STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE TWELVE (12) MONTHS ENDED

JUNE 30, 2010

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. Please read it in conjunction with the Division's financial statements, which begin on page 17.

Financial Highlights

- Gaming Tax revenues were $107,669,366 for the fiscal year ended June 30, 2010, which is an increase of $12,762,785 or 13.5%, compared to revenues of $94,906,581 for the prior fiscal year ending June 30, 2009.

- The growth in the Division's net income increased the Gaming Distribution to $96,742,402 compared to last fiscal year's distribution of $85,281,086. This distribution amount represents an increase of $11,461,316 over last fiscal year, or 13.4%.

Using This Report

This financial report consists of financial statements for the fiscal years ended June 30, 2010 and 2009. The tax comparison shows the tax rates and compares current and previous fiscal years' adjusted gross proceeds (similar to net income of the casinos) and taxes paid, broken down by tax bracket. It also lists how many casinos were in which tax bracket at the end of the fiscal year. The Balance Sheet provides comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statement of Revenues, Expenditures, and Changes in Fund Balance provides information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2008 and July 1, 2009, respectively, and the ending fund balances as of June 30, 2009 and 2010, respectively. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

Revenues

The excess of revenues over expenditures of the Division for fiscal year 2010 was $98,436,971. This represents an increase of $12,243,675 or 14.2% compared to fiscal year 2009 excess of revenues over expenditures of $86,193,296.

The net increase in fair value of investments of $985,910 and net increase of $447,352 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2010 and June 30, 2009, respectively.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Revenues (continued)

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, 2010 and 2009 were $107,669,366 and $94,906,581, respectively. The taxes are paid on a graduated scale ranging from 0.25% to 20% of adjusted gross proceeds. The tax rates for fiscal years 2010 and 2009 remained constant.

The adjusted gross proceeds of casinos increased 9.1% in fiscal year 2010. The tax increase was 13.5%. Taxes increased at a higher rate than adjusted gross proceeds due to the graduated tax scale.

Below is a chart of the changes in revenues from fiscal year 2009 to fiscal year 2010.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ 12,762,785	13.45%	Gaming taxes increased due to the implementation Amendment 50 on July 1, 2009. This amendment increased the maximum bet from $5 to $100, authorized 24-hour gaming, and the play of craps and roulette table games.
License and application fees	1,640	0.26%	Beginning in August 2008, fiscal year 2009, the Division began to stagger the issuance of 2-year licenses to businesses. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period; therefore, deferred revenue for business licenses from fiscal year 2009 was earned in fiscal year 2010 and created the slight increase between fiscal years 2009 and 2010.
Background investigations	115,487	47.57%	There was $37,785 more required travel and $77,702 more in labor and miscellaneous charges during FY10.
Fines and other	48,625	379.35%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(102,606)	(8.53)%	Interest rates decreased (0.64)% on average during fiscal year 2010.
Change in fair value of investments	538,558	120.39%	This represents the net change in the fair market value of the Division's investments during fiscal year 2010 versus fiscal year 2009.
Total revenues	$ 13,364,489	13.71%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments increased by 13.22%.

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Revenues (continued)

For fiscal year 2009, the excess of revenues over expenditures was $86,193,296. This represents a decrease of $15,563,140 or (15.3)% compared to fiscal year 2008's excess of revenues over expenditures of $101,756,436.

The net increase in fair value of investments of $447,352 and net increase of $982,009 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2009 and June 30, 2008, respectively.

The gaming tax revenues earned for the fiscal years ending June 30, 2009 and 2008 were $94,906,581 and $108,185,631, respectively. The adjusted gross proceeds of casinos decreased (9.3)% in fiscal year 2009. The tax decrease was (12.3)%. Taxes decreased at a higher rate than adjusted gross proceeds as there were two less casinos operating at the end of fiscal year 2009 compared to fiscal year 2008. The tax rates for fiscal year 2009 changed from what they were in 2008. These changes are as follows:

Tax Rates for Fiscal Year 2009:	Tax Rates for Fiscal Year 2008:
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	0.25% on amounts up to $2 million 2% on amounts over $2 million and up to $4 million 4% on amounts over $4 million and up to $5 million 11% on amounts over $5 million and up to $10 million 16% on amounts over $10 million and up to $15 million 20% on amounts over $15 million

Below is a chart of the changes in revenues from fiscal year 2008 to fiscal year 2009.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ (13,279,050)	(12.27)%	Gaming taxes decreased due to a sluggish economy, high gas prices July 2008 - September 2008, and a legislative enacted smoking ban that took effect January 1, 2008.
License and application fees	110,428	21.13%	Business license fees were up $60,000 in 2009. In addition, the Division received 1,160 more individual license applications compared to fiscal year 2008, thereby increasing individual license fees in fiscal year 2009. The increase is largely due to the passing of Amendment 50 which expanded gaming hours and games available, both of which required casinos to hire more licensed staff.
Background investigations	(129,438)	(34.78)%	There was $36,375 more required travel and $93,063 more in labor and miscellaneous charges during FY08.
Fines and other	(39,804)	(75.64)%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(757,343)	(38.64)%	Interest rates decreased (1.33)% on average during fiscal year 2009.

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Revenues (continued)

Chart of the changes in revenues from fiscal year 2008 to fiscal year 2009 continued.

	Increase (Decrease) Amount	Percent Change	Explanation
Change in fair value of investments	(534,657)	(54.45)%	This represents the net change in the fair market value of the Division's investments during fiscal year 2009 versus fiscal year 2008.
Total revenues	$ (14,629,864)	(13.05)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (12.69)%.

Expenditures

Total expenditures for the Division in fiscal year 2010 were $12,372,539. This is an increase of $1,120,815 or a 10.0% increase over fiscal year 2009 expenditures of $11,251,725. The information below shows the changes in expenditures from fiscal year 2009 to fiscal year 2010 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	$ 231,595	3.64%	In fiscal year 2010 the average increase to health, dental, and life contributions by the State was 10.3% higher than in fiscal year 2009.
State agency services	197,326	5.22%	In fiscal year 2010, all state service costs, except the State audit and legal services bills, were higher than fiscal year 2009.
Materials, supplies and services	(40,706)	(12.44)%	In fiscal year 2009, police radios were purchased for $17,323 and registration costs for Division employee’s training classes were $25,576 higher due to budget cuts in fiscal year 2010.
Travel and automobiles	(54,402)	(24.86)%	In fiscal year 2009, the Division's travel expenditures increased due to higher airfare costs, and more training related travel for the implementation of Amendment 50 Gaming rule changes.
Computer services	(6,245)	(4.59)%	In fiscal year 2010, there were 527 less non-background individual license applications; therefore, the cost of computer database name checks run for each applicant decreased.
Professional services	(24,085)	(33.99)%	In fiscal year 2009, the Division expended $14,171 to train staff on playing rules for the gambling games craps and roulette which were newly allowed in Colorado due to the passing of Amendment 50. In fiscal year 2010, the Division's costs associated with its annual CPA review of Limited Gaming Tax Returns submitted by casinos was $6,025 less.
Other	(9,079)	(15.78)%	In fiscal year 2010, the Division’s Risk Management bill was $5,836 less and in fiscal year 2009, a $5,888 cost was incurred which related to a personnel settlement.

