DIVISION OF GAMING, DEPARTMENT OF REVENUE, STATE OF COLORADO

Financial Statements
and
Independent Auditor's report

June 30, 2013 and 2012

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Members of the Legislative Audit Committee:

We have completed the financial audit of the Division of Gaming, Department of Revenue, State of Colorado, as of and for the year ended June 30, 2013. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

We were engaged to conduct our audit pursuant to Section 12-47.1-702(1), C.R.S., which requires the State Auditor to audit the Limited Gaming Fund. The reports we have issued as a result of this engagement are set forth in the table of contents.

CliftonLarsonAllen

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 9, 2013

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DEPARTMENT OF REVENUE, STATE OF COLORADO
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DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
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AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen, LLP to conduct the financial audit of the Division of Gaming, a special revenue fund of the Department of Revenue, State of Colorado (Division) for the Fiscal Year ended June 30, 2013. The audit of the Division was performed under authority of Section 12-47.1-702(1), C.R.S., which requires the State Auditor to conduct an annual audit of the Division. The purpose of the audit was to express an opinion on the financial statements of the Division for the year ended June 30, 2013. The financial audit of the Limited Gaming Fund for the year ended June 30, 2012 was conducted by other auditors.

CliftonLarsonAllen, LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

The purposes and scope of this audit were:

- To express an opinion on the financial statements of the Division as of and for the year ended June 30, 2013, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.

- To review the Division's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2013.

- To evaluate progress in implementing the prior audit recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated October 9, 2013, has been issued, which states that the financial statements of the Division as of and for the years ended June 30, 2013 and 2012, are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated October 9, 2013, has also been issued, which states that the results of the Contract Auditors' tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards.*

RECOMMENDATION LOCATOR

We noted no matters of recommendation for the Division in the current year audit.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

There were no audit recommendations in the prior year audit report.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
DESCRIPTION OF THE COLORADO DIVISION OF GAMING
June 30, 2013

Effective October 1, 1991, Article XVIII, Section 9 of the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities. In April 2009, House Bill 09-1272 was approved due to the passage of Amendment 50. The Amendment, along with the Limited Gaming Act of 1991 (the “Act”), established the framework for regulating limited gaming in Colorado. The Act created the Division of Gaming within the Department of Revenue, established the Limited Gaming Fund, and gave the Limited Gaming Control Commission (the “Commission”) the authority and responsibility for regulating limited gaming in Colorado.

The Division of Gaming operates with a staff of about 83 full-time employees and a budget of approximately $14.3 million. The Commission is made up of a five-member board appointed by the Governor and approved by the Colorado Senate. Gaming revenues deposited in the Limited Gaming Fund are used to pay operating expenses for the Division and the Commission during the year. After setting aside a reserve for two months’ operating expenses at the end of each fiscal year, the remaining fund balance in the Limited Gaming Fund is distributed to State and local governments according to the provisions in the Colorado Constitution and the Act.

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the Division of Gaming, a special revenue fund of the Department of Revenue, State of Colorado (the "Division), as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division of Gaming, a special revenue fund of the Department of Revenue, State of Colorado as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Division are intended to present only the financial position and the changes in financial position of only that portion of the special revenue fund of the State of Colorado that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Financial Statements

The June 30, 2012 financial statements were audited by other auditors, whose report dated October 31, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 5-25 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 9, 2013

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 26.

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 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 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, 2012 and July 1, 2011, respectively, and the ending fund balances as of June 30, 2013 and 2012, respectively. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and 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.

Revenues

The total excess of revenues over expenditures of the Division for fiscal year 2013 was $91,677,149. This represents an increase of $426,932 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 2.01%. 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.

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 ended June 30, 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

Revenues (continued)

The tax rates for the fiscal year ended June 30, 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

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 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%.

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.

Revenues (continued)

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

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%	This is reimbursed revenue. There was $9,427 less in travel and $21,814 more in labor and miscellaneous charges during fiscal year 2012. This resulted in increased revenue from applicants.
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	358,704	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	$(2,549,052)	(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)%.

