STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE TWELVE (12) MONTHS ENDED

JUNE 30, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") provides an overview of financial activities for the year ended June 30, 2014. Please read it in conjunction with the Division's financial statements, which begin on page 22.

Financial Highlights

- Gaming Tax revenues were $104,877,982 for the fiscal year ended June 30, 2014, compared to revenues of $104,134,099 for the prior fiscal year ending June 30, 2013, which is an increase of $743,883 or 0.71%.

- A decrease in the Division's total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, decreased the total Gaming Distribution to $92,219,372 compared to last fiscal year's total Gaming Distribution of $92,686,815. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2013 and 2014.

Using This Report

This financial report consists of financial statements for the fiscal years ended June 30, 2014 and 2013. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund and the Limited Gaming Fund. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2013 and July 1, 2012, respectively, and the ending fund balances as of June 30, 2014 and 2013, 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.

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.

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2014 was $92,476,854. This represents an increase of $799,705 compared to fiscal year 2013 excess of revenues over expenditures of $91,677,149.

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

The largest source of revenue for the Division is from gaming taxes paid by casinos. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds. The adjusted gross proceeds of casinos decreased 2.67% in fiscal year 2014, as compared to fiscal year 2013. The decrease was due primarily to road closures after significant flooding impacted all three gaming towns in September 2013. The gaming tax revenues earned by the Division for the fiscal years ending June 30, 2014 and 2013 were $104,877,982 and $104,134,099, respectively. This represents an increase of $743,883 and was due primarily to an increase in AGP in the 20.00% tax bracket. For fiscal year 2014, the tax rates remained the same in as in fiscal year 2013. 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 Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2014, 2013, and 2012 are below.

Following are the tax rates for the fiscal years ended June 30, 2014 and 2013:

3.00% on amounts from charitable gaming
0.25% on amounts up to $2 million
2.00% on amounts over $2 million and up to $5 million
9.00% on amounts over $5 million and up to $8 million
11.00% on amounts over $8 million and up to $10 million
16.00% on amounts over $10 million and up to $13 million
20.00% on amounts over $13 million

Following are the tax rates for the fiscal year ended June 30, 2012:

3.00% on amounts from charitable gaming
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

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Revenues (continued)

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

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

For fiscal year 2013, the excess of revenues over expenditures was $91,677,149. This represents an increase of $426,932, or 0.47%, compared to fiscal year 2012's excess of revenues over expenditures of $91,250,217.

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

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Revenues (continued)

The adjusted gross proceeds of casinos increased 0.20% in fiscal year 2013. The tax increase was 2.01%. Taxes increased due to the graduated tax scale and the 5% increase in tax rates for fiscal year 2013.

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%	This is reimbursed revenue. There was $57,170 more in labor and miscellaneous charges and $11,171 more in travel during fiscal year 2013. This resulted in increased revenue from applicants.
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	(841,964)	(478.47)%	This represents the difference between the net change in the fair market value of the Division's investments during fiscal year 2013 versus the net change in the fair market value of the Division's investments during fiscal year 2012.
Total revenues	$ 994,588	0.96%	Revenues, excluding the change in fair value of investments, increased by 1.74%.

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Expenditures

Total expenditures for the Division in fiscal year 2014 were $13,877,185. This is an increase of $1,004,464, or 7.80%, as compared to fiscal year 2013 expenditures of $12,872,721. The information below shows the changes in expenditures from fiscal year 2013 to fiscal year 2014 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	$ 318,982	4.59%	In fiscal year 2014, the average increase in health, dental, and life insurance was 7.58%. Four long-time employees left the Division, versus two employees in fiscal year 2013, resulting in an increase in annual leave payout.
State agency services	164,771	3.60%	In fiscal year 2014 Indirect costs, which are based on FTE or workload, decreased by $148,469. Legal Services costs increased $15,099; Gaming's attorney general had been on leave in early fiscal year 2014. Sunset review (ended in fiscal year 2013), State Auditor, and Local Affairs costs decreased $2,317. Colorado State Patrol, Fire Prevention and Control, and Bureau of Investigation costs increased $300,458.
Materials, supplies, and services	6,410	1.74%	In fiscal year 2014, materials, supplies and services increased $3,858 due primarily to an increase in building and equipment maintenance that was partially offset by a decrease in purchased services and equipment. Police supplies increased $2,552 during fiscal year 2014.
Travel and automobiles	18,944	8.46%	In fiscal year 2014, variable (mileage) and fixed (lease) costs for vehicles increased by $10,440 and $2,801, respectively. Travel increased by $5,703.
Computer services	(6,241)	(5.16)%	In fiscal year 2014, there was a $3,069 decrease for shared communication costs and a $3,172 decrease in computer checks.
Professional services	65,932	64.41%	In fiscal year 2014, the increase was due mostly to increased costs for temporary services to cover job vacancies in the Division, asbestos remediation in the Central City building, and roof analysis for the Cripple Creek building; these increases were partially offset by decreases in training and consulting costs.

