1.23)%	Rent increased for Golden office in fiscal year 2013, but the Division received a rent credit of \$19,955 in March 2013.
Capital outlay	<u>(58,930)</u>	(71.75)%	Fiscal year 2013 costs were for two cameras for badge systems and installation of new prox-card system in Central City Office, which resulted in a decrease from fiscal year 2012, where technology upgrades were made to licensing software, new prox-card system in Cripple Creek, wireless access and smart board for Golden office, servers for Cripple Creek and Central City offices, firewall, and camera for one badge system.
Total expenditures	<u>\$ 567,659</u>	4.61%	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Expenditures (continued)**

Total expenditures for the Division in fiscal year 2012 were \$12,305,062. This is an increase of \$207,965 or a 1.72% increase from fiscal year 2011 expenditures of \$12,097,097. The information below shows the changes in expenditures from fiscal year 2011 to fiscal year 2012 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	\$ 53,796	0.81%	In fiscal year 2012, the average increase in health, dental, and life was 0.77%. Also, thirteen employees left the Division in fiscal year 2012, versus four in fiscal year 2011, resulting in an increase in annual leave payout.
State agency services	120,263	2.84%	In fiscal year 2012, the Colorado Bureau of Investigation costs increased \$110,182 due to more investigations. Legal services costs increased \$19,922 due to more legal activity, including several personnel actions. A combination of six other agencies resulted in a decrease of \$9,841.
Materials, supplies, and services	(156,373)	(37.74)%	In fiscal year 2011, the Lakewood Gaming office moved to a new Golden location. The new Golden office had a cubical system installed at a cost of approximately \$81,000 and cubicle furniture was bought at a cost of approximately \$40,000. Also in fiscal year 2011, the Cripple Creek office roof was repaired for approximately \$13,000.
Travel and automobiles	53,424	31.48%	In fiscal year 2012, the variable (mileage) costs for vehicles were \$97,850, which is \$32,554 higher than fiscal year 2011. Higher gas and maintenance costs created this increase between years.
Computer services	2,797	2.49%	In fiscal year 2012, there was a \$7,506 increase for shared communication costs and a \$4,710 decrease in computer checks.
Professional services	69,690	121.02%	In fiscal year 2012, the labor costs to update licensing software were \$39,749; teammate labor costs were \$11,530; DRC IT consulting was \$5,610; temporary staff was \$5,570; and carbon dioxide testing was \$5,238. These represent the majority of the increase between fiscal year 2012 and 2011, since these costs did not exist in fiscal 2011.
Other	(37,443)	(35.70)%	In fiscal year 2011, a \$50,000 non-recurring cost related to a personnel settlement was incurred. In fiscal year 2012 risk management increased \$6,480 and police supplies increased by \$5,618.
Telephone	(18,227)	(16.42)%	In fiscal year 2012, digital data charges were \$9,571 less and local call charges were 6,883 less.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Expenditures (continued)**

	Increase (Decrease) Amount	Percent Change	Explanation
Background investigations	(10,516)	(26.94)%	In fiscal year 2011, there were more international travel costs than in fiscal year 2012.
Leased space	73,868	37.98%	In September 2010, the Division moved its Lakewood office to Golden and began making lease payments for the new Golden space. The increase between fiscal years 2011 and 2012 is mainly due to the difference in the Lakewood lease payments verses the Golden lease payments.
Capital outlay	<u>56,686</u>	222.74%	In fiscal year 2012, many technology upgrades were made. Upgrades made included upgrade of licensing software, installation of a new prox-card system in Cripple Creek, wireless access for the Golden office, smart board for Golden office, servers for Cripple Creek and Central City offices, firewall, teammate software, and camera for the badge system.
Total expenditures	<u>\$ 207,965</u>	1.72%	

**Assets, Liabilities, and Fund Balance**

The year-end total fund balance reflects the overall financial position of the Division, which is \$10,731,671 at June 30, 2013 compared to \$12,058,477 at June 30, 2012. Total assets of \$96,667,167 at June 30, 2013 are \$512,547 or 0.53% higher than the prior year balance of \$96,154,620. The increase in total assets is primarily due to the increases in cash and gaming taxes receivable.

The Division's total liabilities were \$85,935,496 at June 30, 2013 and \$84,096,143 at June 30, 2012. The \$1,839,353 net increase is primarily due to the \$1,806,570 increase in the fiscal year 2013 limited gaming distribution.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Assets, Liabilities, and Fund Balance (continued)**

The following compares fiscal year 2013 and fiscal year 2012 assets, liabilities, and fund balances.

	Fiscal Year		Increase (Decrease)	
	2013	2012	Dollars	Percent
Cash and temporary cash investments	\$ 85,302,808	\$ 85,229,902	\$ 72,906	0.09%
Gaming taxes and other receivables	11,359,359	10,904,236	455,123	4.17%
Prepaid expenses	<u>5,000</u>	<u>20,482</u>	<u>(15,482)</u>	(75.57)%
Total assets	<u>\$ 96,667,167</u>	<u>\$ 96,154,620</u>	<u>\$ 512,547</u>	0.53%
Accounts payable, wages, and accrued payroll payable	\$ 657,354	\$ 663,432	\$ (6,078)	(0.92)%
Due to other State agencies, other governments, and the State General Fund	84,778,602	82,906,233	1,872,369	2.26%
Other liabilities	<u>499,540</u>	<u>526,478</u>	<u>(26,938)</u>	(5.12)%
Total liabilities	85,935,496	84,096,143	1,839,353	2.19%
Fund balance	<u>10,731,671</u>	<u>12,058,477</u>	<u>(1,326,806)</u>	(11.00)%
Total liabilities and fund balance	<u>\$ 96,667,167</u>	<u>\$ 96,154,620</u>	<u>\$ 512,547</u>	0.53%

The year-end total fund balance reflects the overall financial position of the Division, which is \$12,058,477 at June 30, 2012 compared to \$12,322,562 at June 30, 2011. Total assets of \$96,154,620 at June 30, 2012 are \$3,946,820 or (3.94)% lower than the prior year balance of \$100,101,440. The decrease in total assets is primarily due to the decreases in cash and temporary cash investments.

The Division's total liabilities were \$84,096,143 at June 30, 2012 and \$87,778,878 at June 30, 2011. The \$3,682,735 net decrease is primarily due to the \$3,813,050 decrease in the fiscal year 2012 limited gaming distribution.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Assets, Liabilities, and Fund Balance (continued)**

The following compares fiscal year 2012 and fiscal year 2011 assets, liabilities, and fund balances.