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 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 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	.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	52.1%	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.

Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
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.
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%	

Expenditures

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.

Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
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.
Background investigations	(10,516)	(26.94)%	In fiscal year 2011, there were more international travel costs than in fiscal year 2012.

Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
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	56,686	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	$ 207,965	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 $96,667,166 at June 30, 2013 are $512,546 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 $85,935,495 at June 30, 2013 and $84,096,143 at June 30, 2012. The $1,839,352 net increase is 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%

Assets, Liabilities, and Fund Balance (continued)

The year-end total fund balance reflects the overall financial position of the Division, which was $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 were $3,946,820 or 3.94% lower than the prior year balance of $100,101,440. The decrease in total assets was 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 was primarily due to the $3,813,050 decrease in the fiscal year 2012 limited gaming distribution.

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	20,482	14,296	6,186	43.27%
Total assets	$ 96,154,620	$ 100,101,440	$ (3,946,820)	(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	526,478	430,620	95,858	22.26%
Total liabilities	84,096,143	87,778,878	(3,682,735)	(4.20)%
Fund balance	12,058,477	12,322,562	(264,085)	(2.14)%
Total liabilities and fund balance	$ 96,154,620	$ 100,101,440	$ (3,946,820)	(3.94)%

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
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 2013	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)%

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
Revenues				
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	844,824	675,654	169,170	25.04%
Total revenues	103,555,279	106,104,331	(2,549,052)	(2.40)%
Expenditures				
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	4,350,751	4,230,488	120,263	2.84%
Total expenditures	12,305,062	12,097,097	207,965	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	91,514,302	94,341,148	(2,826,846)	(3.00)%
Fund balance, end of year	$ 12,058,477	$ 12,322,562	$ (264,085)	(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.

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 building entry 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 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 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.

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	June 30, 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 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.

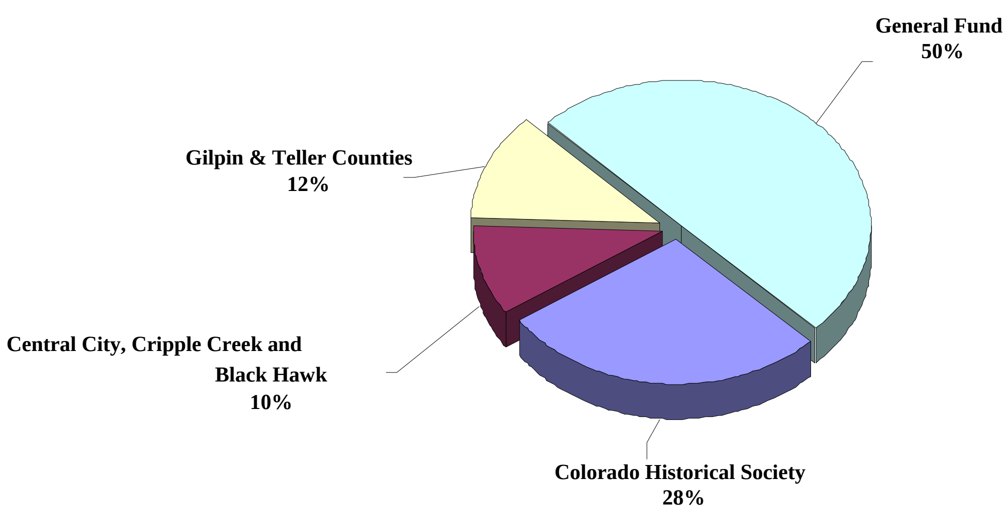
Distribution (continued)

Limited Gaming Distribution (continued)