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Expenditures (continued)

Other	442,752	471.88%	In fiscal year 2014, the increase was due primarily to an increase in indirect IT costs and services, and the upgrade of the State's financial reporting system. Utilities and postage increased, while printing slightly decreased.
Telephone	16,564	15.53%	In fiscal year 2014, digital data charges were $17,567 more due to an increase in costs for the multi-use network. Local call charges were $74 more, and long distance and other charges were $1,077 less.
Background investigations	(18,703)	(45.36)%	In fiscal year 2014, the Background Unit received numerous key and change of ownership applications, but received only one new business application which was smaller in scope than fiscal year 2013 new business applications.
Leased space	18,258	6.89%	Rent for the Golden office increased by $25,479 in fiscal year 2014, but the Division received a rent credit of $7,221 in July 2014.
Capital outlay	(23,205)	(100.00)%	Fiscal year 2014 had no capital outlay costs; fiscal year 2013 costs were for two cameras for badge systems and installation of a new prox-card system in the Central City office.
Total expenditures	$ 1,004,464	7.80%	

Expenditures

Total expenditures for the Division in fiscal year 2013 were $12,872,718. This is an increase of $567,656 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 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.

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Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
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 on leave. Sunset review which was conducted by DORA began November 2012. Colorado State Patrol, Fire Prevention and Control, and Bureau of Investigation costs increased $116,271.
Materials, supplies, and services	95,513	39.54%	In fiscal year 2013, increase due mostly to Central City building maintenance of $41,523, new iPads 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	0.35%	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 was due mostly to costs for major auditing software training/implementation and IT upgrades, which occurred in 2012.
Other	41,618	52.10%	In fiscal year 2013, the increase was due to the upgrade of the Colorado Financial Reporting System (COFRS). In fiscal year 2013, Gaming Costs for this upgrade 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 due to an increase in costs for the multi-use network, local call charges were $397 less, long distance and other charges were $2,164 more.
Background investigations	12,711	44.56%	In fiscal year 2013, the Background Unit completed investigation of a large new company application, and had over five large change of ownership applications which are still in progress

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Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
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	(58,930)	(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	$ 567,656	4.61%	

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Assets, Liabilities, and Fund Balance

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

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

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

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

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Assets, Liabilities, and Fund Balance (continued)

The year-end total fund balance reflects the overall financial position of the Division, which was $10,731,671 at June 30, 2013 compared to $12,058,477 at June 30, 2012. Total assets of $96,667,166 at June 30, 2013 were $512,546 or 0.53% higher than the prior year balance of $96,154,620. The increase in total assets was primarily due to the increases in cash and gaming taxes receivable.

The Division's total liabilities were $85,935,495 at June 30, 2013 and $84,096,143 at June 30, 2012. The $1,839,352 net increase was primarily due to the $1,806,570 increase in the fiscal year 2013 Limited Gaming Distribution.

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	$ 85,302,807	$ 85,229,902	$ 72,905	0.09%
Gaming taxes and other receivables	11,359,359	10,904,236	455,123	4.17%
Prepaid expenses	5,000	20,482	(15,482)	(75.57)%
Total assets	$ 96,667,166	$ 96,154,620	$ 512,546	0.53%
Accounts payable, wages, and accrued payroll payable	$ 657,353	$ 663,432	$ (6,079)	(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	499,540	526,478	(26,938)	(5.12)%
Total liabilities	85,935,495	84,096,143	1,839,352	2.19%
Fund balance	10,731,671	12,058,477	(1,326,806)	(11.00)%
Total liabilities and fund balance	$ 96,667,166	$ 96,154,620	$ 512,546	0.53%

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Statement of Revenues, Expenditures, and Changes in Fund Balance

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

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

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

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
Revenues				
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	104,549,867	103,555,279	994,588	0.96%
Expenditures				
Operating expenditures	8,260,311	7,925,787	334,524	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	12,872,718	12,305,062	567,656	4.61%
Excess of revenues over expenditures	91,677,149	91,250,217	426,932	0.47%
Fund balance, beginning of year	12,058,477	12,322,562	(264,085)	(2.14)%
Less: Gaming Fund distributions paid or accrued in fiscal year 2012	93,003,955	91,514,302	1,489,653	1.63%
Fund balance, end of year	$ 10,731,671	$ 12,058,477	$ (1,326,806)	(11.00)%

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 $9,664,337 for fiscal year 2014, or 9.11% of total gaming revenues.

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

Conditions Affecting Financial Position or Results of Operations (continued)

Staffing Changes

In fiscal years 2014 and 2013, the Division had several vacant positions.

Natural Disasters

In September 2013, parts of Colorado experienced significant flooding and road closures that impacted all three gaming towns. For September, year-over-year AGP and taxes declined by 10.40% and 9.90%, respectively.

Offices

Several projects were completed, which included upgrading the prox-card system at the Golden office, interior painting in the Central City office, and roof replacement on the Cripple Creek building.

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 recommending that the Division continue and resulted in SB13-173, the Sunset Bill, which was passed and signed by the governor on June 5, 2013. The Division began 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 are distributed as follows:

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

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

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, 2014 was $92,219,372 which includes $8,379,002 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,	
	2014	2013
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,535,622	$ 6,460,388
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,005,480	993,905
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	837,900	828,255
Total distribution attributable to extended gaming	$ 8,379,002	$ 8,282,548

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.

