STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE TWELVE (12) MONTHS ENDED

JUNE 30, 2011

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. Please read it in conjunction with the Division's financial statements, which begin on page 21.

Financial Highlights

- Gaming Tax revenues were $104,807,976 for the fiscal year ended June 30, 2011, which is a decrease of $2,861,390 or 2.7%, compared to revenues of $107,669,366 for the prior fiscal year ending June 30, 2010.

- A decline in the Division's net income decreased the Gaming Distribution to $95,327,351 compared to last fiscal year's distribution of $96,742,401. This distribution amount represents a decrease of $1,415,050 over last fiscal year, or 1.5%.

Using This Report

This financial report consists of financial statements for the fiscal years ended June 30, 2011 and 2010. 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, separated by tax bracket. It also lists how many casinos were in which tax bracket at the end of the fiscal year. The Balance Sheet provides comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provides information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2010 and July 1, 2009, respectively, and the ending fund balances as of June 30, 2011 and 2010, respectively. The Statement of Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

In April 2009, House Bill 09-1272 was approved due to the passage of Amendment 50. In summation, this amendment allows Colorado casinos to offer $100 maximum bets, an increase from the previous $5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is 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 separate from the Limited Gaming Fund 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.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Revenues

The excess of revenues over expenditures of the Division for fiscal year 2011 was $93,852,763. This represents a decrease of $4,584,206 or 4.7% compared to fiscal year 2010 excess of revenues over expenditures of $98,436,969.

The fiscal year 2011 net decrease in fair value of investments of $669,790 and net increase of $985,910 in fiscal year 2010 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2011 and 2010, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos. The gaming tax revenues earned for the fiscal years ending June 30, 2011 and 2010 were $104,807,976 and $107,669,366, 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 2011 and 2010 remained constant, per the authority of the Colorado Limited Gaming Commission (see Tax Rates for fiscal year 2011 located on page 21).

The adjusted gross proceeds of casinos decreased 1.4% in fiscal year 2011. The tax decrease was 2.7%. Taxes decreased at a higher rate than adjusted gross proceeds due to the graduated tax scale.

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Revenues (continued)

Below is a chart of the changes in revenues from fiscal year 2010 to fiscal year 2011.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ (2,861,390)	(2.66)%	Amendment 50's passing and implementation on July 1, 2009 spiked gaming activity in fiscal year 2010. Fiscal year 2011 has seen a decline in the economy and a decline in the excitement created by amendment 50.
License and application fees	(13,939)	(2.20)%	Beginning in August of 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 in the second year of the license. Total deferred revenue for all licensing activity between fiscal years 2010 and 2011 is down $6,970.
Background investigations	(148,817)	(41.54)%	There was $27,763 less required travel and $121,054 less in labor and miscellaneous charges during FY11.
Fines and other	6,632	10.88%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(194,946)	(17.72)%	Interest rates decreased (0.35)% on average during fiscal year 2011. The average rate was 1.95% in fiscal year 2011 and 2.30% in fiscal year 2010.
Insurance Recoveries	8,458	100.00%	The Division has recorded $8,458 in insurance recoveries. The entire amount is related to a single event which occurred in fiscal year 2011 at the Division of Gaming's Cripple Creek office.
Change in fair value of investments	(1,655,700)	(167.94)%	This represents the net change in the fair market value of the Division's investments during fiscal year 2011 versus fiscal year 2010.
Total revenues	$ (4,859,651)	(4.39)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (2.92)%.

For fiscal year 2010, the excess of revenues over expenditures was $98,436,971. This represents a increase of $12,243,675 or 14.2% compared to fiscal year 2009's excess of revenues over expenditures of $86,193,296.

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

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Revenues (continued)

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. The tax rates for fiscal year 2010 and fiscal year 2009 remained constant between years.

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 of 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 two-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. License and application fees vary from year to year depending on the type of license and application that is received.
Background investigations	115,487	47.57%	There was $37,785 more required travel and $77,702 more in labor and miscellaneous charges collected from the applicants during fiscal year 2010.
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. The rate was 2.3% in fiscal year 2010 and 2.94% in fiscal year 2009.
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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Expenditures

Total expenditures for the Division in fiscal year 2011 were $12,097,096. This is a decrease of $275,443 or a 2.2% decrease from fiscal year 2010 expenditures of $12,372,539. The information below shows the changes in expenditures from fiscal year 2010 to fiscal year 2011 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	$ 42,394	0.64%	In fiscal year 2011 the average increase in HDL was 4.8%. Fiscal year 2011 also had 6 employees on leave without pay. Fiscal year 2011 had 4 employees leave State employment while fiscal year 2010 had 3, thus an increase in annual leave payouts was experienced between years.
State agency services	254,386	6.40%	In fiscal year 2011 the Colorado State Patrol contract costs were up $220,804 from fiscal year 2010 due to the addition of two troopers.
Materials, supplies, and services	137,314	47.91%	In fiscal year 2011 non-capitalized furniture was up $117,293 from fiscal year 2010. The increase between years was created by the Lakewood Gaming office move to a new Golden location. The new Golden office had a cubical system installed at a cost of approximately $81,000. Also in fiscal year 2011 the Colorado Office of the State Controller clarified what was considered a professional service cost verses what was considered other purchase service cost. This clarification made what was considered a professional service cost more exclusive, thusly more costs which were once paid as professional service costs were paid as other purchased services. This created approximately a $27,000 increase in other purchased services costs between fiscal year 2011 and 2010.
Travel and automobiles	7,132	4.34%	In fiscal year 2011 lease costs for Gaming vehicles were $85,677, this is up $3,780 from fiscal year 2010's $81,897 amount. The variable (mileage) costs for these same vehicles in fiscal year 2011 were $65,296 which is $3,141 higher than fiscal year 2010's costs of $62,155. Higher gas and maintenance costs created this increase between years.
Computer services	(17,581)	(13.55)%	In fiscal year 2011 the cumulative costs for fingerprint checks performed by CBI in relation to Gaming applicants was $22,663 lower than the cost in fiscal year 2010.
Professional services	10,801	23.09%	In fiscal year 2011 the labor costs to install the cubical system in the new Golden Gaming office was $11,000 and represents the majority of the increase between fiscal year 2011 and 2010.
Other	46,819	96.64%	In fiscal year 2011 a $50,000 cost related to a personnel settlement was incurred.
Telephone	37,789	51.62%	In fiscal year 2011 the amount the Division had to pay for its Multi-Use Network service was $2,865 more per month which is a total increase in cost of $34,380 over fiscal year 2010's costs.