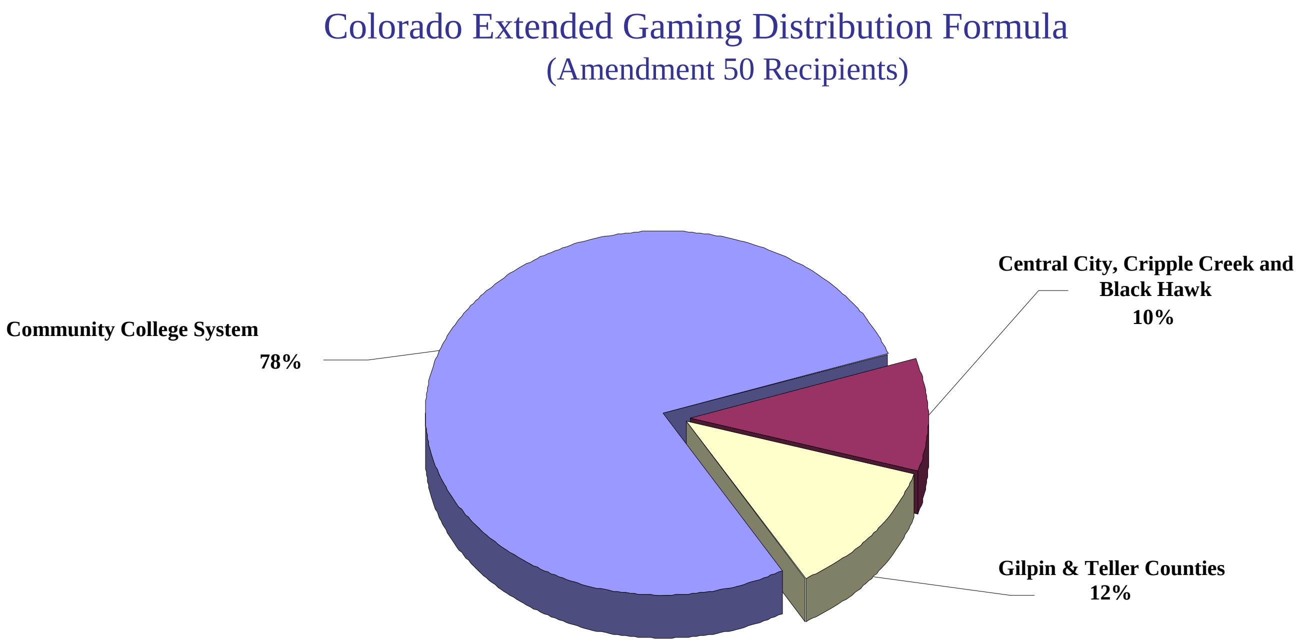
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

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)



Distribution (continued)



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, 2013	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%

Distribution (continued)