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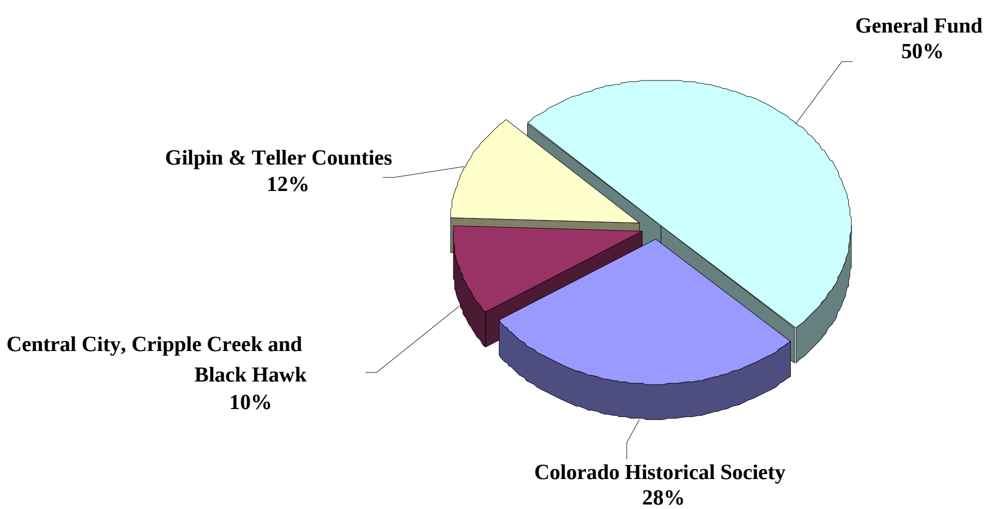
Distribution (continued)

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 2014.

Colorado Limited Gaming Distribution Formula
(Original Recipients)



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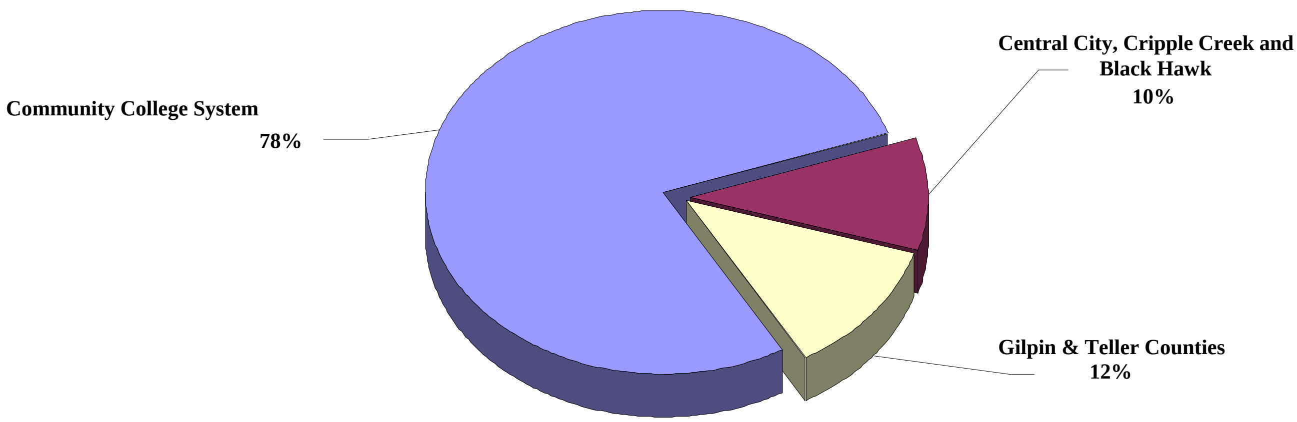
Distribution (continued)

Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



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Distribution (continued)

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

Funds Distribution Comparison

	For the Years Ended June 30,			
	2014	2013	Difference	Percent Difference
Colorado State Historical Fund	$ 23,475,304	$ 23,633,194	$ (157,890)	(0.67)%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	0	0.00%
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000	0	0.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	0	0.00%
Bioscience Discovery Evaluation Grant Program	5,500,000	5,500,000	0	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	0	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	0	0.00%
Total payments to other State agencies	53,575,304	53,733,194	(157,890)	(0.29)%
City of Black Hawk	6,244,431	6,174,172	70,259	1.14%
City of Central City	733,603	795,932	(62,329)	(7.83)%
City of Cripple Creek	1,406,003	1,470,323	(64,320)	(4.37)%
Gilpin County	8,373,641	8,364,125	9,516	0.11%
Teller County	1,687,203	1,764,387	(77,184)	(4.37)%
Total payment due to other governments	18,444,881	18,568,939	(124,058)	(0.67)%
Due to the State General Fund	11,820,185	12,102,134	(281,949)	(2.33)%
Due to the Limited Gaming recipients	83,840,370	84,404,267	(563,897)	(0.67)%
Due to the Extended Gaming receipts	8,379,002	8,282,548	96,454	1.16%
Total distribution	$ 92,219,372	$ 92,686,815	$ (467,443)	(0.50)%

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

Distribution (continued)

The total distribution for the fiscal year ended June 30, 2013 was $92,686,815.