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Expenditures (continued)

Background investigations	(27,801)	(42.80)%	In year 2010 background investigation costs were higher than fiscal year 2011 costs because Gaming Licenses are issued on a 2 year basis, meaning the work done in fiscal year 2010 was not necessary in fiscal year 2011 as those licenses issued in fiscal year 2010 will not need to have renewal work performed until fiscal year 2012.
Leased space	44,034	29.26%	In September of fiscal year 2011 the Division moved its Lakewood office to Golden. Subsequently it began making lease payments for the new Golden space. The increase between fiscal years 2011 and 2010 is directly related to the difference in the Lakewood lease payments verses the Golden lease payments.
Capital outlay	(810,730)	(96.96)%	In fiscal year 2010 the building and land the Cripple Creek Gaming office is occupying was purchased for $834,179, no such expense was incurred in fiscal year 2011.
Total expenditures	$ (275,443)	(2.23)%	

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Expenditures (continued)

Total expenditures for the Division in fiscal year 2010 were $12,372,541. This is an increase of $1,120,816 or a 10% 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	$ 231,596	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. This is offset by a freeze in salaries, resulting in a 3.64% increase overall.
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	(40,707)	(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 in 2010. With the Division's budget cuts in the current year, these expenses were reduced.
Travel and automobiles	(54,400)	(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	(6,246)	(4.59)%	In fiscal year 2010, there were 527 fewer non-background individual license applications; therefore, the cost of computer database name checks run for each applicant decreased. There is an overall cost decrease over the prior year with no change in the cost per applicant.
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 known as 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.
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, of which a part of is 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. 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 Cripple Creek Gaming office building and land was purchased for $834,179.
Total expenditures	$ 1,120,816	9.96%	

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Assets, Liabilities, and Fund Balance

The year-end fund balance reflects the overall financial position of the Division, which is $3,270,844 at June 30, 2011 compared to $4,726,075 at June 30, 2010. Total assets of $91,049,720 at June 30, 2011 are $3,482,602 or 3.7% lower than the prior year balance of $94,532,322. 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 $87,778,876 at June 30, 2011, which is a decrease from $89,806,247 at June 30, 2010. The $2,027,371 net decrease is primarily due to the $2,401,255 decrease in the fiscal year 2011 limited gaming distribution.

The following compares fiscal year 2011 and fiscal year 2010 assets, liabilities, and fund balances.

	Fiscal Year		Increase (Decrease)	
	2011	2010	Dollars	Percent
Cash and temporary cash investments	$ 80,342,740	$ 83,487,721	$ (3,144,981)	(3.77)%
Gaming taxes and other receivables	10,692,684	11,019,725	(327,041)	(2.97)%
Prepaid expenses	14,296	24,876	(10,580)	(42.53)%
Total assets	$ 91,049,720	$ 94,532,322	$ (3,482,602)	(3.68)%
Accounts payable, wages, and accrued payroll payable	$ 603,753	$ 629,939	$ (26,186)	(4.16)%
Due to other State agencies, other governments, and the State General Fund	86,744,504	88,836,131	(2,091,627)	(2.35)%
Other liabilities	430,619	340,177	90,442	26.59%
Total liabilities	87,778,876	89,806,247	(2,027,371)	(2.26)%
Fund balance	3,270,844	4,726,075	(1,455,231)	(30.79)%
Total liabilities and fund balance	$ 91,049,720	$ 94,532,322	$ (3,482,602)	(3.68)%

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Assets, Liabilities, and Fund Balance (continued)

The year-end fund balance reflects the overall financial position of the Division, which was $4,726,075 at June 30, 2010 compared to $3,031,507 at June 30, 2009. Total assets of $94,532,322 at June 30, 2010, were $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 $89,806,247 at June 30, 2010, which is an increase from $86,579,636 at June 30, 2009. The $3,226,611 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 fiscal year 2010 gaming distribution to other State agencies.

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

	Fiscal Year		Increase (Decrease)	
	2010	2009	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%
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	340,177	452,351	(112,174)	(24.80)%
Total liabilities	89,806,247	86,579,636	3,226,611	3.73%
Fund balance	4,726,075	3,031,507	1,694,568	55.90%
Total liabilities and fund balance	$ 94,532,322	$ 89,611,143	$ 4,921,179	5.49%

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Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares fiscal year 2011 and fiscal year 2010 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase	
	2011	2010	Dollars	Percent
Revenues				
Gaming taxes	$ 104,807,976	$ 107,669,366	$ (2,861,390)	(2.66)%
License and application fees	620,701	634,639	(13,938)	(2.20)%
Other revenue	521,182	2,505,505	(1,984,323)	(79.20)%
Total revenues	105,949,859	110,809,510	(4,859,651)	(4.39)%
Expenditures				
Operating expenditures	7,829,448	8,331,478	(502,030)	(6.03)%
Background investigations	37,160	64,961	(27,801)	(42.80)%
State agency services	4,230,488	3,976,102	254,386	6.40%
Total expenditures	12,097,096	12,372,541	(275,445)	(2.23)%
Excess of revenues over expenditures	93,852,763	98,436,969	(4,584,206)	(4.66)%
Fund balance, beginning of year	4,726,076	3,031,507	1,694,569	55.90%
Less: Gaming Fund distribution	(95,307,995)	(96,742,401)	(1,434,406)	(1.48)%
Fund balance, end of year	$ 3,270,844	$ 4,726,075	$ (1,455,231)	(30.79)%

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

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

	Fiscal Year		Increase	
	2010	2009	Dollars	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	8,331,478	7,444,237	887,241	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	12,372,541	11,251,725	1,120,816	9.96%
Excess of revenues over expenditures	98,436,969	86,193,296	12,243,673	14.20%
Fund balance, beginning of year	3,031,507	2,119,297	912,210	43.04%
Less: Gaming Fund distribution	96,742,401	85,281,086	11,461,315	13.44%
Fund balance, end of year	$ 4,726,075	$ 3,031,507	$ 1,694,568	55.90%

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 hours a day seven days a week. The impact of Amendment 50 on gaming revenues, based upon the allocation formula set by Rule 24 of the Colorado Limited Gaming Regulations, was $9,654,448 for fiscal year 2011, or 9.06% of total gaming revenues.

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Conditions Affecting Financial Position or Results of Operations (continued)

Staffing Changes

In fiscal year 2011 several of the Division's vacant positions were held open due to significant budget deficits. While some were eventually filled, a few positions continued to be held vacant during fiscal year 2011.

Weak Economy

The nation-wide recession that plagued the gaming industry during fiscal year 2009 and fiscal year 2010 continued to have an impact in the current fiscal year.

Field Offices

Several construction projects were completed at our Cripple Creek office during fiscal year 2011 which included; improvements to the HVAC system, a repair to a leaking roof, mold mitigation due to a roof leak and interior building repairs due to the roof leak. Additionally, the Cripple Creek building required radon mitigation, exterior building paint work, outside stair and deck replacement, and resurfacing of the parking lot.

Headquarters Office

Additional staffing, primarily as a result of Amendment 50, resulted in the need for additional space for the Division's headquarters office. In September 2010, the Division entered into a 10-year lease contract and the office was relocated from 1881 Pierce Street, Lakewood, CO to 17301 W. Colfax Avenue, Golden, CO. At the confluence of Colfax Avenue, I-70, 6th Avenue and C-470, this new office places the Division in closer proximity to the gaming towns of Black Hawk and Central City.

