STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE SIX (6) MONTHS ENDED

DECEMBER 31, 2010

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
DECEMBER 31, 2010 AND 2009

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

The tax rates for period ending June 30, 2011 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, 2011 are the same as they were for year ending June 30, 2010.

For Periods Beginning July 1, 2009 and 2010 through December 31, 2009 and 2010

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 14,434,688	$ 13,739,523	$ (695,165)	(4.82%)
$2 - $5 Million	$ 41,948,161	$ 41,281,824	$ (666,337)	(1.59%)
$5 - $8 Million	$ 19,358,429	$ 34,390,615	$ 15,032,186	77.65%
$8 - $10 Million	$ 35,526,517	$ 29,056,916	$ (6,469,601)	(18.21%)
$10 - $13 Million	$ 21,918,069	$ 11,101,041	$ (10,817,028)	(49.35%)
$13+ Million	$ 254,510,560	$ 252,699,473	$ (1,811,087)	(0.71%)
Total	$ 387,696,424	$ 382,269,392	$ (5,427,032)	(1.40%)

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 181,087	$ 179,349	$ (1,738)	(0.96%)
$2 - $5 Million	$ 1,378,963	$ 1,365,637	$ (13,326)	(0.97%)
$5 - $8 Million	$ 4,172,259	$ 4,085,155	$ (87,104)	(2.09%)
$8 - $10 Million	$ 2,587,917	$ 2,536,261	$ (51,656)	(2.00%)
$10 - $13 Million	$ 4,146,891	$ 4,016,166	$ (130,725)	(3.15%)
$13+ Million	$ 30,102,112	$ 29,739,895	$ (362,217)	(1.20%)
Total	$ 42,569,229	$ 41,922,463	$ (646,766)	(1.52%)

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	11	9	(2)
$2 - $5 Million	12	11	(1)
$5 - $8 Million	3	5	2
$8 - $10 Million	4	3	(1)
$10 - $13 Million	2	1	(1)
$13+ Million	8	8	0
	40	37	(3)

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(UNAUDITED)

	FY 2011			FY 2010
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	LIMITED GAMING FUND
ASSETS:				
Cash (Note 2)	$ 19,123	$ 31,389,536	$ 31,408,659	$ 31,956,583
Accounts Receivable (Note 3)				
Gaming Taxes	0	9,028,673	9,028,673	8,680,110
Background	0	0	0	17,377
Fines Receivable	0	1,283	1,283	1,631
Miscellaneous	0	1,040	1,040	505
Net Accounts Receivable	0	9,030,996	9,030,996	8,699,623
Prepaid Expenses	0	57,060	57,060	63,838
Total Current Assets	19,123	40,477,592	40,496,715	40,720,044
TOTAL ASSETS	$ 19,123	$ 40,477,592	$ 40,496,715	$ 40,720,044
LIABILITIES AND FUND BALANCE:				
Accounts Payable	$ 0	$ 11,670	$ 11,670	$ 14,761
Wages & Salaries Payable	0	0	0	2,136
Due to Other State Agencies (Note 13)	0	304,587	304,587	271,114
Background and Other Deposits (Note 5)	0	136,574	136,574	130,281
Deferred Revenue (Note 6)	0	258,290	258,290	287,070
Total Liabilities	0	711,121	711,121	705,362
Fund Balance:				
Spendable Restricted Fund Balance	0	36,909,432	36,909,432	37,866,302
Nonspendable Restricted Fund Balance	19,123	2,857,039	2,876,162	2,148,380
Total Fund Balance	19,123	39,766,471	39,785,594	40,014,682
TOTAL LIABILITIES AND FUND BALANCE	$ 19,123	$ 40,477,592	$ 40,496,715	$ 40,720,044

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
DECEMBER 31, 2010 AND 2009
(UNAUDITED)