	Fiscal Year		Increase (Decrease)	
	2012	2011	Dollars	Percent
Cash and temporary cash investments	\$ 85,229,902	\$ 89,394,460	\$ (4,164,558)	(4.66)%
Gaming taxes and other receivables	10,904,236	10,692,684	211,552	1.98%
Prepaid expenses	<u>20,482</u>	<u>14,296</u>	<u>6,186</u>	43.27%
Total assets	<u>\$ 96,154,620</u>	<u>\$ 100,101,440</u>	<u>\$ (3,946,820)</u>	(3.94)%
Accounts payable, wages, and accrued payroll payable	\$ 663,432	\$ 603,754	\$ 59,678	9.88%
Due to other State agencies, other governments, and the State General Fund	82,906,233	86,744,504	(3,838,271)	(4.42)%
Other liabilities	<u>526,478</u>	<u>430,620</u>	<u>95,858</u>	22.26%
Total liabilities	84,096,143	87,778,878	(3,682,735)	(4.20)%
Fund balance	<u>12,058,477</u>	<u>12,322,562</u>	<u>(264,085)</u>	(2.14)%
Total liabilities and fund balance	<u>\$ 96,154,620</u>	<u>\$ 100,101,440</u>	<u>\$ (3,946,820)</u>	(3.94)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

The following compares total fiscal year 2013 and fiscal year 2012 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2013	2012	Dollars	Percent
<b>Revenues</b>				
Gaming taxes	\$ 104,134,099	\$ 102,080,861	\$ 2,053,238	2.01%
License and application fees	626,265	629,594	(3,329)	(0.53)%
Other revenue	(210,497)	844,824	(1,055,321)	(124.92)%
Total revenues	<u>104,549,867</u>	<u>103,555,279</u>	<u>994,588</u>	0.96%
<b>Expenditures</b>				
Operating expenditures	8,260,314	7,925,787	334,527	4.22%
Background investigations	41,235	28,524	12,711	44.56%
State agency services	4,571,172	4,350,751	220,421	5.07%
Total expenditures	<u>12,872,721</u>	<u>12,305,062</u>	<u>567,659</u>	4.61%
Excess of revenues over expenditures	91,677,146	91,250,217	426,929	0.47%
Fund balance, beginning of year	12,058,480	12,322,562	(264,082)	(2.14)%
Less: Gaming Fund distributions paid or accrued in fiscal year 2013	<u>93,003,955</u>	<u>91,514,302</u>	<u>1,489,653</u>	1.63%
Fund balance, end of year	<u>\$ 10,731,671</u>	<u>\$ 12,058,477</u>	<u>\$ (1,326,806)</u>	(11.00)%



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

The following compares total fiscal year 2012 and fiscal year 2011 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2012	2011	Dollars	Percent
<b>Revenues</b>				
Gaming taxes	\$ 102,080,861	\$ 104,807,976	\$ (2,727,115)	(2.60)%
License and application fees	629,594	620,701	8,893	1.43%
Other revenue	<u>844,824</u>	<u>675,654</u>	<u>169,170</u>	25.04%
Total revenues	<u>103,555,279</u>	<u>106,104,331</u>	<u>(2,549,052)</u>	(2.40)%
<b>Expenditures</b>				
Operating expenditures	7,925,787	7,827,569	98,218	1.25%
Background investigations	28,524	39,040	(10,516)	(26.94)%
State agency services	<u>4,350,751</u>	<u>4,230,488</u>	<u>120,263</u>	2.84%
Total expenditures	<u>12,305,062</u>	<u>12,097,097</u>	<u>207,965</u>	1.72%
Excess of revenues over expenditures	91,250,217	94,007,234	(2,575,017)	(2.93)%
Fund balance, beginning of year	12,322,562	12,656,476	(333,914)	(2.64)%
Less: Gaming Fund distributions paid or accrued in fiscal year 2012	<u>91,514,302</u>	<u>94,341,148</u>	<u>(2,826,846)</u>	(3.00)%
Fund balance, end of year	<u>\$ 12,058,477</u>	<u>\$ 12,322,562</u>	<u>\$ (264,085)</u>	(2.14)%

**Conditions Affecting Financial Position or Results of Operations**

**Amendment 50**

Amendment 50 was implemented on July 2, 2009. This increased the maximum betting limit from \$5 to \$100, authorized the table games of craps and roulette, and extended the hours of operation to 24 hours a day seven days a week. The impact of Amendment 50 on gaming revenues, based upon the allocation formula set by Rule 24 of the Colorado Limited Gaming Regulations, was \$9,591,704 for fiscal year 2013, or 9.09% of total gaming revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Conditions Affecting Financial Position or Results of Operations (continued)**

**Staffing Changes**

In fiscal years 2013 and 2012, the Division had several vacant positions.

**Weak Economy**

The nation-wide recession that continued into fiscal year 2011 and, to some degree fiscal year 2012, also plagued the gaming industry. Fiscal year 2013 brought modest, gradual improvement in the economy.

**Field Offices**

Several projects were completed, which included installing prox-card systems at the Cripple Creek and Central City offices, asbestos abatement, and carpet replacement in the Central City office.

**Sunset Review**

The Division of Gaming was set to terminate on July 1, 2013, unless continued by the General Assembly. During the year prior to this date, the Division was subject to a sunset review by DORA to determine whether the currently prescribed regulation of gaming should be continued for the protection of the public and to evaluate the performance of the Division. DORA's findings and recommendations were submitted to the Office of Legislative Legal services and resulted in SB13-173, the Sunset Bill, which was passed and signed by the governor on June 5, 2013. The Division will be implementing this legislation in fiscal year 2014 which includes establishing licensure requirements and related fees for associated equipment suppliers.

**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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Distribution (continued)**

At the end of each fiscal year, the Division distributes the balance remaining in the Limited Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2013 was \$92,686,815 which includes \$8,282,548 for the Extended Gaming Fund distribution.

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

	June 30,	
	2013	2012
Distributions to Extended Gaming Recipients		
<ul style="list-style-type: none"> <li>• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;</li> </ul>	\$ 6,460,388	\$ 6,707,757
<ul style="list-style-type: none"> <li>• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and</li> </ul>	993,905	1,031,963
<ul style="list-style-type: none"> <li>• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.</li> </ul>	828,255	859,968
Total distribution attributable to extended gaming	\$ 8,282,548	\$ 8,599,688

**Limited Gaming Distribution**

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

- 50% shall be transferred to the State General Fund, of which \$15,000,000 is to be given to the Colorado Travel and Tourism Promotion Fund; \$5,500,000 is to be given to the Bioscience Discovery Evaluation Grant Program; \$5,000,000 is to be given to the Local Government Limited Gaming Impact Fund; \$2,100,000 is to be given to the Innovative Higher Education Research Fund; \$2,000,000 is to be given to the Creative Industries Cash Fund, and \$500,000 is to be given to the Colorado Office of Film, Television, and Media Operational Account Cash Fund. Any amount of the State share that exceeds the transfers specified above shall be transferred to the General Fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

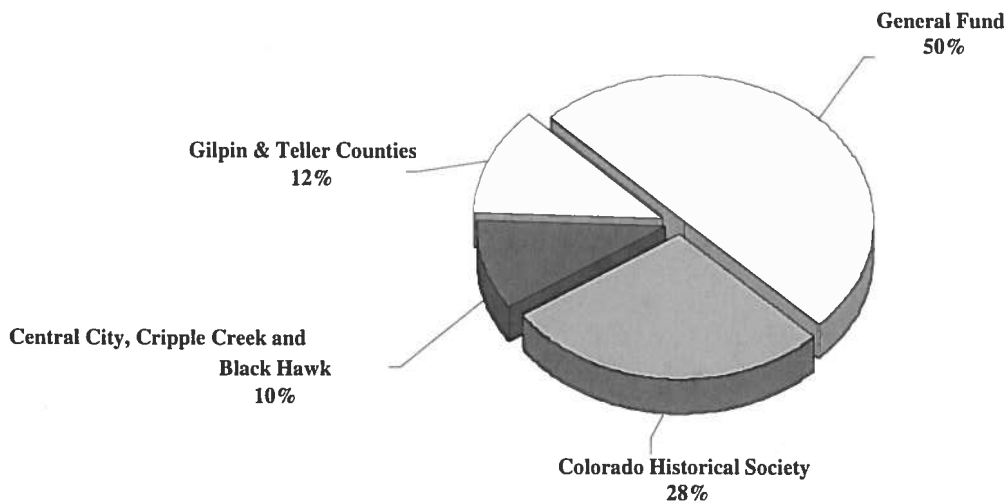
**Distribution (continued)**

**Limited Gaming Distribution (continued)**

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

The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2013.