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Distribution

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

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

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 total distribution for fiscal year ended June 30, 2011 was $95,327,351.

On August 25, 2011, the Commission is expected to approve the Extended Gaming distribution of $8,916,605 for the fiscal year ended June 30, 2011, in accordance with Section 12-47.1-701.5 C.R.S.

	June 30, 2011	June 30, 2010
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,954,952	$ 6,185,713
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,069,993	951,648
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	891,660	793,040
Total distribution attributable to extended gaming	$ 8,916,605	$ 7,930,401

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Distribution (continued)

Limited Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S. and amended by Senate Bill 11-159, 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 the first $19,200,000 will be directed to the General Fund. Any amount of the 50% General Fund distribution greater than $48,500,000 will be directed to the General Fund. Any amount of the 50% General Fund distribution which is greater than $19,200,000 and less than or equal to $48,500,000 is to be further divided such that 50% of the distribution is to be given to the Colorado Travel & Tourism Promotion Fund, 18% of the distribution is to be given to the Bioscience Discovery Evaluation Cash Fund, 15% of the distribution is to be given to the Local Government Limited Gaming Impact Fund, 7% of the distribution is to be given to the Innovative Higher Education Research Fund, 5% of the distribution is to be given to the New Jobs Incentives Cash Fund[1], 4% of the distribution is to be given to the Creative Industries Cash Fund, and 1% of the distribution is to be given to the Creative Industries Cash Fund for the operation of the Colorado Office of Film, Television, and Media.
- 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 General fund's 50% share of the Limited Gaming Fund distribution for fiscal year 2011 totaled $43,205,373; as such the provision giving the General Fund any amount greater than $48,500,000 is not applicable.

[1]Senate Bill 11-159 Fiscal Note indicates current law governing the New Jobs Incentives Program is discontinued. As of January 1, 2011, employers are no longer eligible to receive performance-based incentives from the New Jobs Incentives Cash Fund.

Senate Bill 11-159 Section 1(2)(a)(III)(b) declares that if a transfer specified in subparagraph (II) of paragraph (a) of this subsection (2) provides moneys for a purpose or program that is repealed or otherwise discontinued as of the date of the transfer, then the transfer shall not be made to that particular fund but shall instead be transferred to the State General Fund.

The New Jobs Incentives Cash Fund's 5% allocation from the 50% General Fund distribution amounted to a total of $1,200,269. This amount was added to the $19,200,000 General Fund distribution noted above; this addition brings the General Fund's total distribution amount to $20,400,269.

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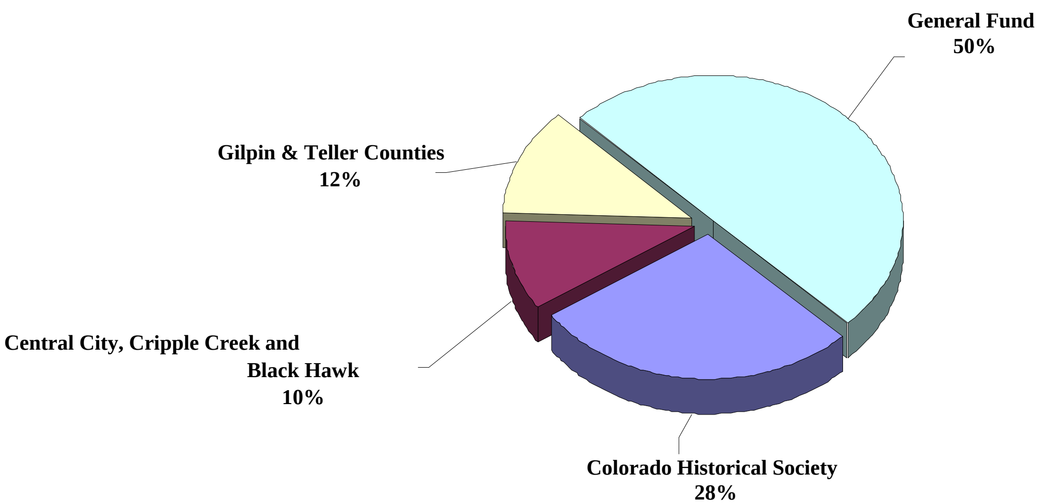
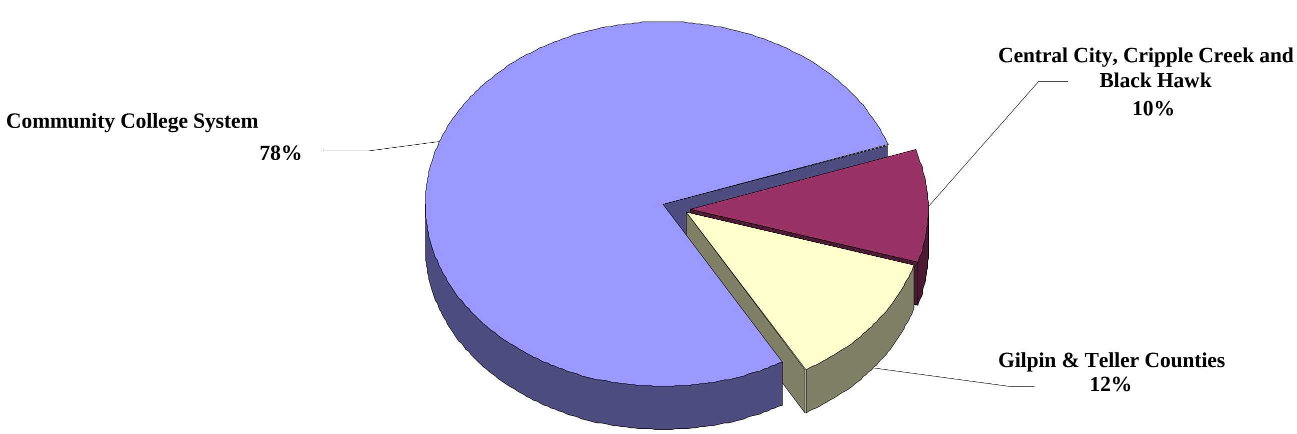
Distribution (continued)

The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2011.

Colorado Limited Gaming Distribution Formula
(Original Recipients)



Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



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Distribution (continued)

The chart below compares the amounts distributed to the various recipients for fiscal years 2011 and 2010.