	FY 2011			FY 2010
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	LIMITED GAMING FUND
REVENUES:				
Gaming Taxes	$ 0	$ 41,933,543	$ 41,933,543	$ 42,570,748
License and Application Fees	0	309,531	309,531	318,980
Background Investigations	0	124,793	124,793	186,152
Fines	0	63,278	63,278	18,499
Interest Income (Note 2)	19,123	441,445	460,568	464,270
Other Revenue	0	277	277	507
TOTAL REVENUES	19,123	42,872,867	42,891,990	43,559,156
OTHER FINANCING SOURCES / USES:				
Insurance Recoveries (Note 14)	0	8,458	8,458	0
TOTAL REVENUES & OTHER FINANCING SOURCES	19,123	42,881,325	42,900,448	43,559,156
EXPENDITURES:				
Salaries and Benefits	0	3,304,034	3,304,034	3,237,607
Annual and Sick Leave Payouts	0	2,317	2,317	2,497
Professional Services	0	26,818	26,818	15,545
Travel	0	9,785	9,785	12,297
Automobiles	0	75,232	75,232	72,346
Printing	0	7,436	7,436	5,300
Police Supplies	0	2,871	2,871	3,767
Computer Services & Name Searches	0	53,178	53,178	82,147
Materials, Supplies, and Services	0	288,894	288,894	99,629
Postage	0	1,637	1,637	1,722
Telephone	0	58,816	58,816	37,301
Utilities	0	9,105	9,105	9,470
Other Operating Expenditures	0	6,537	6,537	6,549
Leased Space (Note 9)	0	69,467	69,467	77,881
Capital Outlay	0	15,645	15,645	1,500
EXPENDITURES - SUBTOTAL	0	3,931,772	3,931,772	3,665,558
STATE AGENCY SERVICES (Note 13)				
Colorado Bureau of Investigations	0	340,733	340,733	390,047
Fire Safety	0	76,509	76,509	57,377
Colorado State Patrol	0	1,066,571	1,066,571	1,069,754
State Auditors	0	19,925	19,925	17,050
Indirect Costs - Department of Revenue	0	363,167	363,167	308,874
Local Affairs	0	75,758	75,758.00	79,047
Colorado Department of Law	0	71,047	71,047	63,515
TOTAL STATE AGENCY SERVICES	0	2,013,710	2,013,710	1,985,664
Background Expenditures	0	26,411	26,411	41,632
TOTAL EXPENDITURES	0	5,971,893	5,971,893	5,692,854
SPENDABLE RESTRICTED FUND BALANCE (Excess Of Revenues Over Expenditures)	0	36,909,432	36,909,432	37,866,302
NONSPENDABLE RESTRICTED FUND BALANCE	19,123	0	19,123	0
NONSPENDABLE RESTRICTED FUND BALANCE AT JULY 1, 2010 & 2009	7,930,401	2,857,039	10,787,440	2,148,380
EXTENDED GAMING FUND DISTRIBUTION	(7,930,401)	0	(7,930,401)	0
TOTAL FUND BALANCE AT DECEMBER 31, 2010 AND 2009	$ 19,123	$ 39,766,471	$ 39,785,594	$ 40,014,682