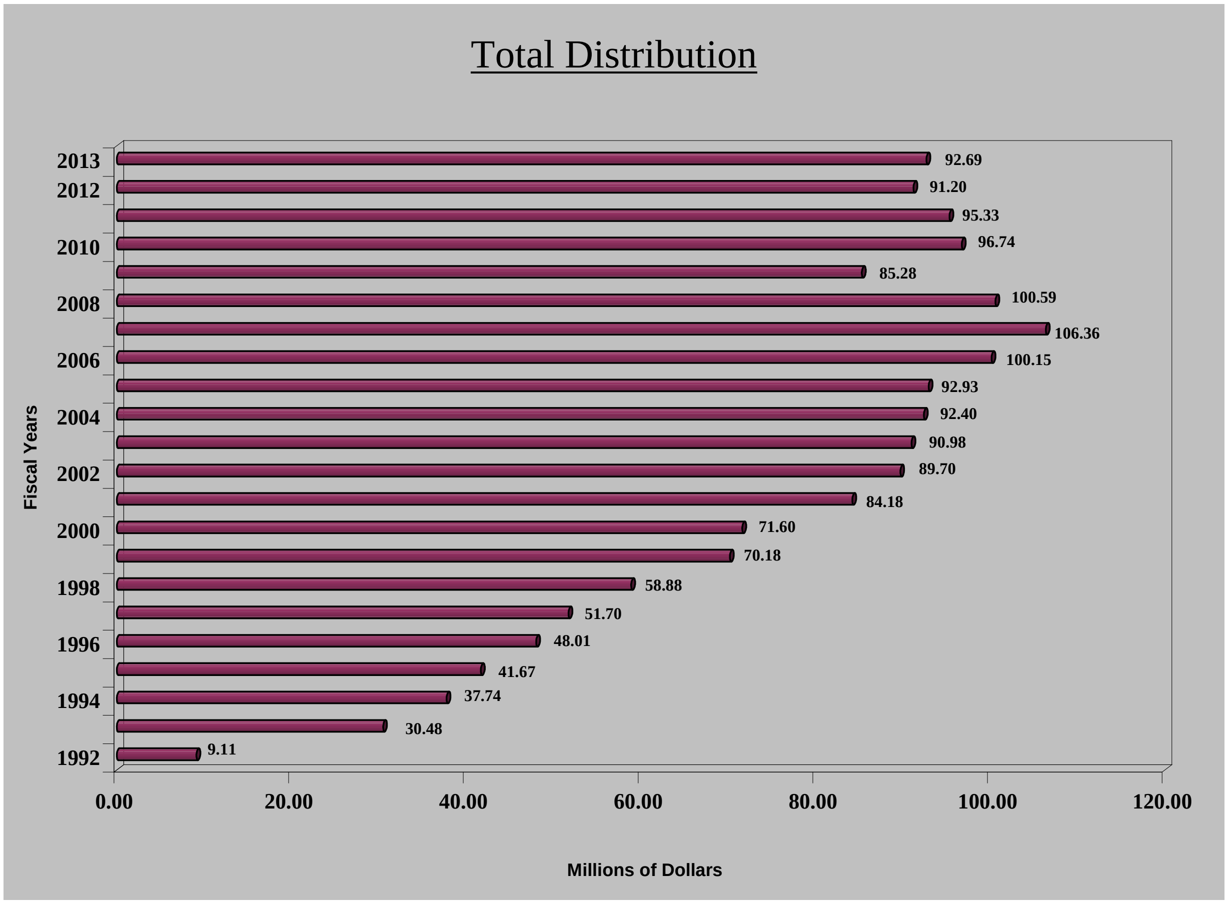
The total distribution for the fiscal year ended June 30, 2012 was $91,197,385.

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, 2012	2011	Difference	Percent Difference
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	1,546,920	1,680,376	(133,456)	(7.94)%
Total payments to other State agencies	44,121,262	47,000,114	(2,878,852)	(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	1,714,728	1,824,995	(110,267)	(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 Limited Gaming recipients	82,597,697	86,410,747	(3,813,050)	(4.41)%
Due to the Extended Gaming recipients	8,599,688	8,916,605	(316,917)	(3.55)%
Total distribution	$ 91,197,385	$95,327,352	$ (4,129,967)	(4.33)%

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 line items that were changed during fiscal year 2013:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
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. Disbursement.	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	-	4	4
COFRS Upgrade	26,004	(3,340)	22,664
COFRS Maintenance	-	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 $12,872,718 resulting in excess appropriations, or a savings of $1,468,663 for fiscal year 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 22 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.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
June 30, 2013 and 2012