Funds Distribution Comparison

	For the Years Ended June 30, 2011	For the Years Ended June 30, 2010	Difference	Percent Difference
Colorado State Historical Fund	$ 24,195,009	$ 24,867,360	$ (672,351)	(2.70)%
Colorado Travel and Tourism Promotion Fund	12,002,686	14,208,015	(2,205,328)	(15.52)%
Local Government Limited Gaming Impact Fund	3,600,806	3,772,780	(171,974)	(4.56)%
Colorado Council on the Arts Cash Fund	-	1,121,726	(1,121,726)	(100.00)%
Creative Industries Cash Fund for the Operation of the Office of Film, Television, and Media	240,054	407,997	(167,943)	(41.16)%
New Jobs Incentives Cash Fund	-	1,291,231	(1,291,231)	(100.00)%
Bioscience Discovery Evaluation Cash Fund	4,320,967	5,500,000	(1,179,033)	(21.44)%
Creative Industries Cash Fund	960,215	-	960,215	100.00%
Innovative Higher Education Research Fund	1,680,376	1,904,251	(223,875)	(11.76)%
Total payments to other State agencies	47,000,113	53,073,360	(6,073,247)	(11.44)%
City of Black Hawk	6,352,054	6,516,136	(164,082)	(2.52)%
City of Central City	768,192	751,350	16,842	2.24%
City of Cripple Creek	1,520,829	1,613,714	(92,885)	(5.76)%
Gilpin County	8,544,294	8,720,983	(176,689)	(2.03)%
Teller County	1,824,995	1,936,457	(111,462)	(5.76)%
Total payment due to other governments	19,010,364	19,538,640	(528,276)	(2.70)%
Due to the State General Fund	20,400,269	16,200,000	4,200,269	25.93%
Due to the Extended Gaming Recipients from this year's funds	8,897,249	7,930,401	966,848	12.19%
Interest Earned in Extended Gaming Fund during fiscal year 2011	19,356	-	19,356	100.00%
Total due to the Extended Gaming recipients	8,916,605	7,930,401	986,204	12.44%
Total distribution	$ 95,327,351	$ 96,742,401	$ (1,415,050)	(1.46)%

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Distribution (continued)

The distribution for fiscal year ended June 30, 2010 was $96,742,401.

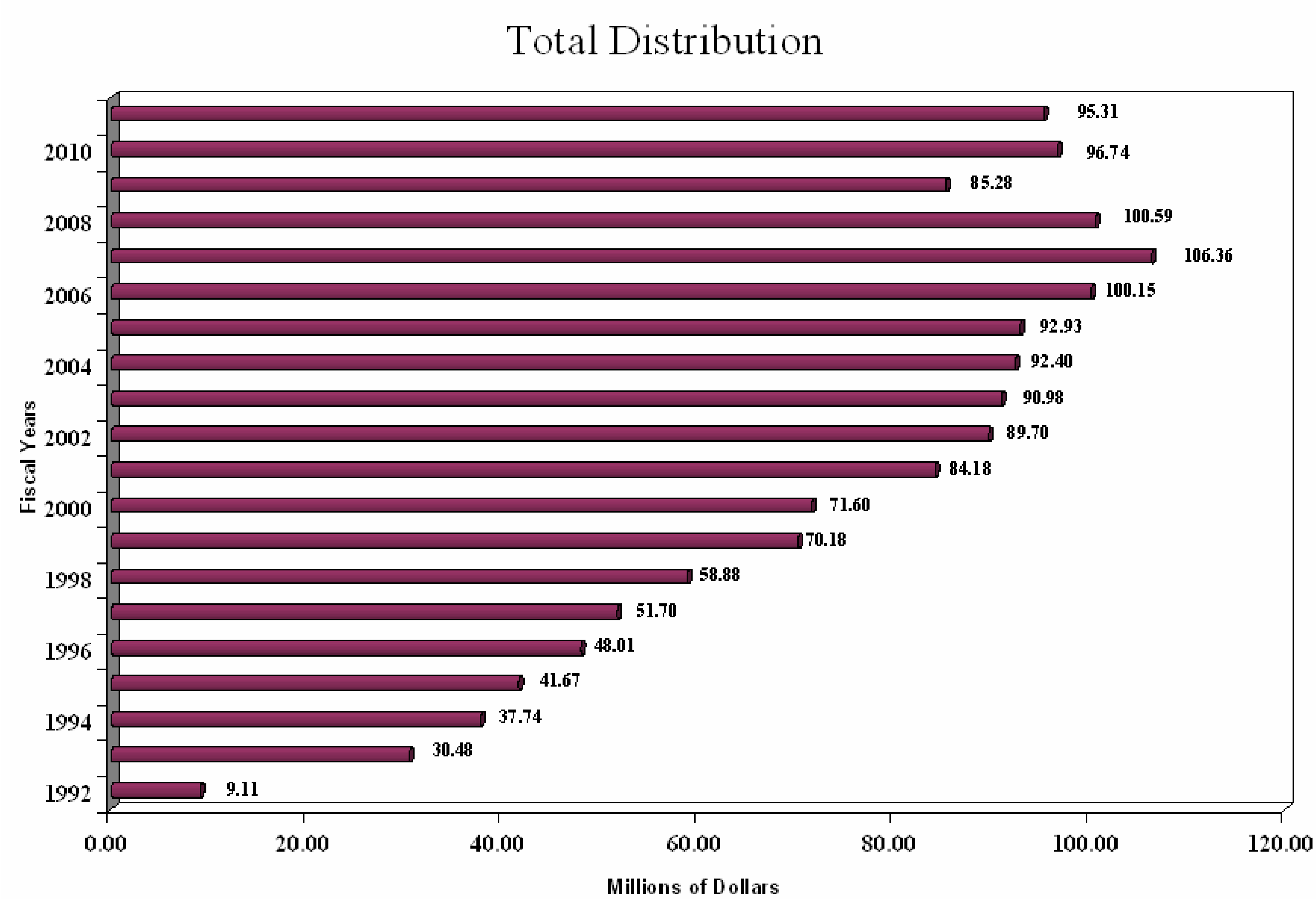
The chart below compares the amounts distributed to the various recipients for fiscal years 2010 and 2009.

Funds Distribution Comparison

	For the Years Ended June 30,			
	2010	2009	Difference	Percent 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)	407,997	180,011	227,986	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	53,073,360	63,708,037	(10,634,677)	(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%
Due to the State General Fund	16,200,000	2,811,210	13,388,790	476.26%
Due to the Extended Gaming recipients	7,930,401	-	7,930,401	100.00%
Total distribution	$ 96,742,401	$ 85,281,086	$ 11,461,315	13.44%

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Distribution (continued)



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 July 2010

- The Operating appropriation was increased by $25,000 for the Special Investigations Fund. This fund is used for expenditures involving large case investigations as directed and approved by the Commission.

Changes approved in November 2010

- The Indirect Costs appropriation was decreased by $12,416.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Budget (continued)

Changes approved in November 2010 (continued)

- The Leased Space appropriation was decreased by $96,684.
- The Capitol Complex Leased Space appropriation was decreased by $51,918.

Changes approved in April 2011

- The Indirect Costs appropriation was decreased by $432 for postage.
- The Variable Vehicle Lease Payments appropriation was decreased by $12,000.
- The Fix Vehicle Lease Payments appropriation was increased by $3,780.

Changes approved in May 2011

- The Variable Vehicle Lease Payments appropriation was decreased by $118

Changes approved in June 2011

- The Indirect Costs appropriation was decreased by $1,000.