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Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
Telephone	2,964	4.22%	In fiscal year 2010, cell phone and blackberry costs increased due to more usage.
Background investigations	36,249	126.25%	In fiscal year 2010, a background investigation required foreign travel to be made at a cost of $16,976. All background costs are paid for by the applicants and reflected in background revenue.
Leased Space	(7,596)	(4.81)%	In fiscal year 2010, the Division's share of Capitol Complex leased space maintenance was $2,409 less. The Cripple Creek's leased space was $5,187 less due to House Bill 08-1395, which established properties used by the State be exempt from all property taxes.
Capital outlay	794,794	1920.49%	In fiscal year 2010, the building and land the Cripple Creek Gaming office is occupying was purchased for $834,179.
Total Expenditures	$ 1,120,815	9.96%	

Total expenditures for the Division in fiscal year 2009 were $11,251,725. This is an increase of $933,276 or a 9.0% increase over fiscal year 2008 expenditures of $10,318,449. The information below shows the changes in expenditures from fiscal year 2008 to fiscal year 2009 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	$ 953,277	17.62%	In fiscal year 2009, a $130,342 personnel settlement occurred. The average raise was 4.3% and the average increase to health, dental, and life contributions by the State was 18.7%. Additional PERA funding was also required in Fiscal Year 2009.
State agency services	(82,489)	(2.14)%	In fiscal year 2009, Colorado State Patrol decreased its costs billed to the Division by $81,006.
Materials, supplies and services	29,067	9.75%	Due to the passage of Amendment 50, 13 new positions were added in 2009 which required new furniture, computers, and supplies. Additionally, police radios were purchased for $17,323.
Travel and automobiles	19,889	10.00%	In fiscal year 2009, the Division's travel expenditures increased due to higher airfare costs July – September 2008, and more training related travel for the implementation of Amendment 50 Gaming rule changes.
Computer services	29,576	27.78%	In fiscal year 2009, there were 1,133 more non-background individual licenses applications; therefore, the cost of computer database name checks run for each applicant increased.
Professional services	5,154	7.84%	In fiscal year 2009, the Division expended funds to train staff on the playing rules for the gambling games known as craps and roulette which are new games allowed in Colorado due to the passing of Amendment 50.

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Expenditures (continued)

	Increase (Decrease) Amount	Percent Change	Explanation
Other	11,342	24.56%	In fiscal year 2009, the Division's Risk Management bill was $6,600 higher and $5,888 was incurred related to a personnel settlement.
Telephone	9,680	15.98%	In fiscal year 2009, the Division added more cell phone services and cell phones due to the addition of 13 positions because of the passage of Amendment 50.
Background investigations	(35,465)	(55.26)%	In fiscal year 2009, there were less foreign travel expenditures than in fiscal year 2008.
Leased Space	10,178	6.88%	In fiscal year 2009, the Division's share of Capitol Complex leased space maintenance was $3,277 less, and Cripple Creek's leased space was $13,455 more.
Capital outlay	(16,933)	(29.04)%	In fiscal year 2009, Central City's roof repairs were $8,061, $8,664 was spent towards the purchase of the Cripple Creek building, and $24,660 was spent for craps and roulette training tables. In fiscal year 2008, Central City's roof repairs were $58,318.
Total Expenditures	$ 933,276	9.04%	

Assets, Liabilities and Fund Balance

The year end fund balance reflects the overall financial position of the Division, which was $4,726,076 at June 30, 2010 compared to $3,031,507 at June 30, 2009. Total assets of $94,532,322 at June 30, 2010, are $4,921,179 or 5.5% higher than the prior year balance of $89,611,143. The increase in total assets is primarily due to the increases in cash and temporary cash investments and gaming taxes receivable.

The Division's total liabilities were $89,806,246 at June 30, 2010 which is an increase from $86,579,636 at June 30, 2009. The $3,226,610 net increase is primarily due to the $13,338,790 increase in the fiscal year 2010 gaming distribution to the State general fund combined with the $10,634,676 decrease in the fiscal year 2010 gaming distributions to other state agencies.

The following compares fiscal year 2010 and fiscal year 2009 assets, liabilities and fund balances.

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease) Dollars	Percent
Cash and temporary cash investments	$ 83,487,721	$ 79,463,014	$ 4,024,707	5.07%
Gaming taxes and other receivables	11,019,725	10,123,057	896,668	8.86%
Prepaid expenses	24,876	25,072	(196)	(0.78)%
Total assets	$ 94,532,322	$ 89,611,143	$ 4,921,179	5.49%

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Assets, Liabilities and Fund Balance (continued)

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease) Dollars	Increase (Decrease) Percent
Accounts payable, wages, and accrued payroll payable	$ 629,939	$ 637,259	$ (7,320)	(1.15)%
Due to other State agencies, other governments, and the State General Fund	88,836,131	85,490,026	3,346,105	3.91%
Other liabilities	340,176	452,351	(112,175)	(24.80)%
Total liabilities	89,806,246	86,579,636	3,226,610	3.73%
Fund balance	4,726,076	3,031,507	1,694,569	55.90%
Total liabilities and fund balance	$ 94,532,322	$ 89,611,143	$ 4,921,179	5.49%

The year end fund balance reflects the overall financial position of the Division, which was $3,031,507 at June 30, 2009 compared to $2,119,297 at June 30, 2008. Total assets of $89,611,143 at June 30, 2009, were $14,156,251 or (13.6)% lower than the prior year balance of $103,767,394. The decrease in total assets is primarily due to the decreases in cash and temporary cash investments and gaming taxes receivable.

The Division's total liabilities were $86,579,636 at June 30, 2009 which is a decrease from $101,648,097 at June 30, 2008. The $15,068,461 net decrease is primarily due to the $15,310,612 decrease in the fiscal year 2009 gaming distribution.

The following chart compares fiscal year 2009 and fiscal year 2008 assets, liabilities and fund balances.

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease) Dollars	Increase (Decrease) Percent
Cash and temporary cash investments	$ 79,463,014	$ 93,204,205	$ (13,741,191)	(14.74)%
Gaming taxes and other receivables	10,123,057	10,528,255	(405,198)	(3.85)%
Prepaid expenses	25,072	34,934	(9,862)	(28.23)%
Total assets	$ 89,611,143	$ 103,767,394	$ (14,156,251)	(13.64)%

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Assets, Liabilities and Fund Balance (continued)

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease) Dollars	Increase (Decrease) Percent
Accounts payable, wages and accrued payroll payable	$ 637,259	$ 498,404	$ 138,855	27.86%
Due to other State agencies, other governments, and the State General Fund	85,490,026	100,853,958	(15,363,932)	(15.23)%
Other liabilities	452,351	295,735	156,616	52.96%
Total liabilities	86,579,636	101,648,097	(15,068,461)	(14.82)%
Fund balance	3,031,507	2,119,297	912,210	43.04%
Total liabilities and fund balance	$ 89,611,143	$ 103,767,394	$ (14,156,251)	(13.64)%

Statement of Revenues, Expenditures and Changes in Fund Balance

The following compares fiscal year 2010 and fiscal year 2009 revenues, expenditures and changes in fund balance.