Colorado Limited Gaming Distribution Formula  
(Original Recipients)



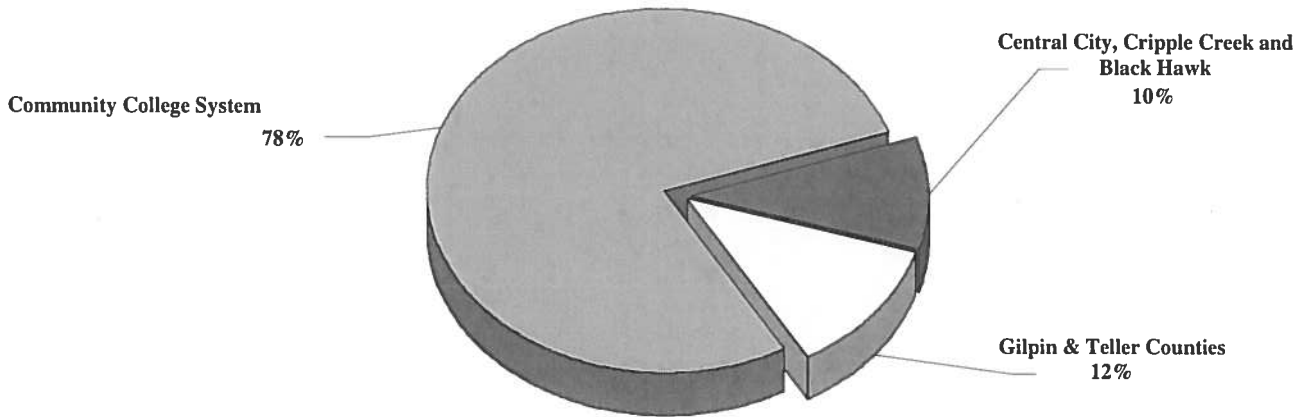
\* Fiscal Year 2012 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2012 numbers match the audited financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Distribution (continued)**

**Colorado Extended Gaming Distribution Formula  
(Amendment 50 Recipients)**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Distribution (continued)**

The chart below compares the amounts distributed to the various recipients for fiscal years 2013 and 2012.

**Funds Distribution Comparison**

	For the Years Ended June 30,		Difference	Percent Difference
	2013	2012		
Colorado State Historical Fund	\$ 23,633,194	\$ 23,127,355	\$ 505,839	2.19%
Colorado Travel and Tourism Promotion Fund	15,000,000	11,049,424	3,950,576	35.75%
Local Government Limited Gaming Impact Fund	5,000,000	3,314,827	1,685,173	50.84%
Colorado Office of Film, TV, and Media				
Operational Account Cash Fund	500,000	220,989	279,011	126.26%
Bioscience Discovery Evaluation Grant Program	5,500,000	3,977,793	1,522,207	38.27%
Creative Industries Cash Fund	2,000,000	883,954	1,116,046	126.26%
Innovative Higher Education Research Fund	<u>2,100,000</u>	<u>1,546,920</u>	<u>553,080</u>	35.75%
Total payments to other State agencies	<u>53,733,194</u>	<u>44,121,262</u>	<u>9,611,932</u>	21.79%
City of Black Hawk	6,174,172	6,048,630	125,542	2.08%
City of Central City	795,932	782,200	13,732	1.76%
City of Cripple Creek	1,470,323	1,428,940	41,383	2.90%
Gilpin County	8,364,125	8,196,995	167,130	2.04%
Teller County	<u>1,764,387</u>	<u>1,714,728</u>	<u>49,659</u>	2.90%
Total payment due to other governments	18,568,939	18,171,493	397,446	2.19%
Due to the State General Fund	12,102,134	20,304,942	(8,202,808)	(40.40)%
Due to the Extended Gaming recipients	<u>8,282,548</u>	<u>8,599,688</u>	<u>(317,140)</u>	(3.69)%
Total distribution	<u>\$ 92,686,815</u>	<u>\$ 91,197,385</u>	<u>\$ 1,489,430</u>	1.63%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Distribution (continued)**

The total distribution for the fiscal year ended June 30, 2012 was \$91,197,385.

The chart below compares the amounts distributed to the various recipients for fiscal years 2012 and 2011.