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED DECEMBER 31, 2010
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 113,166,266	$ 0	$ 113,166,266	$ 41,933,543	$ (71,232,723)	37.05%
License and Application Fees	637,848	0	637,848	309,531	(328,317)	48.53%
Background Investigations	253,768	0	253,768	124,793	(128,975)	49.18%
Fines	0	0	0	63,278	63,278	100.00%
Interest Revenue	1,311,461	0	1,311,461	441,445	(870,016)	33.66%
Other Revenue	0	0	0	277	277	100.00%
TOTAL REVENUES	115,369,343	0	115,369,343	42,872,867	(72,496,476)	37.16%
OTHER FINANCING SOURCES / USES:						
Insurance Recoveries	0	0	0	8,458	8,458	100.00%
TOTAL REVENUES & OTHER FINANCING SOURCES	115,369,343	0	115,369,343	42,881,325	(72,488,018)	37.17%
EXPENDITURES:						
Personal Services	6,695,136	0	6,695,136	2,987,235	(3,707,901)	44.62%
Personal Services Rollforward	11,000	0	11,000	11,000	0	100.00%
Health, Dental and Life Insurance	492,969	0	492,969	238,825	(254,144)	48.45%
Short Term Disability	9,407	0	9,407	4,621	(4,786)	49.12%
Amortization Equalization Disbursement	145,660	0	145,660	58,486	(87,174)	40.15%
Supplemental Amort. Equal. Disbursmnt	106,210	0	106,210	39,877	(66,333)	37.55%
Operating Expenditures	588,084	25,000	613,084	238,110	(374,974)	38.84%
Operating Expenditures Rollforward	110,248	0	110,248	110,247	(1)	100.00%
Workers Compensation	35,448	0	35,448	17,724	(17,724)	50.00%
Risk Management	4,242	0	4,242	2,121	(2,121)	50.00%
Licensure Activities	181,497	0	181,497	50,909	(130,588)	28.05%
Leased Space	370,828	(96,684)	274,144	58,696	(215,448)	21.41%
Vehicle Lease Payments - Fixed	81,897	0	81,897	42,839	(39,058)	52.31%
Vehicle Lease Payments - Variable	83,039	0	83,039	32,393	(50,646)	39.01%
Utilities	25,465	0	25,465	9,105	(16,360)	35.76%
EDO - MNT	57,881	0	57,881	28,941	(28,940)	50.00%
EDO - Communications	19,594	0	19,594	9,797	(9,797)	50.00%
Capitol Complex Leased Space	62,689	(49,482)	13,207	10,771	(2,436)	81.56%
Legal Services	109,257	0	109,257	71,047	(38,210)	65.03%
Indirect Costs - Department of Revenue	738,529	(14,852)	723,677	363,167	(360,510)	50.18%
State Agency Services	3,626,225	0	3,626,225	1,559,571	(2,066,654)	43.01%
Division Expenditures	13,555,305	(136,018)	13,419,287	5,945,482	(7,473,805)	44.31%
Background Expenditures	263,964	0	263,964	26,411	(237,553)	10.01%
TOTAL EXPENDITURES	13,819,269	(136,018)	13,683,251	5,971,893	(7,711,358)	43.64%
EXCESS OF REVENUES OVER EXPENDITURES	$ 101,550,074	N/A	$ 101,686,092	$ 36,909,432	$ (64,776,660)	36.30%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through December 31, 2010 is 50.0%.

COLORADO DIVISION OF GAMING
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The State of Colorado is the primary reporting entity for State financial activities. Therefore, the Division's accounts are presented in a manner consistent with presentation of statewide financial activities, which are reported in accordance with generally accepted accounting principles for governmental organizations.

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

A. Fund Structure and Basis of Accounting

The financial activities of the Division are organized on the basis of individual funds, each of which is considered to be a separate entity. The operations of the Special Revenue Fund are recorded in a discrete set of self-balancing accounts that comprise the assets, liabilities, fund equity, revenues and expenditures, of the entity. Throughout the year, encumbrances are recorded. However, at fiscal year-end all encumbrances lapse and no reserve for encumbrances is reported. The accounts used for fixed assets and long-term liabilities are not recorded in the Special Revenue Fund. They are recorded in a separate fund.

GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fixed Assets

All fixed assets are stated at historical cost, or estimated historical cost, if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

The Governmental Accounting Standards Board (GASB) issued statement number 34 which became effective July 1, 2001. This statement requires the Division to depreciate its' fixed assets; however, the fixed assets and depreciation amounts will only be represented on the statewide financial statements, not on the Division's individual financial statements. The capitalization criteria for fixed assets are $50,000 for buildings and leasehold improvements, $5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at $5,000.

The calculation for the amount of depreciation is based upon the cost of the asset and its' estimated useful life. The estimated useful life of a capital asset is a function of each agency's own experience. The Division has determined the useful lives of furniture and equipment ranges from 5 to 10 years, building 30 years, and the licensing software 10 years.