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease) Dollars	Increase (Decrease) Percent
Revenues				
Gaming taxes	$107,669,366	$ 94,906,581	$ 12,762,785	13.45%
License and application fees	634,639	632,999	1,640	0.26%
Other revenue	2,505,505	1,905,441	600,064	31.49%
Total revenues	110,809,510	97,445,021	13,364,489	13.71%
Expenditures				
Operating expenditures	8,331,476	7,444,237	887,239	11.92%
Background investigations	64,961	28,712	36,249	126.25%
State agency services	3,976,102	3,778,776	197,326	5.22%
Total expenditures	12,372,539	11,251,725	1,120,814	9.96%
Excess of revenues over expenditures	98,436,971	86,193,296	12,243,675	14.20%
Fund balance, beginning of year	3,031,507	2,119,297	912,210	43.04%
Less Gaming Fund distribution	96,742,402	85,281,086	11,461,316	13.44%
Fund balance, end of year	$ 4,726,076	$ 3,031,507	$ 1,694,569	55.90%

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

The following chart compares fiscal year 2009 and fiscal year 2008 revenues, expenditures and changes in fund balance.

	Fiscal Year 2009	Fiscal Year 2008	Increase (Decrease) Dollars	Percent
Revenues				
Gaming taxes	$ 94,906,581	$ 108,185,631	$ (13,279,050)	(12.27)%
License and application fees	632,999	522,571	110,428	21.13%
Other revenue	1,905,441	3,366,683	(1,461,242)	(43.40)%
Total revenues	97,445,021	112,074,885	(14,629,864)	(13.05)%
Expenditures				
Operating expenditures	7,444,237	6,393,007	1,051,230	16.44%
Background investigations	28,712	64,177	(35,465)	(55.26)%
State agency services	3,778,776	3,861,265	(82,489)	(2.14)%
Total expenditures	11,251,725	10,318,449	933,276	9.04%
Excess of revenues over expenditures	86,193,296	101,756,436	(15,563,140)	(15.29)%
Fund balance, beginning of year	2,119,297	954,559	1,164,738	122.02%
Less Gaming Fund distribution	85,281,086	100,591,698	(15,310,612)	(15.22)%
Fund balance, end of year	$ 3,031,507	$ 2,119,297	$ 912,210	43.04%

Conditions Affecting Financial Position or Results of Operations

Amendment 50

Amendment 50 was implemented 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 24/7. The impact of Amendment 50 on gaming revenues, based upon the allocation formula set by Rule 24 of the Colorado Limited Gaming Regulations, was $9,915,588 for fiscal year 2010, or 9.03% of total gaming revenues.

Staffing Changes

As indicated in the Management's Discussion and Analysis for fiscal year 2009, several of the Division’s vacant positions were held open due to significant budget deficits. While some were eventually filled, a few continue to be held vacant until the State’s budget situation improves.

Weak Economy

The nation-wide recession that plagued the gaming industry during the last fiscal year also spilled over into the current fiscal year. However, it appears as though players are visiting casinos more frequently, primarily due to the extended hours and new games.

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Conditions Affecting Financial Position or Results of Operations (continued)

Field Offices

As indicated in the Management's Discussion and Analysis for fiscal year 2009, the Division entered into a 10-year lease contract with the developer of the Cripple Creek field office with an option to purchase the building. The Division received approval to purchase this facility from the Capital Construction Development Committee and the Legislature approved the funding for the purchase using proceeds from the Limited Gaming Fund. The Division closed on the purchase of the building on June 15, 2010.

Lakewood Office

Additional staffing, primarily as a result of Amendment 50, has resulted in the need for additional space for the Division's main office in Lakewood. Throughout the fiscal year, management inspected numerous potential office site locations and eventually settled on a site at the confluence of Colfax Avenue, I-70, and C-470, in Golden. In the latter half of the fiscal year, the Division entered into a 10-year lease contract with the landlord of this property. The contract takes affect August 1, 2010, or upon possession of the premises. The Division expects demolition and build out to be completed on or about September 1, 2010, at which time Division staff will relocate to the new premises. The fiscal year 2010 monthly costs associated with the Division's occupancy of the current Lakewood office was $5,405 per month. Since the Division will be leasing the Golden office, the fiscal year 2011 costs will be $22,845 per month. However, the Division will be saving $7,414 per month due to the purchase of the Cripple Creek office building; therefore, the net monthly increase in costs will be $10,026. The new site is further west than the Division's existing office and will place the Division in closer proximity to the gaming towns of Black Hawk and Central City.

Distribution

On August 26, 2010, the Commission is expected to approve the distribution of $7,930,401 for the fiscal year ended June 30, 2010, in accordance with Section 12-47.1-701.5 C.R.S

Distributions to Extended Gaming Recipients:		
Community Colleges	$	6,185,713
Gilpin and Teller Counties		951,648
Cities of Cripple Creek, Central City and Black Hawk		793,040
Total distribution attributable to extended gaming	$	7,930,401

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.

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Distribution (continued)

At the end of each fiscal year, the Division distributes the balance remaining in the Limited and Extended Gaming Funds after reserving an amount equal to expenditures for the preceding two-month period. The distribution for fiscal year ended June 30, 2010 was $96,742,402.

The chart below compares the amounts distributed to the various recipients for fiscal years 2010 and 2009.

Funds Distribution Comparison

	For the Years Ended			Percent
	June 30, 2010	June 30, 2009	Difference	Difference
Colorado State Historical Fund	$ 24,867,360	$ 23,878,704	$ 988,656	4.14%
Colorado Department of Transportation	-	10,127,274	(10,127,274)	(100.00)%
Colorado Travel and Tourism Promotion Fund	14,208,015	15,578,699	(1,370,684)	(8.80)%
Local Government Limited Gaming Impact Fund	3,772,780	5,543,271	(1,770,491)	(31.94)%
Colorado Council on the Arts Cash Fund	1,121,726	1,200,026	(78,300)	(6.52)%
Colorado Film Commission	-	300,000	(300,000)	(100.00)%
Colorado Office of Film, Television, and Media Operational Account Cash Fund (was Film Incentives Cash Fund in FY2009)	407,998	180,011	227,987	126.65%
New Jobs Incentives Cash Fund	1,291,231	1,400,052	(108,821)	(7.77)%
Bioscience Discovery Evaluation Cash Fund	5,500,000	4,500,000	1,000,000	22.22%
Innovative Higher Education Research Fund	1,904,251	1,000,000	904,251	90.43%
Total payments to other state agencies	53,073,361	63,708,037	(10,634,676)	(16.69)%
City of Black Hawk	6,516,136	6,056,663	459,473	7.59%
City of Central City	751,350	773,500	(22,150)	(2.86)%
City of Cripple Creek	1,613,714	1,697,946	(84,232)	(4.96)%
Gilpin County	8,720,983	8,196,195	524,788	6.40%
Teller County	1,936,457	2,037,535	(101,078)	(4.96)%
Total payment due to other governments	19,538,640	18,761,839	776,801	4.14%

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DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Funds Distribution Comparison (continued)

	For the Years Ended			Percent
	June 30, 2010	June 30, 2009	Difference	Difference
Due to the General Fund	16,200,000	2,811,210	13,388,790	476.26%
Due to the Extended Gaming Distribution	7,930,401	-	7,930,401	100.00%
Total distribution	$ 96,742,402	$ 85,281,086	$ 11,461,316	13.44%

The distribution for fiscal year ended June 30, 2009 was $85,281,086.