	2013			2012		
	Extended Gaming Fund	**Limited Gaming Fund**	**Total Gaming Fund**	**Extended Gaming Fund**	**Limited Gaming Fund**	**Total Gaming Fund**
ASSETS						
Cash and temporary cash investments	$ 8,296,203	$ 77,006,604	$ 85,302,807	$ 8,718,155	$ 76,511,747	$ 85,229,902
Gaming taxes receivable	-	11,353,139	11,353,139	-	10,900,285	10,900,285
Other receivables	-	6,220	6,220	-	3,951	3,951
Prepaid expenses	-	5,000	5,000	-	20,482	20,482
TOTAL ASSETS	$ 8,296,203	$ 88,370,963	$ 96,667,166	$ 8,718,155	$ 87,436,465	$ 96,154,620
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	$ -	$ 87,353	$ 87,353	$ -	$ 103,146	$ 103,146
Accrued payroll	-	570,000	570,000	-	560,286	560,286
Due to State General Fund	-	12,102,134	12,102,134	-	20,304,942	20,304,942
Due to other State agencies	-	54,107,529	54,107,529	-	44,429,798	44,429,798
Due to other governments	-	18,568,939	18,568,939	-	18,171,493	18,171,493
Other liabilities	-	499,540	499,540	-	526,478	526,478
Total liabilities	-	85,935,495	85,935,495	-	84,096,143	84,096,143
FUND BALANCE						
Non-spendable						
Prepaid expenses	-	5,000	5,000	-	20,482	20,482
Restricted for:						
Required reserve	13,655	2,430,468	2,444,123	118,467	3,319,840	3,438,307
Extended gaming recipients	8,282,548	-	8,282,548	8,599,688	-	8,599,688
Total fund balance	8,296,203	2,435,468	10,731,671	8,718,155	3,340,322	12,058,477
TOTAL LIABILITIES AND FUND BALANCE	$ 8,296,203	$ 88,370,963	$ 96,667,166	$ 8,718,155	$ 87,436,465	$ 96,154,620

The accompanying notes are an integral part of the financial statements

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2013 and 2012

	2013			2012		
	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund	Extended Gaming Fund	Limited Gaming Fund	Total Gaming Fund
REVENUES						
Gaming taxes	$ -	$ 104,134,099	$ 104,134,099	$ -	$ 102,080,861	$ 102,080,861
License and application fees	-	626,265	626,265	-	629,594	629,594
Background investigations	-	290,158	290,158	-	221,817	221,817
Fines and other	-	22,840	22,840	-	184,774	184,774
Interest Income	9,705	484,734	494,439	14,428	599,775	614,203
Net increase (decrease) in the fair value of investments	(104,812)	(913,122)	(1,017,934)	(16,649)	(159,321)	(175,970)
Total revenues	(95,107)	104,644,974	104,549,867	(2,221)	103,557,500	103,555,279
EXPENDITURES						
Salaries and benefits	-	6,955,606	6,955,606	-	6,691,729	6,691,729
State agency services	-	4,571,172	4,571,172	-	4,350,751	4,350,751
Materials, supplies, and services	-	359,953	359,953	-	257,948	257,948
Travel and automobiles	-	223,927	223,927	-	223,141	223,141
Computer services	-	120,952	120,952	-	114,991	114,991
Professional services	-	102,362	102,362	-	127,273	127,273
Other	-	102,549	102,549	-	67,423	67,423
Telephone	-	106,670	106,670	-	92,767	92,767
Background investigation	-	41,235	41,235	-	28,524	28,524
Leased space	-	265,087	265,087	-	268,380	268,380
Capital outlay	-	23,205	23,205	-	82,135	82,135
Total expenditures	-	12,872,718	12,872,718	-	12,305,062	12,305,062
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,107)	91,772,256	91,677,149	(2,221)	91,252,438	91,250,217
OTHER FINANCING SOURCES (USES)						
Gaming distribution	(8,599,688)	(84,404,267)	(93,003,955)	(8,916,605)	(82,597,697)	(91,514,302)
Transfer to Extended Gaming Fund	-	(8,272,843)	(8,272,843)	-	(8,585,260)	(8,585,260)
Transfer from Limited Gaming Fund	8,272,843	-	8,272,843	8,585,260	-	8,585,260
Total other financing sources (uses)	(326,845)	(92,677,110)	(93,003,955)	(331,345)	(91,182,957)	(91,514,302)
NET CHANGE IN FUND BALANCE	(421,952)	(904,854)	(1,326,806)	(333,566)	69,481	(264,085)
FUND BALANCE - BEGINNING	8,718,155	3,340,322	12,058,477	9,051,721	3,270,841	12,322,562
FUND BALANCE - ENDING	$ 8,296,203	$ 2,435,468	$ 10,731,671	$ 8,718,155	$ 3,340,322	$ 12,058,477