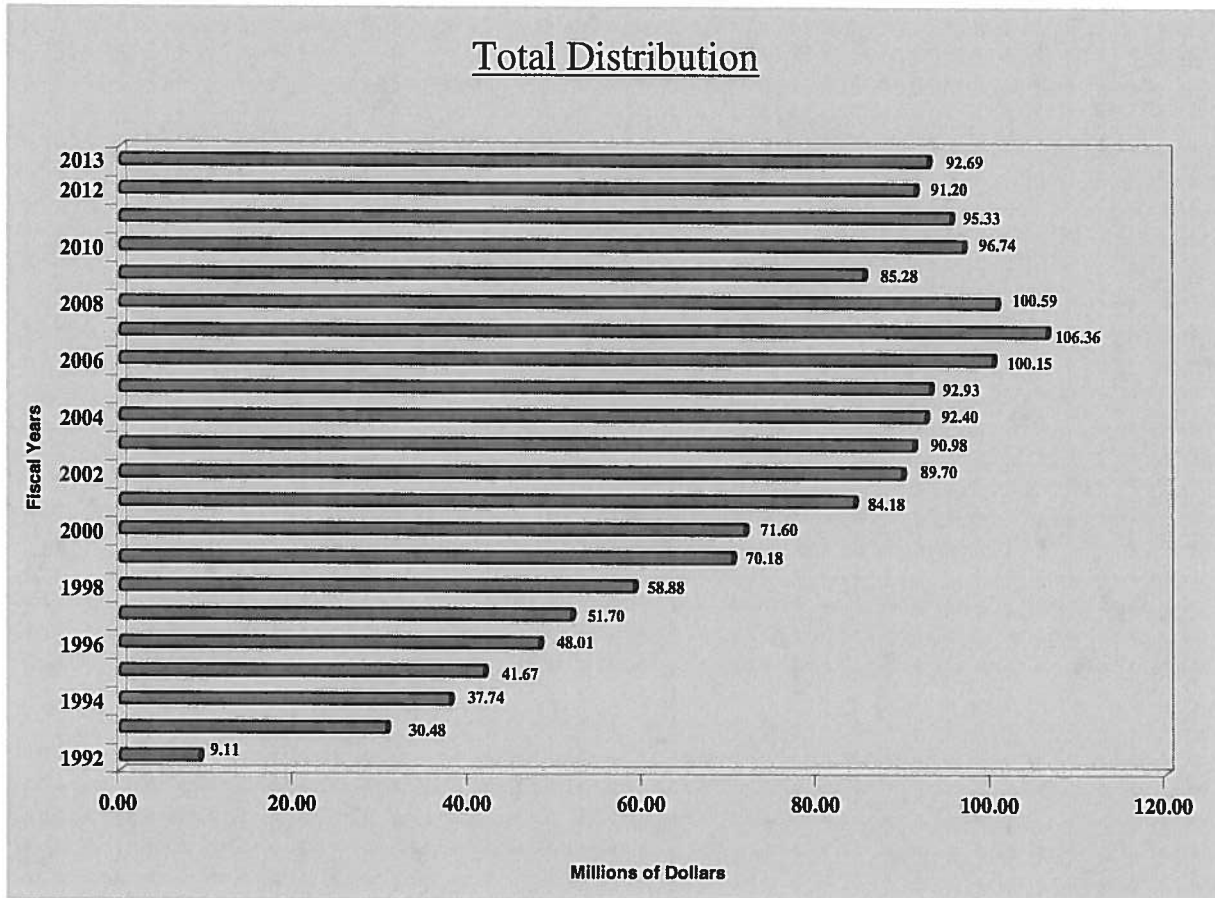
**Funds Distribution Comparison**

	For the Years Ended June 30,		Difference	Percent Difference
	2012	2011		
Colorado State Historical Fund	\$ 23,127,355	\$ 24,195,009	\$ (1,067,654)	(4.41)%
Colorado Travel and Tourism Promotion Fund	11,049,424	12,002,687	(953,263)	(7.94)%
Local Government Limited Gaming Impact Fund	3,314,827	3,600,806	(285,979)	(7.94)%
Creative Industries Cash Fund for the Operation of the Office of Film, TV, and Media	220,989	240,054	(19,065)	(7.94)%
Bioscience Discovery Evaluation Cash Fund	3,977,793	4,320,967	(343,174)	(7.94)%
Creative Industries Cash Fund	883,954	960,215	(76,261)	(7.94)%
Innovative Higher Education Research Fund	<u>1,546,920</u>	<u>1,680,376</u>	<u>(133,456)</u>	(7.94)%
Total payments to other State agencies	<u>44,121,262</u>	<u>47,000,114</u>	<u>(2,878,852)</u>	(6.13)%
City of Black Hawk	6,048,630	6,352,054	(303,424)	(4.78)%
City of Central City	782,200	768,193	14,007	1.82%
City of Cripple Creek	1,428,940	1,520,828	(91,888)	(6.04)%
Gilpin County	8,196,995	8,544,294	(347,299)	(4.06)%
Teller County	<u>1,714,728</u>	<u>1,824,995</u>	<u>(110,267)</u>	(6.04)%
Total payment due to other governments	18,171,493	19,010,364	(838,871)	(4.41)%
Due to the State General Fund	20,304,942	20,400,269	(95,327)	(0.47)%
Due to the Extended Gaming recipients	<u>8,599,688</u>	<u>8,916,605</u>	<u>(316,917)</u>	(3.55)%
Total distribution	<u>\$ 91,197,385</u>	<u>\$ 95,327,352</u>	<u>\$ (4,129,967)</u>	(4.33)%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Distribution (continued)**



**Budget**

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming Fund. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year the budget may be amended. Following are the budget changes for fiscal year 2013:

\* Fiscal Year 2012 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2012 numbers match the audited financial statements.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BEGINNING BUDGET</u>	<u>SUPPLE- MENTAL CHANGES</u>	<u>ANNUAL REVISED BUDGET</u>
<b><u>Budget (continued)</u></b>			
Health, Dental and Life Insurance	\$584,783	\$31,974	\$616,757
Short Term Disability	10,650	(714)	9,936
Amortization Equalization Disbursement	192,667	(13,883)	178,784
Supplemental Amort. Equal. Disbursemt.	165,666	(11,799)	153,867
Workers Compensation	52,877	308	53,185
Risk Management	12,393	4,827	17,220
Vehicle Lease Payments - Fixed	95,254	(20,305)	74,949
Vehicle Lease Payments - Variable	114,564	(8,859)	105,705
EDO - Communications	33,232	(3,464)	29,768
Capitol Complex Leased Space	0	4	4
COFRS Upgrade	26,004	(3,340)	22,664
COFRS Maintenance	0	3,340	3,340
Legal Services	83,485	88,267	171,752
Indirect Costs - Department of Revenue	\$736,467	\$82,550	\$819,017

The budget approved at the beginning of the year was \$14,192,475. The amendments and rollforwards to the budget resulted in a net increase of \$148,906. Therefore, the final approved budget for fiscal year 2013 was \$14,341,381. Total actual expenditures were \$12,872,721 resulting in excess appropriations, or a savings of \$1,468,660 for fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Economy and Next Year's Budget**

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2014 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSPB"). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2014. The Division's request totaled \$11,054,258, which represents a 5.25% increase from the fiscal year 2013 appropriation. The largest increase in the fiscal year 2014's budget is for a new budget item in the amount of \$399,267 for the Department of Revenue IT Infrastructure Performance Enhancements. This includes server hosting services, hardware and software upgrades, and operations support services. This request will provide funding for investments in the data network, server, and storage environment, while enhancing the Governor's Office of Information Technology support services for the Department. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for \$4,058,366 and a budget request submitted by the Department of Local Affairs for \$156,633. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2014 included the continuation of current tax structure, tax rates, and continuation of license and application fees in effect. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2013. The Division's fiscal year 2014 revenue estimates total \$110.6 million, a \$5.1 million increase over fiscal year 2013 actual revenue.

During the 21 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. Gaming in Colorado continues to do well. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

**Contacting the Division of Gaming's Financial Management**

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

**COLORADO DIVISION OF GAMING  
TAX REVENUES COMPARISON  
JUNE 30, 2013 AND 2012**

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

**The tax rates for period ending June 30, 2013 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, 2013 were increased by 5% compared to tax rates for the year ending June 30, 2012, see below:

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

- .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

For Periods Beginning July 1, 2011 and 2012 through June 30, 2012 and 2013

<b>AGP Comparison</b>					
Range	Prior Year AGP	Current Year AGP	Difference	Percent Change	
\$0 - \$2 Million	\$ 7,176,950	\$ 9,901,763	\$ 2,724,813	37.97%	
\$2 - \$5 Million	\$ 36,391,146	\$ 28,776,574	\$ (7,614,572)	(20.92)%	
\$5 - \$8 Million	\$ 31,539,031	\$ 41,462,003	\$ 9,922,972	31.46%	
\$8 - \$10 Million	\$ 18,242,088	\$ 36,594,064	\$ 18,351,976	100.60%	
\$10 - \$13 Million	\$ 21,420,358	\$ 33,244,007	\$ 11,823,649	55.20%	
\$13+ Million	\$ 644,834,902	\$ 611,111,483	\$ (33,723,419)	(5.23)%	
Total	\$ 759,604,475	\$ 761,089,894	\$ 1,485,419	0.20%	