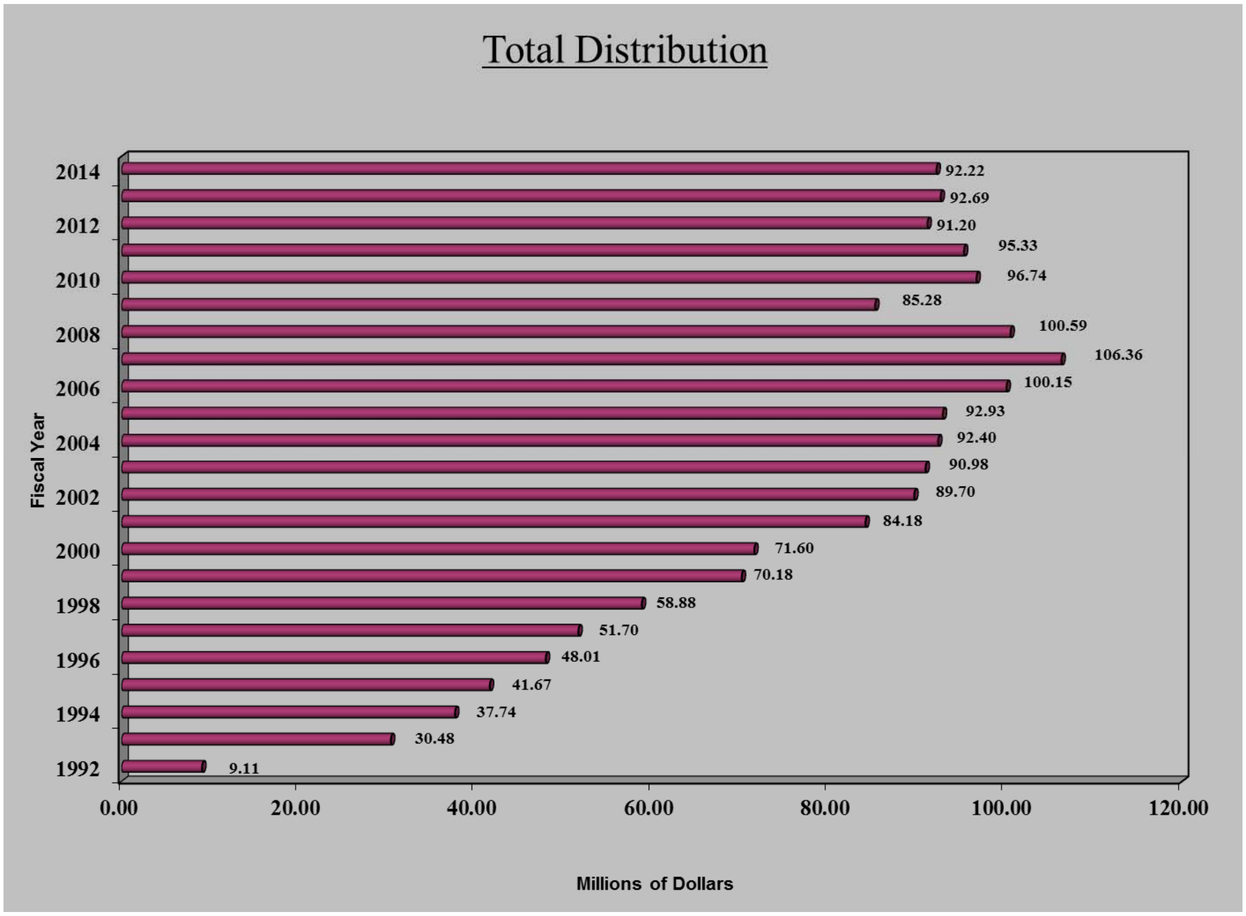
The chart below compares the amounts distributed to the various recipients for fiscal years 2013 and 2012.

Funds Distribution Comparison

	For the Years Ended June 30, 2013	For the Years Ended June 30, 2012	Difference	Percent Difference
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	2,100,000	1,546,920	553,080	35.75%
Total payments to other State agencies	53,733,194	44,121,262	9,611,932	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	1,764,387	1,714,728	49,659	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 Limited Gaming recipients	84,404,267	82,597,697	1,806,570	2.19%
Due to the Extended Gaming receipts	8,282,548	8,599,688	(317,140)	(3.69)%
Total distribution	$ 92,686,815	$ 91,197,385	$ 1,489,430	1.63%

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

Distribution (continued)



* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

Budget

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming Fund. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year the budget may be amended. Following are the budget line items that were changed during fiscal year 2014:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Health, Dental and Life Insurance	$ 653,609	$ (6,900)	$ 648,709
Amortization Equalization Disbursement	197,202	3,125	200,327
Supplemental Amort. Equal. Disbursement.	178,030	3,001	181,031
Vehicle Lease Payments - Variable	107,143	5,200	112,343
Legal Services	200,376	(34,000)	166,376

The budget approved at the beginning of the year was $15,269,257. The amendments to the budget resulted in a net decrease of $29,574. As a result, the final approved budget for fiscal year 2014 was $15,239,683. Total actual expenditures were $13,877,185 resulting in excess appropriations, or a savings of $1,362,498 for fiscal year 2014.

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2015 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 2015. The Division's request totaled $11,276,620, which represents a 2.29% increase from the fiscal year 2014 appropriation. The new line item in the Gaming Budget Request, Office of Information Technology (OIT) Payments, consolidates the five Office of Information Technology service components on the current and previous budgets for the Division. Monies appropriated to State agencies for OIT services will be housed in this line item versus the current line item structure of five line items for each State agency. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $4,152,994 and a budget request submitted by the Department of Local Affairs for $165,789. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2015 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 2014. The Division's fiscal year 2015 revenue estimates total $103.0 million, a $3.1 million decrease over fiscal year 2014 actual revenue.

During the 23 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.

* Fiscal Year 2013 may not match the financial statements exactly. Fiscal Year 2013 numbers match the audited financial statements, which were rounded.

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
JUNE 30, 2014 AND 2013

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

The tax rates for period ending June 30, 2014 are:

3% on AGP from charitable gaming
.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, 2014 are the same as they were for year ending June 30, 2013.