The accompanying notes are an integral part of the financial statements

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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual compares actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

Total appropriations for the fiscal years are as follows:

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

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 October 9, 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 and institutions of higher education, with the exception of the University of Colorado. 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. As of June 30, 2013 and 2012, the Division had cash on deposit with the State Treasurer of $85.3 million and $85.2 million, which represented approximately 1.18% and 1.30% percent of the total $7,260.8 million and $6,541.7 million fair value of deposits in the State Treasurer's Pool (Pool).

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, 2013 and 2012, the Division's share of unrealized gain (loss) was $(1,017,934) and $(175,970), 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, 2013, 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 percent 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 percent of the Pool), 1.321 years for U.S. Government Securities (63.9 percent of the Pool), 3.371 years for Asset Backed Securities (16.0 percent of the Pool), and 3.100 years for Corporate Bonds (19.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2012-13.

The temporary cash investments of $140,459 and $1,158,393 at June 30, 2013 and 2012, 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, 2013 and 2012, $494,439 and $614,203, 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 $10,904,236, 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.

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, 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	536,138	-	536,138	670,873	1,134,912	1,805,785	2,341,923
Accumulated Depreciation							
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	-	-	-	(548,954)	(169,003)	(717,957)	(717,957)
Total capital assets, net	$ 536,138	-	$ 536,138	$ 121,919	$ 965,909	$ 1,087,828	$ 1,623,966

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

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 restricted fund balance by the Division based on expenditures for the preceding two-month period was $2,308,664 and $2,300,399, respectively. In addition, $135,459 and $1,137,908 as of June 30, 2013 and 2012, respectively is restricted for the unrealized gain on investments.

On August 22, 2013, the Commission approved 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 23, 2012, $82,597,697 was approved as the 2012 distribution. The distributions are summarized as follows:

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

	Year Ended June 30, 2013	Year Ended June 30, 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 Program	5,500,000	3,977,793
Creative Industries Cash Fund	2,000,000	883,954
Innovative Higher Education Research Fund	2,100,000	1,546,920
Total distributions to other State agencies	53,733,194	44,121,262
Distributions to other governments		
Cities of Cripple Creek, Central City, and Black Hawk	8,440,427	8,259,770
Gilpin and Teller Counties	10,128,512	9,911,723
Total distributions to other governments	18,568,939	18,171,493
Distribution to the State General Fund	12,102,134	20,304,942
Total distributions	$ 84,404,267	$ 82,597,697

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 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 approved 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	June 30, 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

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. Lease expense for years ending June 30, 2013 and 2012 were $265,087 and $268,380.

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	328,615
	$ 2,164,205

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 September 1, 2022. The Division’s existence will continue after September 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 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.

Note 9 - Pension Plan (continued)

Plan Description (continued)

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 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:

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

Note 9 - Pension Plan (continued)

Plan Description (continued)

- 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.

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 years 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.

Note 9 - Pension Plan (continued)

Funding Policy (continued)

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.

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. The Division's contributions to PERA Defined Contribution Retirement Plan for fiscal years' ending June 30, 2013, 2012, and 2011 were $51,461, $36,933, and $38,345, respectively.

Note 10 – Other Retirement Plans

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. 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.

Note 12 - Other Post Employment Benefits and Life Insurance

Health Care Plan (continued)

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 amount contributed to the health care fund can be calculated as 6.52% (1.02/15.65) of the total contribution from July 1, 2012, through December 31, 2012, and the residual amount 93.48% (14.63/15.65) was contributed to the defined pension plan. From January 1, 2013 through June 30, 2013, these amounts changed to 6.16% (1.02/16.55) and 93.84% (15.53/16.55), respectively, to reflect the increased state contribution from 15.65% to 16.55% for the increase in the Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (SAED), as discussed in the Funding Policy section of the PERA note above.