The budget approved at the beginning of the year was $13,698,021. The amendments and rollforwards to the budget resulted in a net decrease of $24,540. Therefore, the final approved budget for fiscal year 2011 was $13,673,481. Total actual expenditures were $12,097,096 resulting in excess appropriations, or a savings of $1,576,385 for fiscal year 2011.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2012 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSPB"). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2012. The Division's request totaled $9,813,961, which represents a (2.32)% decrease from the fiscal year 2011 appropriation. The largest decrease in fiscal year 2012's budget is the $107,218 reduction in the Personal Services appropriation. The largest increase is in the Health, Dental, and Life (HDL) appropriation line due to an increase in the State contribution to the HDL premiums. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $3,548,895 and a budget request submitted by the Department of Local Affairs for $158,103. 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 2012 revenue estimates total $106.8 million, a $208.5 thousand decrease over fiscal year 2011 actual revenue.

During the almost 20 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. Gaming in Colorado continues to do well. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

Contacting the Division of Gaming's Financial Management

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

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
JUNE 30, 2011 AND 2010

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 June 30, 2010 and 2011

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 4,387,702	$ 2,789,073	$ (1,598,629)	(36.43%)
$2 - $5 Million	$ 36,843,412	$ 40,259,808	$ 3,416,396	9.27%
$5 - $8 Million	$ 22,835,896	$ 26,518,931	$ 3,683,035	16.13%
$8 - $10 Million	$ 46,287,010	$ 36,509,267	$ (9,777,743)	(21.12%)
$10 - $13 Million	$ 10,488,411	$ 31,800,023	$ 21,311,612	203.19%
$13+ Million	$ 644,149,657	$ 616,209,911	$ (27,939,746)	(4.34%)
Total	$ 764,992,088	$ 754,087,013	$ (10,905,075)	(1.43%)

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 195,969	$ 196,973	$ 1,004	0.51%
$2 - $5 Million	$ 1,856,868	$ 1,885,196	$ 28,328	1.53%
$5 - $8 Million	$ 6,195,231	$ 6,526,704	$ 331,473	5.35%
$8 - $10 Million	$ 4,431,571	$ 4,456,019	$ 24,448	0.55%
$10 - $13 Million	$ 7,758,146	$ 7,488,004	$ (270,142)	(3.48%)
$13+ Million	$ 87,229,931	$ 84,241,982	$ (2,987,949)	(3.43%)
Total	$ 107,667,716	$ 104,794,878	$ (2,872,838)	(2.67%)

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	3	1	(2)
$2 - $5 Million	11	11	0
$5 - $8 Million	4	4	0
$8 - $10 Million	5	4	(1)
$10 - $13 Million	1	3	2
$13+ Million	16	14	(2)
	40	37	(3)

COLORADO DIVISION OF GAMING
(AGENCY OF THE STATE OF COLORADO)
COMBINED BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2011 and 2010

	GOVERNMENTAL FUND TYPE			
	2011			2010
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	LIMITED GAMING FUND
ASSETS:				
Cash and Temporary Cash Investments - Note 2	9,051,721	$ 80,342,740	$ 89,394,461	$ 83,487,721
Accounts Receivable - Note 3				
Gaming Taxes	0	10,678,561	10,678,561	11,018,235
Accounts Receivable Other Agencies	0	10	10	0
Fines Receivable	0	1,456	1,456	849
Miscellaneous	0	12,657	12,657	641
Net Accounts Receivable	0	10,692,684	10,692,684	11,019,725
Prepaid Expenses	0	14,296	14,296	24,876
Total Current Assets	9,051,721	91,049,720	100,101,441	94,532,322
TOTAL ASSETS	$ 9,051,721	$ 91,049,720	$ 100,101,441	$ 94,532,322
LIABILITIES AND FUND BALANCE:				
Accounts Payable	$ 0	$ 43,402	$ 43,402	$ 61,483
Accrued Payroll Payable - Note 1	0	555,994	555,994	567,720
Wages & Salaries Payable	0	4,357	4,357	736
Due to Other State Agencies - Note 13	0	47,333,871	47,333,871	53,097,491
Due to Other Governments - Note 13	0	19,010,364	19,010,364	19,538,640
Due to the State's General Fund - Note 13	0	20,400,269	20,400,269	16,200,000
Background and Other Deposits - Note 5	0	131,689	131,689	95,456
Deferred Revenue - Note 5	0	298,930	298,930	244,720
Total Liabilities	0	87,778,876	87,778,876	89,806,246
FUND BALANCE:				
Restricted for:				
Required Reserve - Note 7	135,116	3,270,844	3,405,960	4,726,076
Extended Gaming Recipients - Note 7	8,916,605	0	8,916,605	0
Total Fund Balance	9,051,721	3,270,844	12,322,565	4,726,076
TOTAL LIABILITIES AND FUND BALANCE	$ 9,051,721	$ 91,049,720	$ 100,101,441	$ 94,532,322

See Notes to Financial Statements

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2011 AND 2010
(UNAUDITED)

	FY 2011			FY 2010
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	LIMITED GAMING FUND
REVENUES:				
Gaming Taxes	$ 0	$ 104,807,976	$ 104,807,976	$ 107,669,366
License and Application Fees	0	620,701	620,701	634,639
Background Investigations	0	209,430	209,430	358,247
Fines	0	67,347	67,347	60,575
Interest Income - Note 2	19,356	904,959	924,315	1,099,905
Investment Income / (Loss) - Note 2	135,116	(669,790)	(534,674)	985,910
Other Revenue	0	778	778	868
TOTAL REVENUES	154,472	105,941,401	106,095,873	110,809,510
OTHER FINANCING SOURCES / USES:				
Transfer from Limited Gaming Fund - Note 7	8,897,249	0	8,897,249	0
Insurance Recoveries - Note 12	0	8,458	8,458	0
TOTAL REVENUES & OTHER FINANCING SOURCES	9,051,721	105,949,859	115,001,580	110,809,510
EXPENDITURES:				
Salaries and Benefits	0	6,629,782	6,629,782	6,591,401
Annual and Sick Leave Payouts	0	8,148	8,148	4,135
Professional Services	0	57,583	57,583	46,782
Travel	0	20,624	20,624	20,383
Automobiles	0	150,973	150,973	144,082
Printing	0	12,233	12,233	10,517
Police Supplies	0	9,598	9,598	11,009
Computer Services & Name Searches	0	112,195	112,195	129,776
Materials, Supplies, and Services	0	414,322	414,322	275,597
Postage	0	4,199	4,199	3,325
Telephone	0	110,994	110,994	73,205
Utilities	0	19,261	19,261	19,318
Other Operating Expenditures	0	59,575	59,575	15,289
Leased Space - Note 8	0	194,512	194,512	150,478
Capital Outlay	0	25,449	25,449	836,179
EXPENDITURES - SUBTOTAL	0	7,829,448	7,829,448	8,331,476
STATE AGENCY SERVICES - Note 13				
Colorado Bureau of Investigations	0	694,656	694,656	755,373
Fire Safety	0	167,421	167,421	181,797
Colorado State Patrol	0	2,326,121	2,326,121	2,105,317
State Auditors	0	31,698	31,698	31,775
Indirect Costs - Department of Revenue	0	711,203	711,203	610,868
Local Affairs	0	151,516	151,516	158,094
Colorado Department of Law	0	147,873	147,873	132,878
TOTAL STATE AGENCY SERVICES	0	4,230,488	4,230,488	3,976,102
Background Expenditures	0	37,160	37,160	64,961
TOTAL EXPENDITURES	0	12,097,096	12,097,096	12,372,539
Excess of Revenues Over Expenditures	9,051,721	93,852,763	102,904,484	98,436,971
FY 11 Limited Gaming Distribution - Note 7	0	(86,410,746)	(86,410,746)	(88,812,001)
Transferred to Extended Gaming Fund - Note 7	0	(8,897,249)	(8,897,249)	(7,930,401)
FY 10 Extended Gaming Distribution - Note 7	(7,930,401)	0	(7,930,401)	0
FUND BALANCE AT JULY 1, 2010 AND 2009	7,930,401	4,726,076	12,656,477	3,031,507
FUND BALANCE AT JUNE 30, 2011 AND 2010	$ 9,051,721	$ 3,270,844	$ 12,322,565	$ 4,726,076