For Periods Beginning July 1, 2012 and 2013 through June 30, 2013 and 2014

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
Charitable	$ -	$ 1,370	$ 1,370	100.00%
$0 - $2 Million	$ 9,901,763	$ 7,089,350	$ (2,812,413)	(28.40%)
$2 - $5 Million	$ 28,776,574	$ 30,617,226	$ 1,840,652	6.40%
$5 - $8 Million	$ 41,462,003	$ 31,083,244	$ (10,378,759)	(25.03%)
$8 - $10 Million	$ 36,594,064	$ 18,277,738	$ (18,316,326)	(50.05%)
$10 - $13 Million	$ 33,244,007	$ 21,807,508	$ (11,436,499)	(34.40%)
$13+ Million	$ 611,111,483	$ 631,876,618	$ 20,765,135	3.40%
Total	$ 761,089,894	$ 740,753,054	$ (20,336,840)	(2.67%)

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
Charitable	$ -	$ 41	$ 41	100.00%
$0 - $2 Million	$ 209,754	$ 182,723	$ (27,031)	(12.89%)
$2 - $5 Million	$ 1,995,532	$ 1,792,345	$ (203,187)	(10.18%)
$5 - $8 Million	$ 6,521,580	$ 5,947,492	$ (574,088)	(8.80%)
$8 - $10 Million	$ 4,465,347	$ 4,210,551	$ (254,796)	(5.71%)
$10 - $13 Million	$ 7,719,041	$ 7,969,201	$ 250,160	3.24%
$13+ Million	$ 83,222,297	$ 84,775,324	$ 1,553,027	1.87%
Total	$ 104,133,551	$ 104,877,677	$ 744,126	0.71%

Open Casinos Comparison

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	6	5	(1)
$2 - $5 Million	8	8	0
$5 - $8 Million	6	5	(1)
$8 - $10 Million	3	2	(1)
$10 - $13 Million	3	2	(1)
$13+ Million	14	16	2
	40	38	(2)

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
JUNE 30, 2014 AND 2013
(UNAUDITED)

	FY 2014			FY 2013		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
ASSETS:						
Cash & Temporary Cash Investments - Note 2	$ 8,415,772	$ 76,414,427	$ 84,830,199	$ 8,296,203	$ 77,006,605	$ 85,302,808
Accounts Receivable - Note 3						
Gaming Taxes	0	11,147,333	11,147,333	0	11,353,139	11,353,139
Fines Receivable	0	1,652	1,652	0	5,553	5,553
Miscellaneous	0	7,578	7,578	0	667	667
Net Accounts Receivable	0	11,156,563	11,156,563	0	11,359,359	11,359,359
Prepaid Expenses	0	38,848	38,848	0	5,000	5,000
Total Current Assets	8,415,772	87,609,838	96,025,610	8,296,203	88,370,964	96,667,167
TOTAL ASSETS	$ 8,415,772	$ 87,609,838	$ 96,025,610	$ 8,296,203	$ 88,370,964	$ 96,667,167
LIABILITIES AND FUND BALANCE:						
Accounts Payable	$ 0	$ 88,428	$ 88,428	$ 0	$ 87,354	$ 87,354
Accrued Payroll Payable - Note 1	0	570,845	570,845	0	569,340	569,340
Wages & Salaries Payable	0	61	61	0	660	660
Due to Other State Agencies - Note 14	0	53,575,304	53,575,304	0	54,107,529	54,107,529
Due to Other Governments - Note 14	0	18,444,881	18,444,881	0	18,568,939	18,568,939
Due to the State's General Fund - Note 14	0	11,820,185	11,820,185	0	12,102,134	12,102,134
Background and Other Deposits - Note 5	0	214,539	214,539	0	204,840	204,840
Unearned Revenue - Note 5	0	225,760	225,760	0	294,700	294,700
Total Liabilities	0	84,940,003	84,940,003	0	85,935,496	85,935,496
FUND BALANCE:						
Restricted for:						
Required Reserve - Note 7	36,770	2,630,987	2,667,757	13,655	2,430,468	2,444,123
Extended Gaming Recipients - Note 7	8,379,002	0	8,379,002	8,282,548	0	8,282,548
Nonspendable:						
Prepaids	0	38,848	38,848	0	5,000	5,000
Total Fund Balance	8,415,772	2,669,835	11,085,607	8,296,203	2,435,468	10,731,671
TOTAL LIABILITIES AND FUND BALANCE	$ 8,415,772	$ 87,609,838	$ 96,025,610	$ 8,296,203	$ 88,370,964	$ 96,667,167

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2014 AND 2013
(UNAUDITED)