<b>Tax Comparison</b>					
Range	Prior Year Tax	Current Year Tax	Difference	Percent Change	
\$0 - \$2 Million	\$ 183,295	\$ 209,754	\$ 26,459	14.44%	
\$2 - \$5 Million	\$ 1,736,432	\$ 1,995,532	\$ 259,100	14.92%	
\$5 - \$8 Million	\$ 5,689,087	\$ 6,521,580	\$ 832,493	14.63%	
\$8 - \$10 Million	\$ 3,996,298	\$ 4,465,347	\$ 469,049	11.74%	
\$10 - \$13 Million	\$ 7,511,895	\$ 7,719,041	\$ 207,146	2.76%	
\$13+ Million	\$ 82,998,631	\$ 83,222,297	\$ 223,666	0.27%	
Total	\$ 102,115,638	\$ 104,133,551	\$ 2,017,913	1.98%	

<b>Open Casinos Comparison</b>			
Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
\$0 - \$2 Million	6	6	0
\$2 - \$5 Million	9	8	(1)
\$5 - \$8 Million	5	6	1
\$8 - \$10 Million	2	3	1
\$10 - \$13 Million	2	3	1
\$13+ Million	16	14	(2)
	40	40	0

**COLORADO DIVISION OF GAMING  
COMBINED BALANCE SHEETS  
JUNE 30, 2013 AND 2012  
(UNAUDITED)**

	FY 2013			FY 2012		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
<b>ASSETS:</b>						
Cash & Temporary Cash Investment - Note 2	\$ 8,296,203	\$ 77,006,605	\$ 85,302,808	\$ 8,718,155	\$ 76,511,747	\$ 85,229,902
Accounts Receivable - Note 3						
Gaming Taxes	0	11,353,139	11,353,139	0	10,900,285	10,900,285
Accounts Receivable Other Agencies	0	0	0	0	32	32
Background	0	0	0	0	530	530
Fines Receivable	0	5,553	5,553	0	1,969	1,969
Miscellaneous	0	667	667	0	1,423	1,423
Net Accounts Receivable	0	11,359,359	11,359,359	0	10,904,239	10,904,239
Prepaid Expenses	0	5,000	5,000	0	20,482	20,482
Total Current Assets	8,296,203	88,370,964	96,667,167	8,718,155	87,436,468	96,154,623
<b>TOTAL ASSETS</b>	<b>\$ 8,296,203</b>	<b>\$ 88,370,964</b>	<b>\$ 96,667,167</b>	<b>\$ 8,718,155</b>	<b>\$ 87,436,468</b>	<b>\$ 96,154,623</b>
<b>LIABILITIES AND FUND BALANCE:</b>						
Accounts Payable	\$ 0	\$ 87,354	\$ 87,354	\$ 0	\$ 103,146	\$ 103,146
Accrued Payroll Payable - Note 1	0	569,340	569,340	0	558,834	558,834
Wages & Salaries Payable	0	660	660	0	1,452	1,452
Due to Other State Agencies - Note 13	0	54,107,529	54,107,529	0	44,429,798	44,429,798
Due to Other Governments - Note 13	0	18,568,939	18,568,939	0	18,171,493	18,171,493
Due to the State's General Fund - Note 13	0	12,102,134	12,102,134	0	20,304,942	20,304,942
Background and Other Deposits - Note 5	0	204,840	204,840	0	274,088	274,088
Unearned Revenue - Note 5	0	294,700	294,700	0	252,390	252,390
Total Liabilities	0	85,935,496	85,935,496	0	84,096,143	84,096,143
<b>FUND BALANCE:</b>						
<b>Restricted for:</b>						
Required Reserve - Note 7	13,655	2,430,468	2,444,123	118,467	3,319,843	3,438,310
Extended Gaming Recipients - Note 7	8,282,548	0	8,282,548	8,599,688	0	8,599,688
<b>Nonspendable:</b>						
Prepays	0	2,500	2,500	0	10,241	10,241
<b>Committed to:</b>						
Prepays	0	2,500	2,500	0	10,241	10,241
Total Fund Balance	8,296,203	2,435,468	10,731,671	8,718,155	3,340,325	12,058,480
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 8,296,203</b>	<b>\$ 88,370,964</b>	<b>\$ 96,667,167</b>	<b>\$ 8,718,155</b>	<b>\$ 87,436,468</b>	<b>\$ 96,154,623</b>

**COLORADO DIVISION OF GAMING  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
JUNE 30, 2013 AND 2012  
(UNAUDITED)**

	FY 2013 YTD			FY 2012 YTD		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
<b>REVENUES:</b>						
Gaming Taxes	\$ 0	\$ 104,134,099	\$ 104,134,099	\$ 0	\$ 102,080,861	\$ 102,080,861
License and Application Fees	0	626,265	626,265	0	629,594	629,594
Background Investigations	0	290,158	290,158	0	221,817	221,817
Fines	0	19,976	19,976	0	184,682	184,682
Interest Income - Note 2	9,705	484,734	494,439	14,428	599,775	614,203
Investment Income / (Loss) - 2	(104,812)	(913,122)	(1,017,934)	(16,649)	(159,321)	(175,970)
Other Revenue	0	2,864	2,864	0	92	92
<b>TOTAL REVENUES</b>	<b>(95,107)</b>	<b>104,644,974</b>	<b>104,549,867</b>	<b>(2,221)</b>	<b>103,557,500</b>	<b>103,555,279</b>
<b>OTHER FINANCING SOURCES / USES:</b>						
Transfer from Limited Gaming Fund - Note 7	8,272,843	0	8,272,843	8,585,260	0	8,585,260
<b>TOTAL REVENUES &amp; OTHER FIN. SOURCES</b>	<b>8,177,736</b>	<b>104,644,974</b>	<b>112,822,710</b>	<b>8,583,039</b>	<b>103,557,500</b>	<b>112,140,539</b>
<b>EXPENDITURES:</b>						
Salaries and Benefits	0	6,950,122	6,950,122	0	6,649,696	6,649,696
Annual and Sick Leave Payouts	0	5,484	5,484	0	42,033	42,033
Professional Services	0	102,362	102,362	0	127,273	127,273
Travel	0	47,851	47,851	0	42,658	42,658
Automobiles	0	176,076	176,076	0	180,483	180,483
Printing	0	19,153	19,153	0	14,186	14,186
Police Supplies	0	8,724	8,724	0	15,216	15,216
Computer Services & Name Searches	0	120,952	120,952	0	114,991	114,991
Materials, Supplies, and Services	0	359,953	359,953	0	257,948	257,948
Postage	0	4,327	4,327	0	4,047	4,047
Telephone	0	106,670	106,670	0	92,767	92,767
Utilities	0	22,987	22,987	0	21,862	21,862
Other Operating Expenditures	0	47,361	47,361	0	12,112	12,112
Leased Space	0	265,087	265,087	0	268,380	268,380
Capital Outlay	0	23,205	23,205	0	82,135	82,135
<b>EXPENDITURES - SUBTOTAL</b>	<b>0</b>	<b>8,260,314</b>	<b>8,260,314</b>	<b>0</b>	<b>7,925,787</b>	<b>7,925,787</b>
<b>STATE AGENCY SERVICES - Note 13</b>						
Colorado Bureau of Investigations	0	838,268	838,268	0	804,838	804,838
Division of Fire Prevention and Control	0	177,247	177,247	0	175,044	175,044
Colorado State Patrol	0	2,400,400	2,400,400	0	2,319,762	2,319,762
State Auditors	0	32,773	32,773	0	32,860	32,860
Indirect Costs - Department of Revenue	0	814,123	814,123	0	685,832	685,832
Colorado Department of Local Affairs	0	153,939	153,939	0	158,103	158,103
Regulatory Agencies	0	4,914	4,914	0	6,517	6,517
Colorado Department of Law	0	149,508	149,508	0	167,795	167,795
<b>TOTAL STATE AGENCY SERVICES</b>	<b>0</b>	<b>4,571,172</b>	<b>4,571,172</b>	<b>0</b>	<b>4,350,751</b>	<b>4,350,751</b>
Background Expenditures	0	41,235	41,235	0	28,524	28,524
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>12,872,721</b>	<b>12,872,721</b>	<b>0</b>	<b>12,305,062</b>	<b>12,305,062</b>
<b>Excess of Revenues Over Expenditures</b>	<b>8,177,736</b>	<b>91,772,253</b>	<b>99,949,989</b>	<b>8,583,039</b>	<b>91,252,438</b>	<b>99,835,477</b>
FY13 Limited Gaming Distribution - Note 7	0	(84,404,267)	(84,404,267)	0	(82,597,697)	(82,597,697)
Transferred to Extended Gaming Fund - Note 7	0	(8,272,843)	(8,272,843)	0	(8,585,260)	(8,585,260)
FY12 & FY11 Extended Gaming Distribution	(8,599,688)	0	(8,599,688)	(8,916,605)	0	(8,916,605)
<b>FUND BALANCE AT JULY 1, 2012 &amp; 2011</b>	<b>8,718,155</b>	<b>3,340,325</b>	<b>12,058,480</b>	<b>9,051,721</b>	<b>3,270,844</b>	<b>12,322,565</b>
<b>TOTAL FUND BAL. JUNE 30, 2013 &amp; 2012</b>	<b>\$ 8,296,203</b>	<b>\$ 2,435,468</b>	<b>\$ 10,731,671</b>	<b>\$ 8,718,155</b>	<b>\$ 3,340,325</b>	<b>\$ 12,058,480</b>