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED JUNE 30, 2011
(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	$ 104,807,976	$ (8,358,290)	92.61%
License and Application Fees	637,848	0	637,848	620,701	(17,147)	97.31%
Background Investigations	253,768	0	253,768	209,430	(44,338)	82.53%
Fines	0	0	0	67,347	67,347	100.00%
Interest Revenue	1,311,461	0	1,311,461	904,959	(406,502)	69.00%
Other Revenue	0	0	0	778	778	100.00%
TOTAL REVENUES	115,369,343	0	115,369,343	106,611,191	(8,758,152)	92.41%
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	106,619,649	(8,749,694)	92.42%
EXPENDITURES:						
Personal Services	6,695,136	0	6,695,136	6,004,898	(690,238)	89.69%
Personal Services Rollforward	0	11,000	11,000	11,000	0	100.00%
Health, Dental and Life Insurance	492,969	0	492,969	492,969	0	100.00%
Short Term Disability	9,407	0	9,407	9,198	(210)	97.77%
Amortization Equalization Disbursement	145,660	0	145,660	126,674	(18,986)	86.97%
Supplemental Amort. Equal. Disbursmnt.	106,210	0	106,210	92,329	(13,881)	86.93%
Operating Expenditures	588,084	25,000	613,084	465,553	(147,531)	75.94%
Operating Expenditures Rollforward	0	110,248	110,248	110,247	(1)	100.00%
Workers Compensation	35,448	0	35,448	35,448	0	100.00%
Risk Management	4,242	0	4,242	4,242	0	100.00%
Licensure Activities	181,497	0	181,497	104,983	(76,514)	57.84%
Leased Space	370,828	(96,684)	274,144	183,741	(90,403)	67.02%
Vehicle Lease Payments - Fixed	81,897	3,780	85,677	85,677	(0)	100.00%
Vehicle Lease Payments - Variable	83,039	(12,118)	70,921	65,296	(5,625)	92.07%
Utilities	25,465	0	25,465	19,261	(6,204)	75.64%
EDO - MNT	57,881	0	57,881	57,881	0	100.00%
EDO - Communications	19,594	0	19,594	19,594	(0)	100.00%
Capitol Complex Leased Space	62,689	(51,918)	10,771	10,771	0	100.00%
Legal Services	109,257	0	109,257	109,257	0	100.00%
Indirect Costs - Department of Revenue	738,529	(13,848)	724,681	711,203	(13,478)	98.14%
State Agency Services	3,626,225	0	3,626,225	3,339,714	(286,511)	92.10%
Division Expenditures	13,434,057	(24,540)	13,409,517	12,059,936	(1,349,581)	89.94%
Background Expenditures	263,964	0	263,964	37,160	(226,804)	14.08%
TOTAL EXPENDITURES	13,698,021	(24,540)	13,673,481	12,097,096	(1,576,385)	88.47%
EXCESS OF REVENUES OVER EXPENDITURES	$ 101,671,322	N/A	$ 101,695,862	$ 94,522,553	$ (7,173,309)	92.95%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through June 30, 2011 is 100.0%.

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

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

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

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.

Fund Structure and Basis of Accounting

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

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Fund

Special Revenue Fund

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

The Governmental Accounting Standards Board (GASB) issued statement number 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010 to clarify fund balances. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements that are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division now has restricted fund balance classifications presented on the balance sheet.

Basis of Accounting

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

Budget

The Statement of Budget to Actual, compares actual revenues and expenditures to those which are legally authorized by State statute. The fiscal year 2011 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

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 supplemental budget requests. 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:

	Years Ended June 30,	
	2011	2010
Appropriations	$ 13,698,021	$ 13,840,166
Supplemental appropriations	(24,540)	(245,906)
Total appropriations	$ 13,673,481	$ 13,594,260

Accrued Payroll

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

Subsequent Events

The Division has evaluated all subsequent events through August 3, 2011, which is the date the financial statements and supplemental schedules were available to be issued, and determined there were no subsequent events requiring additional disclosure.

Note 2 - Cash and Temporary Cash Investments

The State Treasury acts as a bank for all State agencies. Monies deposited in the 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, 2011 and 2010 was approximately $80.3 and $83.5 and million, respectively.

The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Division reports its share of the State Treasury's unrealized gains and losses based on its participation in the State Treasurer's pool. During the years ended June 30, 2011 and 2010, the Division's share of unrealized gain / (loss) was $(669,790) and $985,910, respectively.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 2 - Cash and Temporary Cash Investments (continued)

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

The Temporary Cash Investments of $1,199,247 and $1,869,037 and at June 30, 2011 and 2010, respectively, represents 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, 2011 and 2010, $904,959 and $1,099,905, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2011 and 2010, the State Treasurer paid interest at 1.95% and 2.30%, respectively, based on average annualized monthly interest rates.

Note 3 - Accounts Receivable

As of June 30, 2011 and 2010, the Division had accounts receivable balances of $10,692,684 and $11,019,725, respectively. At June 30, 2011 and 2010, the Division had $10,678,561 and $11,018,235 of gaming taxes receivable from 40 and 37 Colorado casinos, respectively. These receivables primarily represent June 2011 and 2010 gaming taxes, which were due on July 15, 2011 and 2010, respectively, and were subsequently collected by the Department of Revenue in July 2011 and 2010 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