	FY 2014 YTD			FY 2013 YTD		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
REVENUES:						
Gaming Taxes	$ 0	$ 104,877,982	$ 104,877,982	$ 0	$ 104,134,099	$ 104,134,099
License and Application Fees	0	600,312	600,312	0	626,265	626,265
Background Investigations	0	196,126	196,126	0	290,158	290,158
Fines	0	6,468	6,468	0	19,976	19,976
Interest Income - Note 2	8,224	431,065	439,289	9,705	484,734	494,439
Net Increase/(Decrease) in the Fair Value of Investments - Note 2	23,115	207,226	230,341	(104,812)	(913,122)	(1,017,934)
Other Revenue	0	3,521	3,521	0	2,864	2,864
TOTAL REVENUES	31,339	106,322,700	106,354,039	(95,107)	104,644,974	104,549,867
OTHER FINANCING SOURCES / USES:						
Transfer from Limited Gaming Fund - Note 7	8,370,778	0	8,370,778	8,272,843	0	8,272,843
TOTAL REVENUES & OTHER FIN. SOURCES	8,402,117	106,322,700	114,724,817	8,177,736	104,644,974	112,822,710
EXPENDITURES:						
Salaries and Benefits	0	7,229,367	7,229,367	0	6,950,122	6,950,122
Annual and Sick Leave Payouts	0	45,221	45,221	0	5,484	5,484
Professional Services	0	168,294	168,294	0	102,362	102,362
Travel	0	53,554	53,554	0	47,851	47,851
Automobiles	0	189,317	189,317	0	176,076	176,076
Printing	0	18,467	18,467	0	19,153	19,153
Police Supplies	0	11,276	11,276	0	8,724	8,724
Computer Services & Name Searches	0	114,711	114,711	0	120,952	120,952
Materials, Supplies, and Services	0	363,811	363,811	0	359,953	359,953
Postage	0	8,165	8,165	0	4,327	4,327
Telephone	0	123,234	123,234	0	106,670	106,670
Utilities	0	24,764	24,764	0	22,987	22,987
Other Operating Expenditures	0	485,184	485,184	0	47,361	47,361
Leased Space	0	283,345	283,345	0	265,087	265,087
Capital Outlay	0	0	0	0	23,205	23,205
EXPENDITURES - SUBTOTAL	0	9,118,710	9,118,710	0	8,260,314	8,260,314
STATE AGENCY SERVICES - Note 14						
Colorado Bureau of Investigations	0	795,159	795,159	0	838,268	838,268
Division of Fire Prevention and Control	0	189,373	189,373	0	177,247	177,247
Colorado State Patrol	0	2,731,841	2,731,841	0	2,400,400	2,400,400
State Auditors	0	32,676	32,676	0	32,773	32,773
Indirect Costs - Department of Revenue	0	665,654	665,654	0	814,123	814,123
Colorado Department of Local Affairs	0	156,633	156,633	0	153,939	153,939
Regulatory Agencies	0	0	0	0	4,914	4,914
Colorado Department of Law	0	164,607	164,607	0	149,508	149,508
TOTAL STATE AGENCY SERVICES	0	4,735,943	4,735,943	0	4,571,172	4,571,172
Background Expenditures	0	22,532	22,532	0	41,235	41,235
TOTAL EXPENDITURES	0	13,877,185	13,877,185	0	12,872,721	12,872,721
Excess of Revenues Over Expenditures	8,402,117	92,445,515	100,847,632	8,177,736	91,772,253	99,949,989
Limited Gaming Distribution - Note 7	0	(83,840,370)	(83,840,370)	0	(84,404,267)	(84,404,267)
Transferred to Extended Gaming Fund - Note 7	0	(8,370,778)	(8,370,778)	0	(8,272,843)	(8,272,843)
FY13 & FY12 Extended Gaming Distr.	(8,282,548)	0	(8,282,548)	(8,599,688)	0	(8,599,688)
FUND BALANCE AT JULY 1, 2013 & 2012	8,296,203	2,435,468	10,731,671	8,718,155	3,340,325	12,058,480
TOTAL FUND BAL. JUNE 30, 2014 & 2013	$ 8,415,772	$ 2,669,835	$ 11,085,607	$ 8,296,203	$ 2,435,468	$ 10,731,671

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED JUNE 30, 2014
(UNAUDITED)

	BEGINNING BUDGET **	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 108,756,392	$ 0	$ 108,756,392	$ 104,877,982	$ (3,878,410)	96.43%
License and Application Fees	637,848	0	637,848	600,312	(37,536)	94.12%
Background Investigations	253,768	0	253,768	196,126	(57,642)	77.29%
Fines and Fees	0	0	0	6,468	6,468	100.00%
Interest Revenue	1,000,584	0	1,000,584	431,065	(569,519)	43.08%
Other Revenue	0	0	0	3,521	3,521	100.00%
TOTAL REVENUES	110,648,592	0	110,648,592	106,115,474	(4,533,118)	95.90%
EXPENDITURES:						
Personal Services	6,921,338	0	6,921,338	6,415,209	(506,129)	92.69%
Health, Dental and Life Insurance	653,609	(6,900)	646,709	622,782	(23,927)	96.30%
Short Term Disability	10,409	0	10,409	10,409	0	100.00%
Amortization Equalization Disbursement	197,202	3,125	200,327	194,819	(5,508)	97.25%
Supplemental Amort. Equal. Disbursmnt	178,030	3,001	181,031	175,871	(5,160)	97.15%
Operating Expenditures	592,208	0	592,208	489,341	(102,867)	82.63%
Workers Compensation	56,468	0	56,468	56,468	0	100.00%
Risk Management	16,191	0	16,191	16,191	0	100.00%
Licensure Activities	181,497	0	181,497	90,461	(91,036)	49.84%
Leased Space	290,566	0	290,566	283,345	(7,221)	97.51%
Vehicle Lease Payments - Fixed	83,519	0	83,519	77,681	(5,838)	93.01%
Vehicle Lease Payments - Variable	107,143	5,200	112,343	111,618	(725)	99.35%
Utilities	25,465	0	25,465	24,764	(701)	97.25%
CSN - (Old MNT)	77,458	0	77,458	77,458	0	100.00%
EDO - Communications	36,298	0	36,298	36,298	0	100.00%
COFRS Upgrade & Maintenance	26,004	0	26,004	26,004	0	100.00%
IT Costs and Services from Computer Center	442,667	0	442,667	442,667	0	100.00%
EBG Admin. Indirects	26,985	0	26,985	25,372	(1,613)	94.02%
Legal Services	200,376	(34,000)	166,376	164,607	(1,769)	98.94%
Indirect Costs - Department of Revenue	666,861	0	666,861	640,282	(26,579)	96.01%
State Agency Services	4,214,999	0	4,214,999	3,873,006	(341,993)	91.89%
Division Expenditures	15,005,293	(29,574)	14,975,719	13,854,653	(1,121,066)	92.51%
Background Expenditures	263,964	0	263,964	22,532	(241,432)	8.54%
TOTAL EXPENDITURES	15,269,257	(29,574)	15,239,683	13,877,185	(1,362,498)	91.06%
EXCESS OF REVENUES OVER EXPENDITURES	$ 95,379,335	N/A	$ 95,408,909	$ 92,238,289	$ (3,170,620)	96.68%