The chart below compares the amounts distributed to the various recipients for fiscal years 2009 and 2008.

Funds Distribution Comparison

	For the Years Ended			Percent
	June 30, 2009	June 30, 2008	Difference	Difference
Colorado State Historical Fund	$ 23,878,704	$ 28,165,675	$ (4,286,971)	(15.22)%
Colorado Department of Transportation	10,127,274	14,292,757	(4,165,483)	(29.14)%
Colorado Travel and Tourism Promotion Fund	15,578,699	20,107,662	(4,528,963)	(22.52)%
Local Government Limited Gaming Impact Fund	5,543,271	6,538,460	(995,189)	(15.22)%
Colorado Council on the Arts Cash Fund	1,200,026	1,587,447	(387,421)	(24.41)%
Colorado Film Commission	300,000	-	300,000	100.00%
Film Incentives Cash Fund	180,011	634,979	(454,968)	(71.65)%
New Jobs Incentives Cash Fund	1,400,052	3,174,894	(1,774,842)	(55.90)%
Bioscience Discovery Evaluation Grant Program	4,500,000	-	4,500,000	100.00%
Innovative Higher Education Research Fund	1,000,000	-	1,000,000	100.00%
Clean Energy Fund	-	3,959,650	(3,959,650)	(100.00)%
Total payments to other state agencies	63,708,037	78,461,524	(14,753,487)	(18.80)%
City of Black Hawk	6,056,663	7,172,188	(1,115,525)	(15.55)%
City of Central City	773,50	972,722	(199,222)	(20.48)%
City of Cripple Creek	1,697,946	1,914,260	(216,314)	(11.30)%
Gilpin County	8,196,195	9,773,892	(1,577,697)	(16.14)%
Teller County	2,037,535	2,297,112	(259,577)	(11.30)%
Total payment due to other governments	18,761,839	22,130,174	(3,368,335)	(15.22)%
Due to the General Fund	2,811,210	-	2,811,210	100.00%
Total distribution	$ 85,281,086	$ 100,591,698	$ (15,310,612)	(15.22)%

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Distribution

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

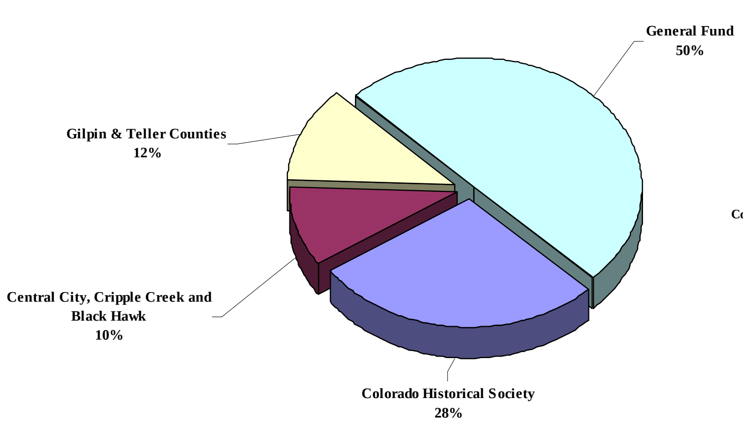
- 50% to the State General Fund, of which 13% is to be distributed to the Local Government Limited Gaming Impact Fund less $2,000,000 to the State General Fund, $14,200,000 to the State General Fund plus $2,000,000 from Local Government Limited Gaming Impact Fund's share, $5,500,000 to the Bioscience Discovery Evaluation Cash Fund, $14,922,231 to the Colorado Travel & Tourism Promotion Fund[1], $2,000,000 to the Innovative Higher Education Research Fund[1], $1,356,142 to the New Jobs Incentives Cash Fund[1], $1,178,071 to the State Council on the Arts Cash Fund[1], $428,556 to the Colorado Office of Film, Television, and Media Operational Account Cash Fund[1];

  [1]In Fiscal Year 2010 the total of all designated funds exceeded 50% of the General Fund share; therefore, marked funds were reduced proportionally to equal the 50% General Fund share. If the total of all designated funds had been less than the 50% General Fund share, then marked funds would have been increased proportionally to equal the 50% General Fund share.

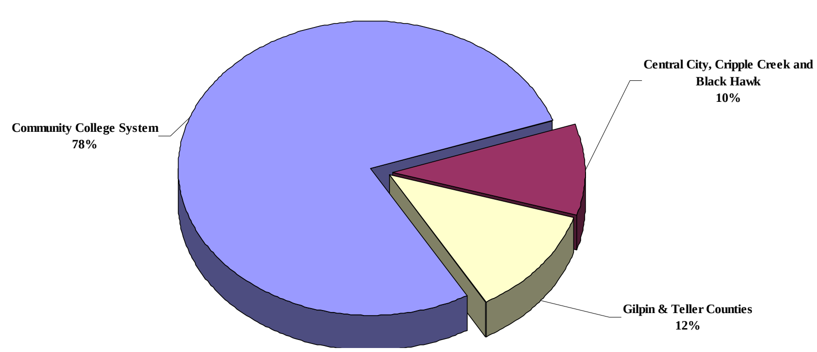
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1991 through 2010.

Colorado Limited Gaming Distribution Formula
(Original Recipients)