Note 4 - Changes in Capital Assets and Accumulated Depreciation

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

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

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

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair values on the date donated. The capitalization criteria for capital assets are $50,000 for buildings and leasehold improvements, $5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at $5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the building, 5 to 10 years for leasehold improvements, furniture, and equipment, and 10 years for the 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	Equipment	Building	Subtotal	Total
Cost							
Balances, June 30, 2009	$ 421,000	$ 8,663	$ 429,663	$ 576,823	$ 398,518	$ 975,341	$ 1,405,004
Additions	115,138	-	115,138	-	721,041	721,041	836,179
Disposals	-	-	-	-	-	-	-
CIP Transfers	-	(8,663)	(8,663)	-	8,663	8,663	-
Balances, June 30, 2010	536,138	-	536,138	576,823	1,128,222	1,705,045	2,241,183
Additions	-	-	-	18,760	6,690	25,450	25,450
Disposals	-	-	-	(5,675)	-	(5,675)	(5,675)
CIP Transfers	-	-	-	-	-	-	-
Balances, June 30, 2011	536,138	-	536,138	589,908	1,134,912	1,724,820	2,260,958
Accumulated Depreciation							
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)
Additions	-	-	-	(5,169)	(31,817)	(36,986)	(36,986)
Disposals	-	-	-	5,675	-	5,675	5,675
Balances, June 30, 2011	-	-	-	(544,645)	(105,218)	(649,863)	(649,863)
Total capital assets, net	$ 536,138	$ -	$ 536,138	$ 45,263	$ 1,029,694	$ 1,074,957	$ 1,611,095

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 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 $125,355 and $91,143 at June 30, 2011 and 2010, respectively, represent background investigation deposits, as well as $6,334 and $4,314 of monies at June 30, 2011 and 2010, respectively, seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication.

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of two-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of June 30, 2011 and 2010, deferred license fees were $298,930 and $244,720, 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, 2011:

	Annual Leave	Sick Leave	Total
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
Increase	311,077	48,222	359,299
Decrease	(312,570)	(56,364)	(368,934)
Balances, June 30, 2011	$ 462,992	$ 46,767	$ 509,759

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 7 - Gaming Distributions

Limited Gaming Distribution

In accordance with Section 12-47.1-701, C.R.S. and amended by Senate Bill 11-159, 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 the first $19,200,000 will be directed to the General Fund. Any amount of the 50% General Fund distribution greater than $48,500,000 will be directed to the General Fund. Any amount of the 50% General Fund distribution which is greater than $19,200,000 and less than or equal to $48,500,000 is to be further divided such that 50% of the distribution is to be given to the Colorado Travel & Tourism Promotion Fund, 18% of the distribution is to be given to the Bioscience Discovery Evaluation Cash Fund, 15% of the distribution is to be given to the Local Government Limited Gaming Impact Fund, 7% of the distribution is to be given to the Innovative Higher Education Research Fund, 5% of the distribution is to be given to the New Jobs Incentives Cash Fund[1], 4% of the distribution is to be given to the Creative Industries Cash Fund, and 1% of the distribution is to be given to the Creative Industries Cash Fund for the operation of the Colorado Office of Film, Television, and Media.

- 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 General fund's 50% share of the Limited Gaming Fund distribution for fiscal year 2011 totaled $43,205,373; as such the provision giving the General Fund any amount greater than $48,500,000 is not applicable.

[1]Senate Bill 11-159 Fiscal Note indicates current law governing the New Jobs Incentives Program is discontinued. As of January 1, 2011, employers are no longer eligible to receive performance-based incentives from the New Jobs Incentives Cash Fund.

Senate Bill 11-159 Section 1(2)(a)(III)(b) declares that if a transfer specified in subparagraph (II) of paragraph (a) of this subsection (2) provides moneys for a purpose or program that is repealed or otherwise discontinued as of the date of the transfer, then the transfer shall not be made to that particular fund but shall instead be transferred to the State General Fund.

The New Jobs Incentives Cash Fund's 5% allocation from the 50% General Fund distribution amounted to a total of $1,200,269. This amount was added to the $19,200,000 General Fund distribution noted above; this addition brings the General Fund's total distribution amount to $20,400,269.

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

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, 2011 and 2010, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,071,597 and $2,857,038, respectively.

On August 25, 2011, the Commission is expected to approve the distribution of $86,410,746 for the fiscal year ended June 30, 2011 in accordance with Section 12-47.1-701, C.R.S. In August 2010, $88,812,000 was approved as the 2010 distribution. The adjusted distributions are summarized as follows:

	Year Ended June 30,	
	2011	2010
Distribution to the State General Fund	$ 20,400,269	$ 16,200,000
Distribution to other State agencies		
Colorado State Historical Fund	24,195,009	24,867,360
Local Government Limited Gaming Impact Fund	3,600,806	3,772,780
Colorado Travel and Tourism Promotion Fund	12,002,686	14,208,015
Colorado Council on the Arts Cash Fund	-	1,121,726
Creative Industries Cash Fund for the Operation of the Office of Film, Television, and Media	240,054	407,997
New Jobs Incentives Cash Fund	-	1,291,231
Bioscience Discovery Evaluation Cash Fund	4,320,967	5,500,000
Innovative Higher Education Research Fund	1,680,376	1,904,251
Creative Industries Cash Fund	960,215	-
Total distributions to other State agencies	47,000,113	53,073,360
Distributions to other governments		
Gilpin and Teller Counties	10,369,289	10,657,440
Cities of Cripple Creek, Central City, and Black Hawk	8,641,075	8,881,200
Total distributions to other governments	19,010,364	19,538,640
Total distributions	$ 86,410,746	$ 88,812,000

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution

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

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

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

1) "Extended gaming" means subsection (7) of section 9 of article XVIII of the State constitution as approved by statewide voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central City and Cripple Creek;
2) "Extended gaming revenues" mean the "limited gaming tax revenues attributable to extended limited gaming" as defined by Section 12-47.1-701.5(4)(d), C.R.S.;
3) "Limited gaming revenues" mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

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

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

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution (continued)

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

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

The original or Limited Gaming Fund recipients will receive an annual adjustment of the lesser of 6%, or the actual percentage, of annual growth in extended gaming revenues. For fiscal year 2011, the actual annual decline is (2.66)% which is the lesser of 6%. The annual adjustment amount attributable to this actual annual decline for fiscal year 2011 is $(256,808).

On August 25, 2011, the Commission is expected to approve the distribution of $8,916,605 for the fiscal year ended June 30, 2011, in accordance with Section 12-47.1-701.5 C.R.S. This amount has been transferred to the Extended Gaming Fund.

	June 30, 2011	June 30, 2010
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,954,952	$ 6,185,713
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,069,993	951,648
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	891,660	793,040
Total distribution attributable to extended gaming	$ 8,916,605	$ 7,930,401

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

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 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.

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 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
	$ 2,728,752

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.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 8 - Commitments and Contingencies (continued)

Sunset Review

Under Section 12-47.1-206 C.R.S., the Division is subject to a "sunset" law, which provides that the Division's existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. 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.

Licensing System

In December 2004, the Division entered into a three-year contract with a third party for maintenance and service of the Division's regulatory licensing and document imaging computer system. This contract required the Division to pay approximately $51,500 to $55,000 per year through November 30, 2007. In November 2007, the Division entered into an amendment of the original three-year contract which extended the option to renew the maintenance and service agreement through November 2009. In November 2009, the Division entered into a second amendment which extended the option to renew the maintenance and service agreement through November 2010. In November 2010, the Division entered into a third amendment which extended the option to renew the maintenance and service agreement through November 2011. During fiscal years 2011 and 2010, the Division expended $42,811 and $58,978, 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.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

New employees, excluding four-year college and university employees, are allowed 60 days to elect to participate in PERA's defined contribution retirement plan. If that election is not made, the employee becomes a member of PERA's defined benefit plan. Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2010, are required to become members of PERA's defined benefit or defined contribution plan.