* Amount includes Long Bill items and Supplemental Appropriations.
The percent of the fiscal year elapsed through June 30, 2014 is 100.0%.

** Represents original information given to the Commission in April and May of 2013.

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.

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 2014 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

Total appropriations for the fiscal years are as follows:

	Years Ended June 30, 2014	Years Ended June 30, 2013
Appropriations	$ 15,269,257	$ 14,192,475
Supplemental appropriations	(29,574)	148,906
Total appropriations	$ 15,239,683	$ 14,341,381

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 1, 2014, 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, 2014 and 2013 were approximately $76.4 million and $77.0 million, respectively.

The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Division reports its share of the State Treasury's unrealized gains and losses based on its participation in the State Treasurer's pool. During the years ended June 30, 2014 and 2013, the Division's share of unrealized gain (loss) was $207,226 and $(913,122), respectively.

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 included in "Net increase/(decrease) in the fair value of investment" 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.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2014, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2013, approximately 88.5% of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $41,074,270 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2013, the weighted average maturity of investments in the Treasurer's Pool is 0.037 years for Commercial Paper (1.0% of the Pool), 1.321 years for U.S. Government Securities (63.9% of the Pool), 3.371 years for Asset Backed Securities (16.0% of the Pool), and 3.100 years for Corporate Bonds (19.1% of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2013.

The temporary cash investments of $334,030 and $126,804 at June 30, 2014 and 2013, respectively, represent the cumulative unrealized net gain on cash and temporary cash investments and are not available for use in the gaming distribution calculation.

Note 2 - Cash and Temporary Cash Investments (continued)

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, 2014 and 2013, $431,065 and $484,734, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2014 and 2013, the State Treasurer paid interest at 0.96% and 1.07%, respectively, based on average annualized monthly interest rates.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2014.

Note 3 - Accounts Receivable

As of June 30, 2014 and 2013, the Division had accounts receivable balances of $11,156,563 and $11,359,359, respectively. At June 30, 2014 and 2013, the Division had $11,147,333 and $11,353,139 of gaming taxes receivable from 38 and 40 Colorado casinos, respectively. These receivables primarily represent June 2014 and 2013 gaming taxes, which were due on July 15, 2014 and July 15, 2013, respectively, and were subsequently collected by the Department of Revenue in July 2014 and 2013 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

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.

Note 4 - Changes in Capital Assets and Accumulated Depreciation (continued)

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			
	Land	Construction in Progress	Subtotal	Equipment	Building	Subtotal	Total
Cost							
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	536,138	-	536,138	670,873	1,134,912	1,805,785	2,341,923
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2014	536,138	-	536,138	670,873	1,134,912	1,805,785	2,341,923
Accumulated Depreciation							
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	-	-	-	(548,954)	(169,003)	(717,957)	(717,957)
Additions	-	-	-	(20,982)	(31,893)	(52,875)	(52,875)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2014	-	-	-	(569,936)	(200,896)	(770,832)	(770,832)
Total capital assets, net	$ 536,138	-	$ 536,138	$ 100,937	$ 934,016	$ 1,034,953	$ 1,571,091

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 $208,152 and $198,526 at June 30, 2014 and 2013, respectively, represent background investigation deposits, as well as $6,387 and $6,314 of monies at June 30, 2014 and 2013, 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, 2014 and 2013, unearned license fees were $225,760 and $294,700, 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 as of June 30, 2014:

	Annual Leave	Sick Leave	Total
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
Increase	317,651	49,499	367,150
Decrease	(320,349)	(47,707)	(368,056)
Balances, June 30, 2014[1]	$ 485,314	$ 53,807	$ 539,121

[1] At June 30, 2014, $13,070 annual leave and $1,471 sick leave were classified as current.

Note 7 - Gaming Distributions

Limited Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S., 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;

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

- 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, 2014 and 2013, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,335,805 and $2,308,664, respectively.

On August 28th, 2014, the Commission is expected to approve the limited gaming distribution of $83,840,370 for the fiscal year ended June 30, 2014 in accordance with Section 12-47.1-701, C.R.S. On August 22nd, 2013, $84,404,267 was approved as the 2013 limited gaming distribution. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2014	2013
Distribution to other State agencies		
Colorado State Historical Fund	$ 23,475,304	$ 23,633,194
Local Government Limited Gaming Impact Fund	5,000,000	5,000,000
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	500,000
Bioscience Discovery Evaluation Grant Prgm	5,500,000	5,500,000
Creative Industries Cash Fund	2,000,000	2,000,000
Innovative Higher Education Research Fund	2,100,000	2,100,000
Total distributions to other State agencies	53,575,304	53,733,194
Distributions to other governments		
Cities of Cripple Creek, Central City, and Black Hawk	8,384,037	8,440,427
Gilpin and Teller Counties	10,060,844	10,128,512
Total distributions to other governments	18,444,881	18,568,939
Distribution to the State General Fund	11,820,185	12,102,134
Total distributions	$ 83,840,370	$ 84,404,267

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.