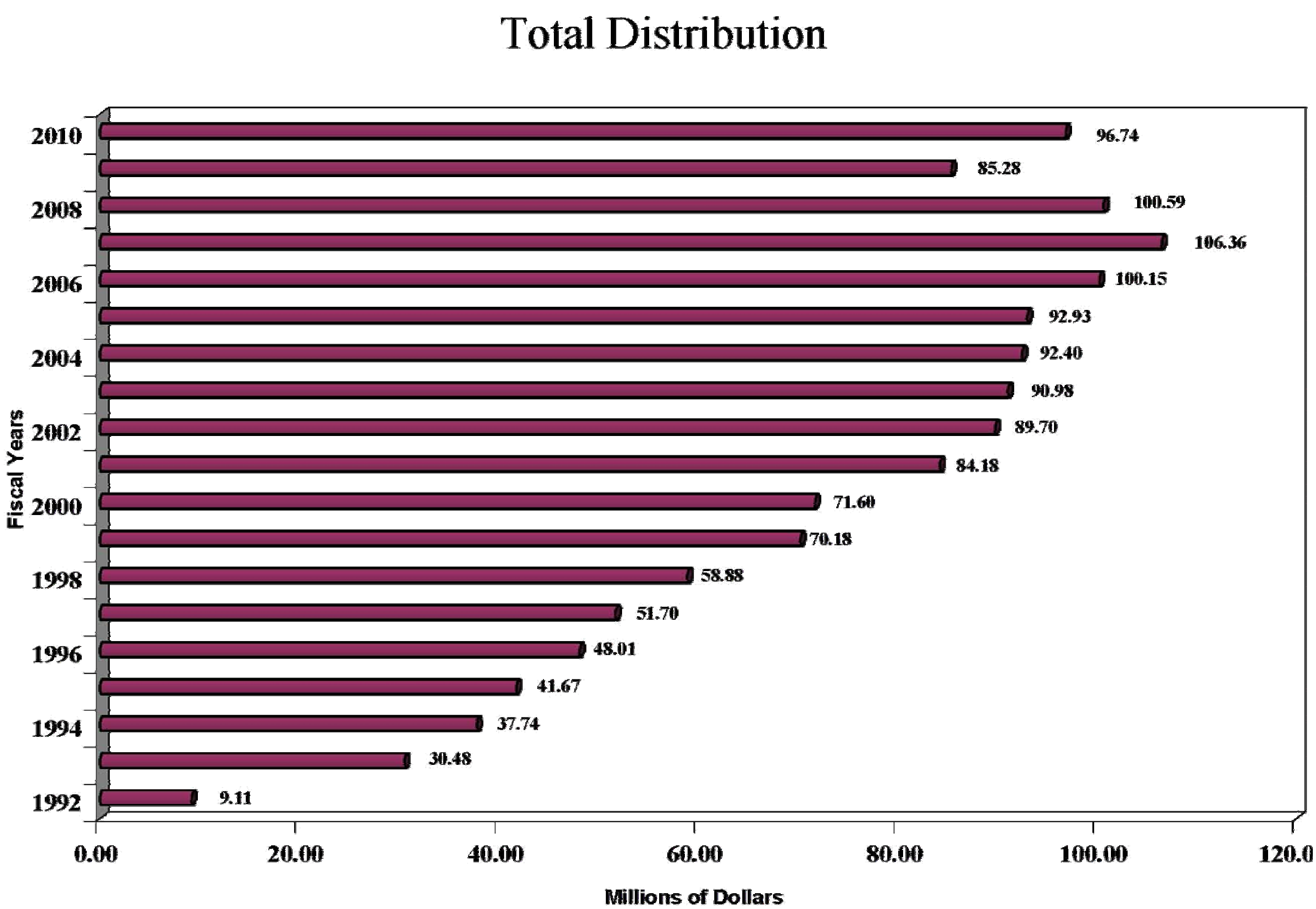


Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Distribution (continued)



* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Budget

The Colorado Limited Gaming Control Commission approves the Division's budget. Throughout the year, the budget can be amended if approved by the Colorado Limited Gaming Commission.

Changes approved in September 2009

- The Personal services appropriation was decreased by $86,570. This is a result of the 1.82% statewide mandated personal services reduction.
- The Indirect Costs appropriation was decreased by a net of $3,708. The Indirect Costs appropriation was reduced by $9,424 as a result of the 1.82% statewide mandated personal services reduction, and increased by $5,716 for indirect postage costs.

Changes approved in December 2009

- The Personal services appropriation was decreased by $42,590. This was due to a request to process an additional statewide mandated personal services reduction.
- The Indirect Costs appropriation was increased by $9,949.

Changes approved in January 2010

- The Fixed Vehicle Lease appropriation was increased by $7,689.

Changes approved in March 2010

- The Variable Vehicle Lease appropriation was decreased by $15,000.

Changes approved in April 2010

- The Health, Dental, and Life Insurance appropriation was decreased by $58,511.
- The Short Term Disability appropriation was decreased by $638.
- The Amortization Equalization Disbursement appropriation was decreased by $27,460.
- The Supplemental Amortization Equalization Disbursement appropriation was decreased by $17,163.
- The Workers Compensation appropriation was decreased by $2,402.
- The Risk Management appropriation was decreased by $872.
- The Capitol Complex Leased Space appropriation was decreased by $1,941.

Changes approved in May 2010

- The Indirect Costs appropriation was decreased by $6,689.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Budget (continued)

The budget approved at the beginning of the year was $13,840,166. The amendments and rollforwards to the budget resulted in a net decrease of $245,906. Therefore, the final approved budget for fiscal year 2010 was $13,594,260. Total actual expenditures were $12,372,539 resulting in excess appropriations, or a savings of $1,221,721 for fiscal year 2010.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2010 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 statewide figure setting policy adopted by the Joint Budget Committee (JBC) for fiscal year 2011. The Division's request totaled $10,071,796, which represents a (1.79)% decrease from the fiscal year 2010 appropriation. The largest decrease in fiscal year 2011's budget is the removal of the funds that had been appropriated to purchase the Cripple Creek office building. The largest increase is in the leased space appropriation line due to the upcoming relocation of the Lakewood office. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $3,474,709 and a budget request submitted by the Department of Local Affairs for $151,516. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2011 included the continuation of the current tax structure, tax rates, license and application fees in effect, and continuation of the current interest rate being paid to the fund. Fiscal year 2011 revenue estimates total $115.4 million, a $5.5 million increase over fiscal year 2010 actual revenue.

During the almost 18 years of gaming in Colorado, we have 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, 1881 Pierce Street Suite 112, Lakewood, CO 80214-1496, or visit our website: www.colorado.gov/revenue/gaming

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COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
JUNE 30, 2010 AND 2009

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

The tax rates for period ending June 30, 2010 are:

.25% on amounts up to $2 million
2% on amounts over $2 million and up to $5 million
9% on amounts over $5 million and up to $8 million
11% on amounts over $8 million and up to $10 million
16% on amounts over $10 million and up to $13 million
20% on amounts over $13 million

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

For Periods Beginning July 1, 2008 and 2009 through June 30, 2009 and 2010

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 4,141,925	$ 4,387,702	$ 245,777	5.93%
$2 - $5 Million	$ 44,050,802	$ 36,843,412	$ (7,207,390)	(16.36%)
$5 - $8 Million	$ 31,659,704	$ 22,835,896	$ (8,823,808)	(27.87%)
$8 - $10 Million	$ 29,264,780	$ 46,287,010	$ 17,022,230	58.17%
$10 - $13 Million	$ 22,720,859	$ 10,488,411	$ (12,232,448)	(53.84%)
$13+ Million	$ 569,455,348	$ 644,149,657	$ 74,694,309	13.12%
Total	$ 701,293,418	$ 764,992,088	$ 63,698,670	9.08%

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 200,355	$ 195,969	$ (4,386)	(2.19%)
$2 - $5 Million	$ 1,861,016	$ 1,856,868	$ (4,148)	(0.22%)
$5 - $8 Million	$ 5,999,373	$ 6,195,231	$ 195,858	3.26%
$8 - $10 Million	$ 4,319,126	$ 4,431,571	$ 112,445	2.60%
$10 - $13 Million	$ 7,635,337	$ 7,758,146	$ 122,809	1.61%
$13+ Million	$ 74,891,070	$ 87,229,931	$ 12,338,861	16.48%
Total	$ 94,906,277	$ 107,667,716	$ 12,761,439	13.45%

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	2	3	1
$2 - $5 Million	13	11	(2)
$5 - $8 Million	5	4	(1)
$8 - $10 Million	3	5	2
$10 - $13 Million	2	1	(1)
$13+ Million	15	16	1
	40	40	0

COLORADO DIVISION OF GAMING
(AGENCY OF THE STATE OF COLORADO)
COMBINED BALANCE SHEET - SPECIAL REVENUE FUND
JUNE 30, 2010 and 2009