Below is a chart depicting the Division's fixed assets and accumulated depreciation:

Assets		Carrying Value
Building and Land	$1,669,035	
Accumulated Depreciation - Buildings	(89,300)	$1,579,735
Furniture & Equipment	216,758	
Accumulated Depr. - Furn. & Equip.	(176,608)	40,150
Total		$1,619,885

Long-term Liabilities

The Division's long-term liability is the accrued compensated absence liability. This amount is recorded in a separate fund and is reported on the statewide financial statements. Prior to the implementation of GASB 34, this liability was reported on the Division's year-end financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

BASIS OF ACCOUNTING

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

B. Budget

The statement of revenues and expenditures-budget to actual compares those revenues and expenditures, which are legally authorized by State statute. The fiscal year 2011 revenue projections were provided by the Division, based on the tax rate structure established by the Commission. Each year, the Division submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budget may be modified due to roll-forward authorization or supplemental budget approval. The Commission must approve all modifications. Appropriations lapse at fiscal year-end unless the Commission approves a roll-forward of the unexpended budget.

Appropriation as of July 1, 2010	$13,819,269
Supplemental appropriations	(136,018)
Total appropriation	$13,683,251

2. CASH AND INVESTMENTS

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division of Gaming on December 31, 2010 was $31.4 million.

The Division of Gaming receives interest payments from the State Treasurer's Office on cash held by the Treasurer's Office on behalf of the Division for its limited gaming fund and extended gaming fund. The amount of $460,568 is interest earned on the average daily cash balances. During the month of December, the State Treasurer was paying interest at 2.07% annualized.

3. ACCOUNTS RECEIVABLE

As of December 31, 2010, the Division had an accounts receivable balance of $9,030,996. This amount includes $9,028,673 in gaming taxes collected by the Department of Revenue for the Division for the month of December 2010, which were due on the 18th of January 2011. In addition, the Division had a fines receivable balance of $1,283, $926 in outstanding credit card deposits, and $114 due from others.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2010	Deletions	Additions	Balances at December 31, 2010
Computer Equipment	$ 94,355		$ 1,825	$ 96,180
Office Equipment	103,517		10,971	114,488
Investigative Equipment	6,090			6,090
Software	372,861	$ (1,825)		371,036
Building and Land	1,664,361		4,674	1,669,035
Total	$ 2,241,184	$ (1,825)	$ 17,470	$ 2,256,829

5. DEPOSITS

Applicants applying for gaming licenses are required to remit deposits to the Division, which are used to perform background investigations of these applicants. These deposits are recorded as liabilities until the Division incurs expenditures to perform the background investigations, or until any remaining balance is refunded to the applicant. Deposits for background investigations were $132,260 at December 31, 2010. Additionally, on December 31, 2010, the Division of Gaming held $4,314 on deposit, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

6. DEFERRED REVENUE

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of 2-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of December 31, 2010 deferred license fees were $258,290.

7. ACCRUED COMPENSATED ABSENCES

All permanent employees of the Division may accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations.

Annual Leave	$434,814
Sick Leave	53,322
Total	$488,136

The current and long-term portion of vacation and sick leave benefits are recorded in a separate fund and are only reported on the statewide financial statements.

8. GAMING DISTRIBUTION

A. Extended Gaming Distribution

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

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

8. GAMING DISTRIBUTION (Continued)

A. Extended Gaming Distribution (continued)

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, 2011, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the fiscal year ending June 30, 2010, by a factor of three percent and adding that amount to the amount of limited gaming tax revenues collected during fiscal year 2010. This amount is $100,686,391.62. Any gaming tax revenues collected over this amount in fiscal year 2011, 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 limited 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 limited 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.

8. GAMING DISTRIBUTION (Continued)

A. 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.

B. Limited Gaming Distribution

In accordance with Section 12-47.1-701, the balance remaining in the limited gaming fund is to be distributed by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% to the State General Fund;
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in the respective cities.