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

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

Note 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 June 30,	
State agency services:	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	$ 4,571,172	$ 4,350,751

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

	For the Years Ended 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

Note 14 - Related-Party Transactions (continued)

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 $82,597,696, respectively, are related to the fiscal years 2013 and 2012 gaming distributions.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
LIMITED GAMING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2013

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance with Final Budget Over (Under)	Percent Earned Percent Expended
REVENUES						
Gaming taxes	$ 107,477,934	$ -	$ 107,477,934	$ 104,134,099	$ (3,343,835)	96.89%
License and application fees	637,848	-	637,848	626,265	(11,583)	98.18%
Background investigations	253,768	-	253,768	290,158	36,390	114.34%
Fines	-	-	-	22,840	22,840	100.00%
Interest revenue	1,000,584	-	1,000,584	484,734	(515,850)	48.45%
Net increase (decrease) in the fair value of investments	-	-	-	(913,122)	(913,122)	100.00%
Total revenues	109,370,134	-	109,370,134	104,644,974	(4,725,160)	95.68%
EXPENDITURES						
Personal services	6,841,637	-	6,841,637	6,116,052	(725,585)	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 amortization equalization disbursement	165,666	(11,799)	153,867	143,485	(10,382)	93.25%
Operating expenditures	588,084	-	588,084	500,420	(87,664)	85.09%
Workers compensation	52,877	308	53,185	53,184	(1)	100.00%
Risk management	12,393	4,827	17,220	17,220	-	100.00%
Licensure activities	181,497	-	181,497	104,915	(76,582)	57.81%
Leased space	285,038	-	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	-	25,465	22,987	(2,478)	90.27%
EDO - MNT	59,891	-	59,891	59,891	-	100.00%
EDO - Communications	33,232	(3,464)	29,768	29,768	-	100.00%
Capitol complex leased space	-	4	4	4	-	100.00%
Legal services	83,485	88,267	171,752	149,509	(22,243)	87.05%
COFRS upgrade	26,004	(3,340)	22,664	22,664	-	100.00%
COFRS maintenance	-	3,340	3,340	3,340	-	100.00%
Indirect costs - Department of Revenue	736,467	82,550	819,017	814,123	(4,894)	99.40%
State Agency Services	3,838,857	-	3,838,857	3,569,854	(269,003)	92.99%
Total Division expenditures	13,928,511	148,906	14,077,417	12,831,483	(1,245,934)	91.15%
Background expenditures	263,964	-	263,964	41,235	(222,729)	15.62%
Total expenditures	14,192,475	148,906	14,341,381	12,872,718	(1,468,663)	89.76%
EXCESS OF REVENUES OVER EXPENDITURES	$ 95,177,659	N/A	$ 95,028,753	91,772,256	$ (3,256,497)	96.57%
OTHER FINANCING USES						
Gaming distribution				(84,404,267)		
Transfer to Extended Gaming Fund				(8,272,843)		
NET CHANGE IN FUND BALANCE				(904,854)		
LIMITED GAMING FUND BALANCE - BEGINNING				3,340,322		
LIMITED GAMING FUND BALANCE - ENDING				$ 2,435,468		

*Amount includes Long Bill items and Supplemental Appropriations by Gaming Commission

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Division of Gaming, a special revenue fund of the Department of Revenue, State of Colorado (the "Division), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated October 9, 2013 .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 9, 2013

Required Communications to the Legislative Audit Committee

To the Members of the Legislative Audit Committee

Division of Gaming, Department of Revenue, State of Colorado

We have audited the financial statements of Division of Gaming, a special revenue fund of the Department of Revenue, State of Colorado (the Division). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013 . We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or require substantial judgments by management.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures or any uncorrected financial statement misstatements.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated October 9, 2013.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the RSI to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the RSI is appropriate and complete in relation to our audit of the financial statements. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of Members of the Legislative Audit Committee and management of Division of Gaming, Department of Revenue, State of Colorado and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 9, 2013

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Office of the State Auditor

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