	GOVERNMENTAL FUND TYPE	
	2010	2009
ASSETS:		
Cash and Temporary Cash Investments - Note 2	$ 83,487,721	$ 79,463,014
Accounts Receivable - Note 3		
Gaming Taxes	11,018,235	10,116,064
Accounts Receivable Other Agencies	0	3,317
Fines Receivable	849	753
Other	641	2,923
Net Accounts Receivable	11,019,725	10,123,057
Prepaid Expenses	24,876	25,072
TOTAL ASSETS	$ 94,532,322	$ 89,611,143
LIABILITIES AND FUND EQUITY:		
Liabilities:		
Accounts Payable	$ 61,483	$ 57,481
Accrued Payroll Payable - Note 1	567,720	579,458
Wages and Salaries Payable	736	320
Due to Other State Agencies - Note 13	53,097,491	63,916,977
Due to Other Governments - Note 13	19,538,640	18,761,839
Due to the State's General Fund - Note 13	16,200,000	2,811,210
Background and Other Deposits - Note 5	95,456	163,101
Deferred Revenue - Note 5	244,720	289,250
Total Liabilities	89,806,246	86,579,636
Fund Balance:		
Reserved Fund Balance - Note 7	2,857,039	2,148,380
Designated Unreserved Fund Balance - Note 2	1,869,037	883,127
Total Fund Balance	4,726,076	3,031,507
TOTAL LIABILITIES AND FUND BALANCE	$ 94,532,322	$ 89,611,143

See Notes to Financial Statements

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2010 AND 2009
(UNAUDITED)

	FY 2010	FY 2009
REVENUES:		
Gaming Taxes	$ 107,669,366	$ 94,906,581
License and Application Fees	634,639	632,999
Background Investigations	358,247	242,760
Fines	60,575	12,401
Interest Income - Note 2	1,099,905	1,202,511
Investment Income - Note 2	985,910	447,352
Other Revenue	868	417
TOTAL REVENUES	110,809,510	97,445,021
EXPENDITURES:		
Salaries and Benefits	6,591,401	6,355,102
Annual and Sick Leave Payouts	4,135	8,839
Professional Services	46,782	70,867
Travel	20,383	85,623
Automobiles	144,082	133,244
Printing	10,517	12,644
Police Supplies	11,009	33,021
Computer Services & Name Searches	129,776	136,021
Materials, Supplies, and Services	275,597	294,291
Postage	3,325	3,496
Telephone	73,205	70,241
Utilities	19,318	16,848
Other Operating Expenditures	15,289	24,540
Leased Space - Note 8	150,478	158,074
Capital Outlay	836,179	41,385
EXPENDITURES - SUBTOTAL	8,331,476	7,444,236
STATE AGENCY SERVICES - Note 13		
Colorado Bureau of Investigations	755,373	691,465
Fire Safety	181,797	148,302
Colorado State Patrol	2,105,317	2,039,646
State Auditors	31,775	32,550
Indirect Costs - Department of Revenue	610,868	579,221
Local Affairs	158,094	147,678
Colorado Department of Law	132,878	139,915
TOTAL STATE AGENCY SERVICES	3,976,102	3,778,777
Background Expenditures	64,961	28,712
TOTAL EXPENDITURES	12,372,539	11,251,725
EXCESS OF REVENUES OVER EXPENDITURES	98,436,971	86,193,296
FUND BALANCE AT JULY 1, 2009 AND 2008	3,031,507	2,119,297
FY Distribution - Note 7	(96,742,402)	(85,281,086)
FUND BALANCE AT JUNE 30, 2010 AND 2009	$ 4,726,076	$ 3,031,507

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED JUNE 30, 2010
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 129,291,401	$ 0	$ 129,291,401	$ 107,669,366	$ (21,622,035)	83.28%
License and Application Fees	637,848	0	637,848	634,639	(3,209)	99.50%
Background Investigations	253,768	0	253,768	358,247	104,479	141.17%
Fines	0	0	0	60,575	60,575	100.00%
Interest Revenue	1,311,461	0	1,311,461	1,099,905	(211,556)	83.87%
Other Revenue	0	0	0	868	868	100.00%
TOTAL REVENUES	131,494,478	0	131,494,478	109,823,600	(21,670,878)	83.52%
EXPENDITURES:						
Personal Services	6,755,705	(129,160)	6,626,545	6,084,986	(541,559)	91.83%
Health, Dental and Life Insurance	465,003	(58,511)	406,492	406,492	0	100.00%
Short Term Disability	7,747	(638)	7,109	7,109	0	100.00%
Amortization Equalization Disbursement	119,190	(27,460)	91,730	91,730	0	100.00%
Supplemental Amort. Equal. Disbursmnt	74,494	(17,163)	57,331	57,331	0	100.00%
Operating Expenditures	613,084	0	613,084	362,427	(250,657)	59.12%
Workers Compensation	30,847	(2,402)	28,445	28,445	0	100.00%
Risk Management	11,922	(872)	11,050	11,050	0	100.00%
Licensure Activities	181,497	0	181,497	123,096	(58,401)	67.82%
Leased Space	96,684	0	96,684	85,620	(11,064)	88.56%
Vehicle Lease Payments - Fixed	74,208	7,689	81,897	81,897	0	100.00%
Vehicle Lease Payments - Variable	81,799	(15,000)	66,799	62,155	(4,644)	93.05%
Utilities	25,465	0	25,465	19,318	(6,147)	75.86%
EDO - MNT	23,501	0	23,501	23,501	0	100.00%
EDO - Communications	19,057	0	19,057	19,057	0	100.00%
Capitol Complex Leased Space	66,799	(1,941)	64,858	64,858	0	100.00%
Legal Services	139,209	0	139,209	132,878	(6,331)	95.45%
Indirect Costs - Department of Revenue	612,365	(448)	611,917	610,868	(1,049)	99.83%
State Agency Services	3,338,626	0	3,338,626	3,200,581	(138,045)	95.87%
Cripple Creek Office Building Purchase	839,000	0	839,000	834,179	(4,821)	99.43%
Division Expenditures	13,576,202	(245,906)	13,330,296	12,307,578	(1,022,718)	92.33%
Background Expenditures	263,964	0	263,964	64,961	(199,003)	24.61%
TOTAL EXPENDITURES	13,840,166	(245,906)	13,594,260	12,372,539	(1,221,721)	91.01%
EXCESS OF REVENUES OVER EXPENDITURES	$ 117,654,312	N/A	$ 117,900,218	$ 97,451,061	$ (20,449,157)	82.66%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through June 30, 2010 is 100.0%.

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.

The State of Colorado 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 an individual fund, 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 is 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.

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.

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.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Budget

The Statement 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 2010 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 authorization or supplemental budget approval. The Commission must approve all modifications. Appropriations lapse at fiscal year end unless a roll-forward of the unexpended budget has been approved.
Total appropriations for the fiscal years are as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Appropriations	$ 13,840,166	$ 11,512,337
Supplemental appropriations	(245,906)	1,669,208
Total appropriations	$ 13,594,260	$ 13,181,545

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.