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 2014, the actual annual increase is 0.71% which is the lesser of 6%. The annual adjustment amount attributable to this actual annual increase for fiscal year 2014 is $68,617.

On August 28th, 2014, the Commission is expected to approve the extended gaming distribution of $8,379,002 for the fiscal year ended June 30, 2014, in accordance with Section 12-47.1-701.5 C.R.S. On August 22nd, 2013, $8,282,548 was approved as the 2013 extended gaming distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	June 30,	
	2014	2013
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,535,622	$ 6,460,388
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,005,480	993,905
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	837,900	828,255
Total transfer for distribution attributable to extended gaming	$ 8,379,002	$ 8,282,548

Note 8 - Commitments and Contingencies

Golden Office

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

Estimated Future Payments

Fiscal year 2015	$	296,582
Fiscal year 2016		302,599
Fiscal year 2017		308,777
Fiscal year 2018		315,281
Fiscal year 2019		321,785
Fiscal year 2020		328,615
	$	1,873,639

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. In November 2011, the Division entered into a fourth amendment of the original three-year contract 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. In July 2013, the Division entered into a new one-year agreement for maintenance through June 2014. During fiscal years 2014 and 2013, the Division expended $34,650 and $36,982, respectively, under this contract.

Note 9 - Pension Plan

Plan Description

Most of the Division's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly.

The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.

- Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

Note 9 - Pension Plan (continued)

Plan Description (continued)

- 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% 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% 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.

Note 9 - Pension Plan (continued)

Plan Description (continued)

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2% or the average of the monthly Consumer Price Index increases.

- Hired on or after January 1, 2007 - the lesser of 2% or the actual increase in the national Consumer Price Index, limited to a 10% 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% and declines by one-quarter percentage point when the funded ratio drops below 90% after having exceeded 103%. 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% 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% for members in the State and Judicial Divisions to replace the 2.5% reduction in employer contributions effective for fiscal years 2011 and 2012 expired.

Note 9 - Pension Plan (continued)

Funding Policy (continued)

From July 1, 2013, to December 31, 2013, the State contributed 16.55% of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45%. During all of fiscal year 2014, 1.02% 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, 2013, the division of PERA in which the State participates has a funded ratio of 57.5% and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0%.

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% of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4% of salary through 2017, to a maximum of 5%.

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%. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103% funding ratio, both the AED and SAED will be reduced by one-half percentage point, and for subsequent declines to below 90% 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, 2014, 2013 and 2012 were 866,212, $788,185, and $605,677 respectively. These contributions met the contribution requirement for each year.

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% to 100% evenly over 5 years. Participants in the plan are required to contribute 8% of their salary. The temporary contribution rate increase to 10.5% effective in fiscal years 2011 and 2012 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 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 2013, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution) to a maximum of $17,500. The reduction for the 8% PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5% 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 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 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.

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% 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% of gross covered wages to the Health Care Trust Fund. The Division contributed $53,822, $51,739, and $50,955, as required by statute in fiscal years 2014, 2013, and 2012, 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, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8%, and a 30-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.

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:

	For the Years Ended	
State agency services:	2014	2013
Colorado State Patrol	$ 2,731,841	$ 2,400,400
Colorado Bureau of Investigation	795,159	838,268
Colorado Division of Fire Prevention and Control	189,373	177,247
Indirect costs (Colorado Department of Revenue)	665,654	814,123
Legal Services (Colorado Department of Law)	164,607	149,508
Office of the State Auditor	32,676	32,773
Colorado Department of Local Affairs	156,633	153,939
Colorado Department of Regulatory Agencies	0	4,914
Total payments to State agencies	$ 4,735,943	$ 4,571,172

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,	
	2014	2013
State agencies		
Colorado State Historical Society	$ 23,475,304	$ 23,633,194
Colorado Department of Local Affairs	5,000,000	5,000,000
Office of Economic Development	23,000,000	23,000,000
Colorado Department of Higher Education	2,100,000	2,100,000
Colorado State Patrol	0	226,424
Colorado Division of Fire Prevention and Control	0	45,687
Colorado Bureau of Investigation	0	101,107
Colorado Department of Revenue	0	1,117
Total liabilities to State agencies	53,575,304	54,107,529
Other governments		
City of Black Hawk	6,244,431	6,174,172
City of Central City	733,603	795,932
City of Cripple Creek	1,406,003	1,470,323
Gilpin County	8,373,641	8,364,125
Teller County	1,687,203	1,764,387
Total liabilities to other governments	18,444,881	18,568,939
State General Fund	11,820,185	12,102,134
Total liabilities to State agencies, State General Fund, and other governments	$ 83,840,370	$ 84,778,602

The related party liabilities of $83,840,370 at June 30, 2014 are solely related to the fiscal year 2014 limited gaming distribution. Total related party liabilities of $84,778,602 at June 30, 2013 include amounts due to the Colorado Bureau of Investigation, State Patrol, Division of Fire Prevention and Control, and Department of Revenue, which total $374,335. The remaining liabilities of $84,404,267 are related to the fiscal year 2013 limited gaming distribution.