**COLORADO DIVISION OF GAMING**  
**STATEMENT OF BUDGET TO ACTUAL**  
**FOR THE YEAR-TO-DATE ENDED JUNE 30, 2013**  
**(UNAUDITED)**

	BEGINNING BUDGET	SUPPLE- MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
<b>REVENUES:</b>						
Gaming Taxes	\$ 107,477,934	\$ 0	\$ 107,477,934	\$ 104,134,099	\$ (3,343,835)	96.89%
License and Application Fees	637,848	0	637,848	626,265	(11,583)	98.18%
Background Investigations	253,768	0	253,768	290,158	36,390	114.34%
Fines	0	0	0	19,976	19,976	100.00%
Interest Revenue	1,000,584	0	1,000,584	484,734	(515,850)	48.45%
Other Revenue	0	0	0	2,864	2,864	100.00%
<b>TOTAL REVENUES</b>	<b>109,370,134</b>	<b>0</b>	<b>109,370,134</b>	<b>105,558,096</b>	<b>(3,812,038)</b>	<b>96.51%</b>

<b>EXPENDITURES:</b>						
Personal Services	6,841,637	0	6,841,637	6,116,053	(725,584)	89.39%
Health, Dental and Life Insurance	584,783	31,974	616,757	606,701	(10,056)	98.37%
Short Term Disability	10,650	(714)	9,936	9,290	(646)	93.50%
Amortization Equalization Disbursement	192,667	(13,883)	178,784	166,942	(11,842)	93.38%
Supplemental Amort. Equal. Disbursement	165,666	(11,799)	153,867	143,485	(10,382)	93.25%
Operating Expenditures	588,084	0	588,084	500,423	(87,661)	85.09%
Workers Compensation	52,877	308	53,185	53,184	(1)	100.00%
Risk Management	12,393	4,827	17,220	17,220	0	100.00%
Licensure Activities	181,497	0	181,497	104,915	(76,582)	57.81%
Leased Space	285,038	0	285,038	265,083	(19,955)	93.00%
Vehicle Lease Payments - Fixed	95,254	(20,305)	74,949	74,880	(69)	99.91%
Vehicle Lease Payments - Variable	114,564	(8,859)	105,705	101,171	(4,534)	95.71%
Utilities	25,465	0	25,465	22,987	(2,478)	90.27%
EDO - MNT	59,891	0	59,891	59,891	0	100.00%
EDO - Communications	33,232	(3,464)	29,768	29,768	0	100.00%
Capitol Complex Leased Space	0	4	4	4	0	100.00%
COFRS Upgrade	26,004	(3,340)	22,664	22,664	0	100.00%
COFRS Maintenance	0	3,340	3,340	3,340	0	100.00%
Legal Services	83,485	88,267	171,752	149,508	(22,244)	87.05%
Indirect Costs - Department of Revenue	736,467	82,550	819,017	814,123	(4,894)	99.40%
State Agency Services	3,838,657	0	3,838,657	3,569,854	(269,003)	92.99%
Division Expenditures	13,928,511	148,906	14,077,417	12,831,486	(1,245,931)	91.15%
Background Expenditures	263,964	0	263,964	41,235	(222,729)	15.62%
<b>TOTAL EXPENDITURES</b>	<b>14,192,475</b>	<b>148,906</b>	<b>14,341,381</b>	<b>12,872,721</b>	<b>(1,468,660)</b>	<b>89.76%</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 95,177,659</b>	<b>N/A</b>	<b>\$ 95,028,753</b>	<b>\$ 92,685,375</b>	<b>\$ (2,343,378)</b>	<b>97.53%</b>

\* Amount includes Long Bill items and Supplemental Appropriations.  
The percent of the fiscal year elapsed through June 30, 2013 is 100.0%.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 1 - Summary of Significant Accounting Policies**

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

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

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

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

**Fund Structure and Basis of Accounting**

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

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Governmental Fund

*Special Revenue Fund*

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Fund. The Division's resources are obtained from specific gaming related activities such as license fees, application fees, and gaming taxes. These sources are restricted for specific uses as outlined in Section 12-47.1-701, C.R.S.

The Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010 to clarify fund balances. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements that are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division has spending constraint classifications presented on the balance sheet.

Basis of Accounting

The Division uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

Budget

The Statement of Budget to Actual compares actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2013 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

Each year, the Division submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budget may be modified due to roll forward authorizations or other changes. The Commission must approve all long bill line item budget request changes. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.



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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Budget (continued)

Total appropriations for the fiscal years are as follows:

	<u>Years Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Appropriations	\$ 14,192,475	\$ 13,520,959
Supplemental appropriations	<u>148,906</u>	<u>(59,306)</u>
Total appropriations	<u>\$ 14,341,381</u>	<u>\$ 13,461,653</u>

Accrued Payroll

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

Subsequent Events

The Division has evaluated all subsequent events through August 2, 2013, which is the date the financial statements and supplemental schedules were available to be issued, and determined there were no subsequent events requiring additional disclosure.