Note 2 - Cash and Temporary Cash Investments

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. The Division deposits cash with the Colorado State Treasurer as required by C.R.S. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division as of June 30, 2010 and 2009, was approximately $83.5 and $79.0 million, respectively.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 2 - Cash and Temporary Cash Investments (continued)

The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. 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, 2010 and 2009, the Division's share of unrealized gain was $985,910 and $447,352 respectively. The State Treasurer does not invest any of the pool 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 "Investment Income" in the Statement 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.

Designated Unreserved Fund Balance of $1,869,037 and $883,127 at June 30, 2010 and 2009, respectively, represent the cumulative unrealized net gain on cash and temporary cash investments and is not available for use in the gaming distribution calculation.

Subsequent to the issuance of the Division's fiscal year 2009 financial statements, the Colorado Office of the State Controller reissued the State Treasury's unrealized gains and losses report for fiscal year 2009. As a result, the Division's share of the unrealized gain was under reported by $174,827 for the year ended June 30, 2009. The Division recorded the additional $174,827 unrealized gain during the year ended June 30, 2010.

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, 2010 and 2009, $1,099,905 and $1,202,511, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2010 and 2009, the State Treasurer paid interest at 2.30% and 2.94%, respectively, based on average annualized monthly interest rates.

Note 3 - Accounts Receivable

As of June 30, 2010 and 2009, the Division had accounts receivable balances of $11,019,725 and $10,123,057, respectively. At June 30, 2010 and 2009, the Division had $11,018,235 and $10,116,064, respectively, of gaming taxes receivable from 40 Colorado casinos each year. These receivables primarily represent June 2010 and 2009 gaming taxes, which were due on July 15, 2010 and 2009, respectively, and were subsequently collected by the Department of Revenue in July 2010 and 2009 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

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Note 4 - Changes in Capital Assets and Accumulated Depreciation

Pursuant to the provisions of Governmental Accounting Standards Board ("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 is 30 years for the building, 5 to 10 years for leasehold improvements, furniture, equipment, and 10 years for licensing software.

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			
	Land	Construction in Progress	Subtotal	Vehicles and Equipment	Building	Subtotal	Total
Cost							
Balances, June 30, 2008	$421,000	$ 59,338	$480,338	$ 552,163	$ 331,118	$ 883,281	$ 1,363,619
Additions		8,663	8,663	24,660	8,062	32,722	41,385
Disposals	-	-	-	-	-	-	-
CIP Transfers	-	(59,338)	(59,338)	-	59,338	59,338	-
Balances, June 30, 2009	421,000	8,663	429,663	576,823	398,518	975,341	1,405,004
Additions	115,138	-	115,138	-	721,042	721,042	836,180
Disposals	-	-	-	-	-	-	-
CIP Transfers	-	(8,663)	(8,663)	-	8,663	-	-
Balances, June 30, 2010	536,138	-	536,138	576,823	1,128,223	1,705,046	2,241,184
Accumulated depreciation							
Balances, June 30, 2008	-	-	-	(451,931)	(53,286)	(505,217)	(505,217)
Additions	-	-	-	(46,336)	(9,438)	(55,774)	(55,774)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2009	-	-	-	(498,267)	(62,724)	(560,991)	(560,991)
Additions	-	-	-	(46,884)	(10,677)	(57,561)	(57,561)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2010	-	-	-	(545,151)	(73,401)	(618,552)	(618,552)
Total capital assets, net	$536,138	$ -	$536,138	$ 31,672	$1,054,822	$1,086,494	$ 1,622,632

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 5 - Other Liabilities

Included in other liabilities are deposits and deferred 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 $91,143 and $155,091 at June 30, 2010 and 2009, respectively, represent background investigation deposits, as well as $4,314 and $8,010 of monies at June 30, 2010 and 2009, 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 2-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of June 30, 2010 and 2009, deferred license fees were $244,720 and $289,250, 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, 2010:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2008	$ 359,033	$ 52,012	$ 411,045
Increase	290,633	47,436	338,069
Decrease	(205,319)	(40,704)	(246,023)
Balances, June 30, 2009	444,347	58,744	503,091
Increase	328,575	52,407	380,982
Decrease	(308,437)	(56,242)	(364,679)
Balances, June 30, 2010	$ 464,485	$ 54,909	$ 519,394

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 7 – A. Limited Gaming Distribution

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

- 50% to the State General Fund, of which 13% is to be distributed to the Local Government Limited Gaming Impact Fund less $2,000,000 to the State General Fund, $14,200,000 to the State General Fund plus $2,000,000 from Local Government Limited Gaming Impact Fund's share, $5,500,000 to the Bioscience Discovery Evaluation Cash Fund, $14,922,231 to the Colorado Travel & Tourism Promotion Fund[1], $2,000,000 to the Innovative Higher Education Research Fund[1], $1,356,142 to the New Jobs Incentives Cash Fund[1], $1,178,071 to the State Council on the Arts Cash Fund[1], $428,556 to the Colorado Office of Film, Television, and Media Operational Account Cash Fund[1];

  [1]In Fiscal Year 2010 the total of all designated funds exceeded 50% of the General Fund share; therefore, marked funds were reduced proportionally to equal the 50% General Fund share. If the total of all designated funds had been less than the 50% General Fund share, then marked funds would have been increased proportionally to equal the 50% General Fund share.

- 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, 2010 and 2009, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two month period was $2,857,039 and $2,148,380, respectively.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 7 – A. Limited Gaming Distribution (continued)

On August 26, 2010, the Commission is expected to approve the distribution of $88,812,001 for the fiscal year ended June 30, 2010, in accordance with Section 12-47.1-701 C.R.S. In August 2009, $85,281,086 was approved as the 2009 distribution. The adjusted distributions are summarized as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Distribution to the State General Fund	$ 16,200,000	$ 2,811,210
Distribution to other state agencies		
Colorado State Historical Fund	24,867,360	23,878,704
Local Government Limited Gaming Impact Fund	3,772,780	5,543,271
Colorado Travel and Tourism Promotion Fund	14,208,015	15,578,699
Colorado Council on the Arts Cash Fund	1,121,726	1,200,026
Colorado Office of Film, Television, and Media Operational Account Cash Fund (Film Incentives Cash Fund in FY2009)	407,998	180,011
Colorado Film Commission	-	300,000
New Jobs Incentives Cash Fund	1,291,231	1,400,052
Bioscience Discovery Evaluation Cash Fund/Grant Program	5,500,000	4,500,000
Innovative Higher Education Research Fund	1,904,251	1,000,000
Colorado Department of Transportation	-	10,127,274
Total distributions to other state agencies	69,273,361	63,708,037
Distributions to other governments		
Gilpin and Teller Counties	10,657,440	10,233,730
Cities of Cripple Creek, Central City and Black Hawk	8,881,200	8,528,109
Total distributions to other governments	19,538,640	18,761,839
Total distributions	$ 88,812,001	$ 85,281,086

Note 7 – B. Extended Gaming Distribution

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

- 78% to the Colorado Community College System;
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 7 – B. Extended Gaming Distribution (continued)

- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.