In addition, the 50% that goes to the General Fund is further divided as follows:

- 13% to the Local Government Limited Gaming Impact Fund;
- $19 million to the Colorado Travel & Tourism Promotion Fund (adjusted annually by rate of inflation);
- $3 million to the New Jobs Incentives Cash Fund (adjusted annually by rate of inflation);
- $1.5 million to the Creative Industries Cash Fund (adjusted annually by rate of inflation);
- $1.0 million to the Innovative Higher Education Research Fund;
- $600,000 to the Creative Industries Cash Fund (adjusted annually by rate of inflation);

8. GAMING DISTRIBUTION (Continued)

B. Limited Gaming Distribution (continued)

- $5.5 million to the Bioscience Discovery Evaluation Cash Fund, and;

- The remaining portion of General Fund share to the Clean Energy Fund, unless the General Fund is in a deficit at the end of the fiscal year, in which case the remaining portion would be directed to the General Fund.

In fiscal year 2010, the above division of General Fund distribution monies was changed by legislation, and fiscal year 2011 legislation to change the above division of General Fund monies is highly anticipated to occur.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period. As of December 31, 2010, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $1,964,585. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of December 31, 2010	$39,766,471
Less: Two month Reserve	(1,964,585)
Available for Distribution at December 31, 2010	$37,801,886

9. LEASED SPACE

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

Cripple Creek

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at a new location in Cripple Creek, Colorado. The lease began in September 2007 with an initial term of ten years.

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

9. LEASED SPACE (Continued)

Golden

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

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

GOLDEN Estimated Future Payments	
FISCAL YEAR 2011 (January 2011 – June 2011)	$ 137,070
FISCAL YEAR 2012	279,509
FISCAL YEAR 2013	285,038
FISCAL YEAR 2014	290,566
FISCAL YEAR 2015	296,582
FISCAL YEAR 2016	302,599
FISCAL YEAR 2017	308,777
FISCAL YEAR 2018	315,281
FISCAL YEAR 2019	321,785
FISCAL YEAR 2020	328,615
	$ 2,865,822

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

10. PENSION PLAN

A. 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.

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:

10. PENSION PLAN (Continued)

A. Plan Description (continued)

- 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.

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).

10. PENSION PLAN (Continued)

A. Plan Description (continued)

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.

B. Funding Policy

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

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. From July 1, 2010 through December 31, 2010, the state contributed 11.35 percent and employees contributed 2.5 percent of the state's share. During all of Fiscal Year 2010 and through 2011, 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, 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.

10. PENSION PLAN (Continued)

B. Funding Policy (continued)

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 Division's contributions to PERA and/or the state defined contribution plan for the period ending December 31, 2010 were $274,609. These contributions met the contribution requirement.

11. 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.

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

11. OTHER RETIREMENT PLANS (Continued)

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.

12. OTHER POST EMPLOYMENT BENEFITS

Health Care Plan

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

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. As of December 31, 2010, the Division contributed $27,126 as required by statute.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Health Care Plan (continued)

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.

13. RELATED-PARTY TRANSACTIONS

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, legal, and other expenses incurred with the Department of Revenue for indirect costs. Interagency charges as of December 31, 2010 consist of the following:

State Agency Services:	
Colorado Bureau of Investigation	$ 340,733
Colorado Division of Fire Safety	76,509
Colorado State Patrol	1,066,571
Office of the State Auditor	19,925
Indirect Costs (Department of Revenue)	363,167
Colorado Department of Local Affairs	75,758
Colorado Department of Law	71,047
Total Payments to State Agencies	$ 2,013,710

As of December 31, 2010, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:	
Colorado Bureau of Investigation	$ 65,000
Colorado Division of Fire Safety	14,000
Colorado State Patrol	202,000
Office of the State Auditor	19,925
Colorado Department of Corrections	2,337
Colorado Department of Revenue	1,325
Total Payments to State Agencies	$ 304,587

14. RISK MANAGEMENT

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

The Division has recorded $8,458 in insurance recoveries as of December 31, 2010. The entire amount is related to a single event which occurred in fiscal year 2011 at the Division of Gaming's Cripple Creek office.

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