**Note 2 - Cash and Temporary Cash Investments**

The State Treasury acts as a bank for all State agencies. Monies deposited in the State Treasury are invested until the cash is needed. The Division deposits cash with the Colorado State Treasurer as required by C.R.S. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasury for the Division as of June 30, 2013 and 2012 were approximately \$77.0 million and \$76.5 million, respectively.

The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Division reports its share of the State Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool. During the years ended June 30, 2013 and 2012, the Division's share of unrealized gain (loss) was \$(913,122) and \$(159,321), respectively.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 2 - Cash and Temporary Cash Investments (continued)**

The State Treasurer does not invest any of the pooled resources in any external investment pool, and there is no assignment of income related to participation in the pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at year-end. The unrealized gain or loss included in "Investment Income" in the Statements of Revenues, Expenditures, and Changes in Fund Balance, reflects only the change in fair value during the current fiscal year. Additional information on the State Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

The temporary cash investments of \$126,804 and \$1,039,926 at June 30, 2013 and 2012, respectively, represents the cumulative unrealized net gain or loss on cash and temporary cash investments and is not available for use in the gaming distribution calculation.

The Division receives interest payments from the State Treasurer's Office on cash held on behalf of the Division. During the years ended June 30, 2013 and 2012, \$484,734 and \$599,775, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2013 and 2012, the State Treasurer paid interest at 1.07% and 1.37%, respectively, based on average annualized monthly interest rates.

**Note 3 - Accounts Receivable**

As of June 30, 2013 and 2012, the Division had accounts receivable balances of \$11,359,359 and \$10,904,239, respectively. At June 30, 2013 and 2012, the Division had \$11,353,139 and \$10,900,285 of gaming taxes receivable from 40 Colorado casinos, both years. These receivables primarily represent June 2013 and 2012 gaming taxes, which were due on July 15, 2013 and July 16, 2012, respectively, and were subsequently collected by the Department of Revenue in July 2013 and 2012 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 4 - Changes in Capital Assets and Accumulated Depreciation**

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

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

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

Cost	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			Total
	Land	Construction in Progress	Subtotal	Equipment	Building	Subtotal	
Balances, June 30, 2011	\$ 536,138	-	\$ 536,138	\$ 589,908	\$ 1,134,912	\$ 1,724,820	\$ 2,260,958
Additions	-	-	-	82,135	-	82,135	82,135
Disposals	-	-	-	(22,875)	-	(22,875)	(22,875)
Balances, June 30, 2012	536,138	-	536,138	649,168	1,134,912	1,784,080	2,320,218
Additions	-	-	-	23,205	-	23,205	23,205
Disposals	-	-	-	(1,500)	-	(1,500)	(1,500)
Balances, June 30, 2013	<u>536,138</u>	<u>-</u>	<u>536,138</u>	<u>670,873</u>	<u>1,134,912</u>	<u>1,805,785</u>	<u>2,341,923</u>
<b>Accumulated Depreciation</b>							
Balances, June 30, 2011	-	-	-	(544,645)	(105,218)	(649,863)	(649,863)
Additions	-	-	-	(6,901)	(31,892)	(38,793)	(38,793)
Disposals	-	-	-	22,875	-	22,875	22,875
Balances, June 30, 2012	-	-	-	(528,671)	(137,110)	(665,781)	(665,781)
Additions	-	-	-	(21,783)	(31,893)	(53,676)	(53,676)
Disposals	-	-	-	1,500	-	1,500	1,500
Balances, June 30, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>(548,954)</u>	<u>(169,003)</u>	<u>(717,957)</u>	<u>(717,957)</u>
Total capital assets, net	<u>\$ 536,138</u>	<u>-</u>	<u>\$ 536,138</u>	<u>\$ 121,919</u>	<u>\$ 965,909</u>	<u>\$ 1,087,828</u>	<u>\$ 1,623,966</u>

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 5 - Other Liabilities**

Included in other liabilities are deposits and unearned revenue. Applicants applying for gaming licenses are required to remit deposits to the Division, which are used to perform background investigations of these applicants. These deposits are recorded as liabilities until the Division incurs expenditures to perform the background investigations or until any remaining balance is refunded to the applicant. Deposits of \$198,526 and \$267,774 at June 30, 2013 and 2012, respectively, represent background investigation deposits, as well as \$6,314 and \$6,314 of monies at June 30, 2013 and 2012, respectively, seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication.

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of two-year licenses to businesses as well. The fees for the second year of the license period are recorded as unearned revenue until the Division incurs the expense during the review period. As of June 30, 2013 and 2012, unearned license fees were \$294,700 and \$252,390, respectively.

**Note 6 - Accrued Compensated Absences**

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

All permanent employees of the Division may accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations. Annual leave and sick leave benefits consist of the following and are all considered long term as of June 30, 2013:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2011	\$ 462,992	\$ 46,767	\$ 509,759
Increase	295,815	45,490	341,305
Decrease	(292,150)	(42,708)	(334,858)
Balances, June 30, 2012	466,657	49,549	516,206
Increase	309,681	48,028	357,709
Decrease	(288,326)	(45,562)	(333,888)
Balances, June 30, 2013	\$ 488,012	\$ 52,015	\$ 540,027

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 7 - Gaming Distributions**

**Limited Gaming Distribution**

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

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

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2013 and 2012, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,308,664 and \$2,300,399, respectively.

On August 22nd, 2013, the Commission is expected to approve the distribution of \$84,404,267 for the fiscal year ended June 30, 2013 in accordance with Section 12-47.1-701, C.R.S. On August 23rd, 2012, \$82,597,697 was approved as the 2012 distribution. The distributions are summarized as follows:

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 7 - Gaming Distributions (continued)**

**Limited Gaming Distribution (continued)**

	Year Ended June 30,	
	2013	2012
Distribution to other State agencies		
Colorado State Historical Fund	\$ 23,633,194	\$ 23,127,355
Local Government Limited Gaming Impact Fund	5,000,000	3,314,827
Colorado Travel and Tourism Promotion Fund	15,000,000	11,049,424
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	220,989
Bioscience Discovery Evaluation Grant Prgm	5,500,000	3,977,793
Creative Industries Cash Fund	2,000,000	883,954
Innovative Higher Education Research Fund	<u>2,100,000</u>	<u>1,546,920</u>
Total distributions to other State agencies	<u>53,733,194</u>	<u>44,121,262</u>
Distributions to other governments		
Cities of Cripple Creek, Central City, and Black Hawk Gilpin and Teller Counties	8,440,427	8,259,770
Total distributions to other governments	<u>10,128,512</u>	<u>9,911,723</u>
	18,568,939	18,171,493
Distribution to the State General Fund	<u>12,102,134</u>	<u>20,304,942</u>
Total distributions	<u>\$ 84,404,267</u>	<u>\$ 82,597,697</u>

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 7 - Gaming Distributions (continued)**

**Extended Gaming Distribution**

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

- 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central 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), C.R.S.; and
- 3) "Limited gaming revenues" mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

In accordance with House Bill 09-1272, there will be a determination of tax revenues and expenditures attributable to extended and limited gaming.