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

(1) "Extended gaming" means subsection (7) of section 9 of article XVIII of the state constitution as approved by statewide voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central City and Cripple Creek;

(2) "Extended gaming revenues" mean the "limited gaming tax revenues attributable to extended limited gaming" as defined by Section 12-47.1-701.5(4)(d);

(3) "Limited gaming revenues" mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

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

(1) After the end of the fiscal year ending June 30, 2010, the Commission shall determine limited gaming revenues by multiplying the amount of total gaming tax revenues collected during the fiscal year ending June 30, 2009, by a factor of three percent and adding that amount to the amount of total gaming tax revenues collected during fiscal year 2009. This amount is $97,753,778.27. Any gaming tax revenues collected over this amount in fiscal year 2010, will be attributable to extended gaming revenues.

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

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

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

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 7 – B. Extended Gaming Distribution (continued)

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

On August 26, 2010, the Commission is expected to approve the distribution of $7,930,401 for the fiscal year ended June 30, 2010, in accordance with Section 12-47.1-701.5 C.R.S

Distributions to Extended Gaming Recipients		
Community Colleges	$	6,185,713
Gilpin and Teller Counties		951,648
Cities of Cripple Creek, Central City and Black Hawk		793,040
Total distribution attributable to extended gaming	$	7,930,401

Note 8 - Commitments and Contingencies

Cripple Creek Building

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at a new location in Cripple Creek, Colorado. The lease began in September 2007 with an initial term of ten years. On January 1, 2009 House Bill 08-1395 went into effect establishing those properties used by a State of Colorado entity under a lease agreement will be exempt from all property taxes. The portion of the property leased by the State will reduce the assessed value of the property and the real property tax due. This reduction in property tax due decreased the amount owed by the State in rental obligations. Total Cripple Creek lease expenditures were $85,620 in fiscal year 2010 and $90,807 in fiscal year 2009. The additional amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance represent the Division's share of Capitol Complex lease cost.

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

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Note 8 - Commitments and Contingencies (continued)

Lakewood 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. This lease term will begin either when substantial tenant improvements have been completed or on August 1, 2010 if the tenant improvements are completed prior to said date. The initial term of the lease is ten years. Once the first month of occupancy begins, a rent credit of $20,501 will be provided per the signed lease agreement.

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

Lakewood Office (continued)

LAKEWOOD
Estimated Future Payments

Fiscal Year		
FY 2011	**To Be Determined Based on Occupancy Date** ($22,845 per month.)	
FY 2012		$ 279,509
FY 2013		285,038
FY 2014		290,566
FY 2015		296,582
FY 2016		302,599
FY 2017		308,777
FY 2018		315,281
FY 2019		321,785
FY 2020		328,615
		$ 2,728,752

Sunset Review

Under Section 12-47.1-206 C.R.S., the Division is subject to a "sunset" law, which provides that the Division's existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. The original sunset date for the Division was July 1, 2003. During fiscal year 2003, a sunset review was completed, the law was amended and the sunset date was extended to July 1, 2013. The Division's existence will continue after July 1, 2013, only through the passage of a bill by the General Assembly. The General Assembly is expected to conduct a sunset review prior to the sunset date. A sunset review report is anticipated to be available after October 15, 2012, after which time the General Assembly will determine whether or not the Division will continue.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 8 - Commitments and Contingencies (continued)

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. During fiscal years 2010 and 2009, the Division expended $58,978 and $57,260, respectively, under this contract.

Note 9 - Pension Plan

Plan Description

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

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, excluding community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution plan. If that election is not made, the employee is automatically enrolled in the plan to which he last contributed or, if there was no prior participation, to the defined benefit plan. PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 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 amount as the contributions to the PERA defined benefit plan.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

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

- Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

State troopers and judges comprise a small percentage of plan members but have higher contribution rates, and state troopers are eligible for retirement benefits at different ages and years of service.

Most 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, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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. From July 1, 2009, to December 31, 2009, the state contributed 12.95 percent of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85 percent. During all of Fiscal Year 2010, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Funding Policy (continued)

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED.

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The department/institution's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2010, 2009, and 2008 were $643,950, $585,054, and $451,640, 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. On July 1, 2009, administration of the state's defined contribution plan was transferred to PERA and participants of the state's plan became participants of the PERA defined contribution plan. Existing state plan members at the time of the transfer became participants in the PERA defined contribution plan and retained their vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 10 – Other Retirement Plans (continued)

Defined Contribution Plan (continued)

Participants in the plan are required to contribute 8 percent of their salary. At December 31, 2009, the plan had 3,039 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, 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 $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan. Certain agencies and institutions of the state offer 403(b) or 401(a) plans.

Note 11 – Other Post Employment Benefits

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a 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.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 11 – Other Post Employment Benefits (continued)

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 10. Beginning July 1, 2004, state agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Division contributed $51,160, $50,046, and $41,740 as required by statute in Fiscal Years 2010, 2009, and 2008, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8 percent, and a 53-year amortization period.

Note 12 - Risk Management

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

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

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 13 - Related Party Transactions

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, the Division's share of the building purchase, and other direct and indirect expenses incurred. In fiscal years 2009 and 2008, the legal services expenditures returned to having their own appropriation and line item on the Statement of Revenues, Expenditures, and Changes in Fund Balance. Interagency charges consist of the following:

	For the Years Ended	
	2010	2009
State agency services		
Colorado State Patrol	$ 2,105,317	$ 2,039,646
Colorado Bureau of Investigations	755,373	691,464
Colorado Division of Fire Safety	181,797	148,302
Indirect costs (Colorado Department of Revenue)	610,868	579,221
Legal Services (Colorado Department of Law)	132,878	139,915
Office of the State Auditor	31,775	32,550
Colorado Department of Local Affairs	158,094	147,678
Total payments to state agencies	$ 3,976,102	$ 3,778,776

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.

Note 13 - Related Party Transactions (continued)

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

	June 30,	
	2010	2009
State agencies		
Colorado State Historical Society	$ 24,867,360	$ 23,878,704
Colorado Department of Local Affairs	3,772,780	5,543,271
Office of Economic Development	22,528,969	23,158,788
Colorado Department of Transportation	-	10,127,461
Colorado Department of Higher Education	1,904,251	1,000,000
Colorado State Patrol	-	176,758
Colorado Department of Revenue	389	10,228
Colorado Division of Fire Safety	23,742	21,767
Total liabilities to state agencies	53,097,491	63,916,977
State General Fund	16,200,000	2,811,210
Other governments		
City of Black Hawk	6,516,136	6,056,663
City of Central City	751,350	773,499
City of Cripple Creek	1,613,714	1,697,946
Gilpin County	8,720,983	8,196,195
Teller County	1,936,457	2,037,536
Total liabilities to other governments	19,538,640	18,761,839
Total liabilities to state agencies, State General Fund and other governments	$ 88,836,131	$ 85,490,026

Total related party liabilities of $88,836,131 and $85,490,026 at June 30, 2010 and 2009, respectively, include amounts due to the Colorado State Patrol, Department of Revenue, Department of Transportation, and Division of Fire Safety which total $24,130 and $208,940, respectively. The remaining liabilities of $88,812,001 and $85,281,086, respectively, are related to the fiscal years 2010 and 2009 gaming distributions.

* Fiscal Year 2009 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2009 numbers match the audited financial statements.