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

Based on changes in the 2010 legislative session slightly different plan requirements were in effect until December 31, 2010. The following requirements were effective at June 30, 2011.

Plan members (except State troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements 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 between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For employees hired before January 1, 2007, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010 if the member has less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Note 9 - Pension Plan (continued)

Plan Description (continued)

Members with five years of service credit at January 1, 2011, are also eligible for retirement benefits without a reduction for early retirement based on the original hire date, as follows:

- Hired before January 1, 2007 – age 55 and age plus years of service equals 80 or more.
- Hired between January 1, 2007 and December 31, 2010 – age 55 and age plus years of service equals 85 or more. For members hired before January 1, 2007, age plus years of service increase to 85 for members with less than five years of service credit as of January 1, 2011.
- Hired between January 1, 2011 and December 31, 2016 - age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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% times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15% increase between periods if the salaries used were from the last three years of employment. For retirements after January 1, 2009, four periods are used and are ranked from lowest to highest with the maximum increase between years limited to 15%. For members hired on or after January 1, 2007, the maximum increase between ranked periods is 8%. Notwithstanding any other provisions, members first eligible for retirement after January 2, 2011 have a maximum increased between periods of 8%.

- Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:
- Hired before January 1, 2007 - the lesser of 2% or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2% or the actual increase in the national Consumer Price Index, limited to a 10% reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103% and declines by one-quarter percentage point when the funded ratio drops below 90% after having exceeded 103%. The funded ratio increase does not apply for three years when a negative return on investment occurs.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

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% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2010 Senate Bill 10-146 requires members in the State to pay 2.5% additional member contributions through June 30, 2011. Employer contributions for members will be reduced by 2.5%. Senate Bill 11-076 continued these contribution rates through June 30, 2012.

From July 1, 2010, to December 31, 2010, the State contributed 11.35% of the employee's salary. From January 1, 2011, through June 30, 2011, the State contributed 12.25%. During all of Fiscal Year 2011, 1.02% of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the State participates has a funded ratio of 62.8% and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3%.

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% of salary beginning January 1, 2006, another .5% of salary in 2007, and subsequent year increases of .4% of salary until the additional payment reaches 3.0% 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.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded.
The Fiscal Year 2010 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Funding Policy (continued)

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4% 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. Both the AED and SAED will be reduced by one-half percent point when funding levels reach 103%, and both will be increased by one-half percent point when the funding level subsequently falls below 90%. Neither the AED or the SAED may exceed 5%

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

The Division's contributions to PERA and/or the State defined contribution plan for the fiscal years ending June 30, 2011, 2010, and 2009 were $571,200, $643,950, and $585,054 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. New member contributions to the plan vest from 50% to 100% evenly over 5 years. Participants in the plan are required to contribute 8% of their salary. For fiscal years 2010 and 2011 the legislature temporarily increased the required contribution rate to 10.5%. At December 31, 2010, the plan had 3,479 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100% of their annual gross salary (reduced by their 8% PERA contribution with a temporary increase to 10.5% for fiscal years 2011 and 2012) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2010, the plan had 18,215 participants.

* Fiscal Year 2010 numbers may not match the financial statement numbers exactly. The audited financial statement numbers were rounded. The Fiscal Year 2010 numbers match the audited financial statements.

Note 10 – Other Retirement Plans (continued)

Deferred Compensation Plan (continued)

PERA also offers a voluntary 401k plan entirely separate from the defined benefit pension plan, the deferred compensation plan, and the defined contribution plan. Certain agencies and institutions of the State offered 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% for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 9. Beginning July 1, 2004, State agencies are required to contribute 1.02% of gross covered wages to the Health Care Trust Fund. The Division contributed $51,837, $51,160, and $50,046 as required by statute in fiscal years 2011, 2010, and 2009 respectively. In each year the amount contributed was 100% of the required contribution.

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Note 11 - Other Post Employment Benefits (continue)

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. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.35 billion, a funded ratio of 17.5%, and a 42-year amortization period. The actuarial valuation was based on the entry age cost method, an 8% investment rate of return, a 4.5% projection of salary increases (assuming a .75% inflation rate), a 3.5% annual medical claims increase, no post-retirement benefit increases, and a level dollar amortization on an open basis over 30 years.

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.

The Division has recorded $8,458 in insurance recoveries as of March 31, 2011. 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.

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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, and other direct and indirect expenses incurred. Interagency charges consist of the following:

	For the Years Ended	
	2011	2010
State agency services		
Colorado State Patrol	$ 2,326,121	$ 2,105,317
Colorado Bureau of Investigations	694,656	755,373
Colorado Division of Fire Safety	167,421	181,797
Indirect costs (Colorado Department of Revenue)	711,203	610,868
Legal Services (Colorado Department of Law)	147,873	132,878
Office of the State Auditor	31,698	31,775
Colorado Department of Local Affairs	151,516	158,094
Total payments to State agencies	$ 4,230,488	$ 3,976,102

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

	June 30,	
	2011	2010
State agencies		
Colorado State Historical Society	$ 24,195,009	$ 24,867,360
Colorado Department of Local Affairs	3,600,806	3,772,780
Office of Economic Development	17,523,922	22,528,969
Colorado Department of Higher Education	1,680,376	1,904,251
Colorado State Patrol	250,671	-
Colorado Division of Fire Safety	15,457	23,742
Colorado Bureau of Investigations	60,550	-
Colorado Department of Revenue	6,759	389
Colorado Department of Personnel and Administration	321	-
Total liabilities to State agencies	47,333,871	53,097,491
State General Fund (**to page which follows)**	20,400,269	16,200,000

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Note 13 - Related-Party Transactions (continued)

	June 30, 2011	June 30, 2010
State General Fund (**from prior page)**	20,400,269	16,200,000
Other governments		
City of Black Hawk	6,352,054	6,516,136
City of Central City	768,191	751,350
City of Cripple Creek	1,520,829	1,613,714
Gilpin County	8,544,295	8,720,983
Teller County	1,824,995	1,936,457
Total liabilities to other governments	19,010,364	19,538,640
Total liabilities to State agencies, State General Fund, and other governments	$ 86,744,504	$ 88,836,131

Total related party liabilities of $86,744,504 and $88,836,131 at June 30, 2011 and 2010, respectively, include amounts due to the Colorado Bureau of Investigations, State Patrol, Division of Fire Safety, Department of Revenue, and Department of Personnel and Administration which total $333,758 and $24,131, respectively. The remaining liabilities of $86,410,746 and $88,812,000, respectively, are related to the fiscal years 2011 and 2010 gaming distributions.

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