- 1) After the end of each fiscal year ending June 30, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the previous fiscal year by a factor of 3% and adding that amount to the amount of limited gaming revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than 3%, either positive or negative, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual growth or decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of limited gaming tax revenues collected during the previous fiscal year.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 7 - Gaming Distributions (continued)**

Extended Gaming Distribution (continued)

- 2) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming revenues by subtracting the amount of limited gaming revenues from the amount of total gaming tax revenues collected during the fiscal year.
- 3) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming expenses by multiplying the total of all expenses of the Commission and other State agencies for the fiscal year by the percentage of total limited gaming revenues attributable to extended gaming revenues.

The original or Limited Gaming Fund recipients will receive an annual adjustment of the lesser of 6%, or the actual percentage, of annual growth in extended gaming revenues. For fiscal year 2013, the actual annual increase is 2.01% which is the lesser of 6%. The annual adjustment amount attributable to this actual annual increase for fiscal year 2013 is \$192,793.

On August 22nd, 2013, the Commission is expected to approve the distribution of \$8,282,548 for the fiscal year ended June 30, 2013, in accordance with Section 12-47.1-701.5 C.R.S. On August 23rd, 2012, \$8,599,688 was approved as the 2012 distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	June 30,	
	2013	2012
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 6,460,388	\$ 6,707,757
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	993,905	1,031,963
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	828,255	859,968
Total transfer for distribution attributable to extended gaming	\$ 8,282,548	\$ 8,599,688



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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 8 - Commitments and Contingencies**

Cripple Creek Office

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at a 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 \$834,000.

Golden Office

In May 2010, the Division entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. The lease began in September 2010 with an initial term of ten years.

Estimated Future Payments

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	<u>328,615</u>
	<u>\$ 2,164,205</u>

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 8 - Commitments and Contingencies (continued)**

**Sunset Review**

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

**Licensing System**

In December 2004, the Division entered into a three-year contract with a third party for maintenance and service of the Division’s regulatory licensing and document imaging computer system. This contract required the Division to pay approximately \$51,500 to \$55,000 per year through November 30, 2007. In November 2007, the Division entered into an amendment of the original three-year contract which extended the option to renew the maintenance and service agreement through November 2009. In November 2009, the Division entered into a second amendment which extended the option to renew the maintenance and service agreement through November 2010. In November 2010, the Division entered into a third amendment which extended the option to renew the maintenance and service agreement through November 2011. In November 2011, the Division entered into a fourth amendment which extended the option to renew the maintenance and service agreement through November 2012. In December 2012, the Division entered into a new one year agreement, now on a fiscal year basis, for the maintenance through June 2013. During fiscal years 2013 and 2012, the Division expended \$36,982 and \$31,285, respectively, under this contract.

**Note 9 - Pension Plan**

**Plan Description**

Most 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.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 9 - Pension Plan (continued)**

Plan Description (continued)

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.

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.

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**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 9 - Pension Plan (continued)**

**Plan Description (continued)**

- 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 60 with 30 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 between January 1, 2007 and December 31, 2010– age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- 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.

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 in July after one year of retirement based on the member's original hire date as follows:

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 9 - Pension Plan (continued)**

**Plan Description (continued)**

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 - the lesser of 2 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.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

**Funding Policy**

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for fiscal years 2011 and 2012 expired.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 9 – Pension Plan (continued)**

**Funding Policy (continued)**

From July 1, 2012, to December 31, 2012, the State contributed 15.65 percent of the employee's salary. From January 1, 2013, through June 30, 2013, the state contributed 16.55 percent. During all of fiscal year 2013, 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, 2012, the division of PERA in which the State participates has a funded ratio of 59.2 percent and a 53 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 60.2 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point.

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 fiscal years ending June 30, 2013, 2012 and 2011 were \$788,185, \$605,677, and \$571,200 respectively. These contributions met the contribution requirement for each year.

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 10 – Other Retirement Plans**

**Defined Contribution Plan**

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent of their salary. The temporary contribution rate increase to 10.5 percent effective in fiscal years 2011 and 2012 expired on July 1, 2012. At December 31, 2012, the plan had 4,362 participants.

**Deferred Compensation Plan**

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2012, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,000. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in fiscal years 2011 and 2012. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2012, for total contributions of \$22,500. Contributions and earnings are tax deferred. At December 31, 2012, the plan had 17,469 participants.

**Note 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 403(b) or 401(a) plans.

**Note 12 - Other Post Employment Benefits and Life Insurance**

**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 cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage.

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DEPARTMENT OF REVENUE, STATE OF COLORADO**

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 12 - Other Post Employment Benefits and Life Insurance (continued)**

Health Care Plan (continued)

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 9. Beginning July 1, 2004, state agencies are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Division contributed \$51,739, \$50,955, and \$51,837, as required by statute in fiscal years 2013, 2012, and 2011, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2012, there were 51,666 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2012, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 66-year amortization period.

**Note 13 – 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.



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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 13 – Risk Management (continued)**

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

**Note 14 - Related-Party Transactions**

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, and other direct and indirect expenses incurred. Interagency charges consist of the following:

State agency services:	For the Years Ended	
	2013	2012
Colorado State Patrol	\$ 2,400,400	\$ 2,319,762
Colorado Bureau of Investigations	838,268	804,838
Colorado Division of Fire Prevention and Control	177,247	175,044
Indirect costs (Colorado Department of Revenue)	814,123	685,832
Legal Services (Colorado Department of Law)	149,508	167,795
Office of the State Auditor	32,773	32,860
Colorado Department of Local Affairs	153,939	158,103
Colorado Department of Regulatory Agencies	4,914	6,517
Total payments to State agencies	<u>\$ 4,571,172</u>	<u>\$ 4,350,751</u>

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

**Notes to Financial Statements  
Year Ended June 30, 2013 and 2012**

**Note 14 – Related-Party Transactions (continued)**

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

	June 30,	
	2013	2012
State agencies		
Colorado State Historical Society	\$ 23,633,194	\$ 23,127,355
Colorado Department of Local Affairs	5,000,000	3,314,827
Office of Economic Development	23,000,000	16,132,159
Colorado Department of Higher Education	2,100,000	1,546,920
Colorado State Patrol	226,424	219,821
Colorado Division of Fire Prevention and Control	45,687	10,702
Colorado Bureau of Investigations	101,107	77,615
Colorado Department of Revenue	1,117	399
Total liabilities to State agencies	54,107,529	44,429,798
Other governments		
City of Black Hawk	6,174,172	6,048,629
City of Central City	795,932	782,200
City of Cripple Creek	1,470,323	1,428,940
Gilpin County	8,364,125	8,196,996
Teller County	1,764,387	1,714,728
Total liabilities to other governments	18,568,939	18,171,493
State General Fund	12,102,134	20,304,942
Total liabilities to State agencies, State General Fund, and other governments	\$ 84,778,602	\$ 82,906,233

Total related party liabilities of \$84,778,602 and \$82,906,233 at June 30, 2013 and 2012, respectively, include amounts due to the Colorado Bureau of Investigations, State Patrol, Division of Fire Prevention and Control, and Department of Revenue, which total \$374,335 and \$308,537, respectively. The remaining liabilities of \$84,404,267 and \$82,597,697, respectively, are related to the fiscal years 2013 and 2012 gaming distributions.