STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE TWELVE (12) MONTHS ENDED

JUNE 30, 2012

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. Please read it in conjunction with the Division's financial statements, which begin on page 22.

Financial Highlights

- Gaming Tax revenues were $102,080,061 for the fiscal year ended June 30, 2012, which is a decrease of $2,727,115 or (2.60)%, compared to revenues of $104,807,976 for the prior fiscal year ending June 30, 2011.

- A decline in the Division's total excess of revenues over expenditures decreased the Gaming Distribution to $91,197,386 compared to last fiscal year's distribution of $95,327,351. This distribution amount represents a decrease of $4,129,965 over last fiscal year, or (4.33)%.

Using This Report

This financial report consists of financial statements for the fiscal years ended June 30, 2012 and 2011. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund and the Limited Gaming Fund. The tax comparison shows the tax rates and compares current and previous fiscal years' adjusted gross proceeds (similar to gross 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, 2011 and July 1, 2010, respectively, and the ending fund balances as of June 30, 2012 and 2011, respectively. The Statement of Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

In April 2009, House Bill 09-1272 was approved due to the passage of Amendment 50. In summation, this amendment allows Colorado casinos to offer $100 maximum bets, an increase from the previous $5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is referred to as Extended Gaming. The Extended Gaming Funds to be distributed are transferred to a separate fund every fiscal year end beginning with fiscal year 2010; therefore, a new Extended Gaming Fund was created separate from the Limited Gaming Fund for this purpose.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Revenues

The total excess of revenues over expenditures of the Division for fiscal year 2012 was $91,250,217. This represents a decrease of $2,757,017 or (2.93)% compared to fiscal year 2011 excess of revenues over expenditures of $94,007,234.

The fiscal year 2012 net decrease in fair value of investments of $175,970 and net decrease of $534,674 in fiscal year 2011 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2012 and 2011, 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, 2012 and 2011 were $102,080,061 and $104,807,976, respectively. The taxes are paid on a graduated scale ranging from 0.2375% to 19.00% of adjusted gross proceeds. The tax rates for fiscal year 2012 were decreased 5% from 2011 rates, per the authority of the Colorado Limited Gaming Commission. The adjusted gross proceeds of casinos increased 0.73% in fiscal year 2012. The tax decrease was (2.56)%. Taxes decreased due to the graduated tax scale and the 5% decrease in tax rates for fiscal year 2012. The tax rates for fiscal year 2013 were increased 5% from fiscal year 2012 rates, per the authority of the Colorado Limited Gaming Commission.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2011, 2012 and 2013 are below.

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

0.2375% on amounts up to $2 million
1.90% on amounts over $2 million and up to $5 million
8.55% on amounts over $5 million and up to $8 million
10.45% on amounts over $8 million and up to $10 million
15.20% on amounts over $10 million and up to $13 million
19.00% on amounts over $13 million

The tax rates for the fiscal year 2011 and 2013 are:

0.25% on amounts up to $2 million
2% on amounts over $2 million and up to $5 million
9% on amounts over $5 million and up to $8 million
11% on amounts over $8 million and up to $10 million
16% on amounts over $10 million and up to $13 million
20% on amounts over $13 million

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Revenues (continued)

Below is a chart of the changes in revenues from fiscal year 2012 to fiscal year 2011.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ (2,727,115)	(2.60)%	In fiscal year 2012 taxes decreased due to the 5% tax rate decrease from fiscal year 2011.
License and application fees	8,893	1.43%	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. License and application fees vary from year to year depending on the type of license and application that is received.
Background investigations	12,387	5.91%	There was $21,814 more in labor and miscellaneous charges, and $9,427 less in travel during fiscal year 2012.
Fines and other	116,649	171.23%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	(310,112)	(33.55)%	Interest rates decreased (0.58)% on average during fiscal year 2012. The average rate was 1.37% in fiscal year 2012 and 1.95 % in fiscal year 2011.
Insurance Recoveries	(8,458)	(100)%	The Division has recorded $8,458 in insurance recoveries due to water damage caused by a roof leak in the Division's Cripple Creek office in fiscal year 2011.
Change in fair value of investments	358,704	67.09%	This represents the net change in the fair market value of the Division's investments during fiscal year 2012 versus fiscal year 2011.
Total revenues	$ (2,549,052)	(2.40)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (2.71)%.

For fiscal year 2011, the excess of revenues over expenditures was $93,852,763. This represents a decrease of $4,584,206 or (4.70)% compared to fiscal year 2010's excess of revenues over expenditures of $98,436,969.

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

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Revenues (continued)

The adjusted gross proceeds of casinos decreased 1.43% in fiscal year 2011. The tax decrease was 2.67%. Taxes decreased at a higher rate than adjusted gross proceeds due to the graduated tax scale. The tax rates for fiscal year 2011 and fiscal year 2010 remained constant between years.

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)%	The passing of Amendment 50 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	(13,938)	(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. License and application fees vary from year to year depending on the type of license and application that is received.
Background investigations	(148,817)	(41.54)%	There was $27,763 less required travel and $121,054 less in labor and miscellaneous charges during fiscal year 2011.
Fines and other	15,140	24.64%	The fines revenues vary from year to year and are dependent upon audit and investigative findings. 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.
Interest income	(175,590)	(15.96)%	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.
Change in fair value of investments	(1,520,584)	(154.23)%	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	$ (4,705,179)	(4.25)%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments decreased by (2.90)%.

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Expenditures

Total expenditures for the Division in fiscal year 2012 were $12,305,062. This is an increase of $207,966 or a 1.72% increase from fiscal year 2011 expenditures of $12,097,096. The information below shows the changes in expenditures from fiscal year 2011 to fiscal year 2012 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries, benefits, and leave payouts	$ 53,799	0.81%	In fiscal year 2012, the average increase in health, dental, and life insurance was 0.77%. Also, thirteen employees left the Division in Fiscal Year 2012, versus 4 in Fiscal Year 2011, resulting in an increase in annual leave payout.
State agency services	120,263	2.84%	In fiscal year 2012, Colorado Bureau of Investigation costs increased $110,182 due to more investigations. Legal Services costs increased $19,922 due to more legal activity including several personnel actions.
Materials, supplies, and services (with Police supplies)	(150,756)	(35.56)%	In fiscal year 2011, the Lakewood Gaming office moved to a new Golden location. The new Golden office had a cubical system installed at a cost of approximately $81,000 and cubicle furniture was bought at a cost of approximately $40,000. Also in fiscal year 2011, the Cripple Creek office roof was repaired for approximately $13,000.
Travel and automobiles	51,544	30.04%	In fiscal year 2012, the variable (mileage) costs for vehicles were $97,850 which is $32,554 higher than fiscal year 2011. Higher gas and maintenance costs created this increase between years.
Computer services	2,796	2.49%	In fiscal year 2012, there was a $7,506 increase for shared communication costs and a $4,710 decrease in computer checks.
Professional services	69,690	121.03%	In fiscal year 2012, the labor costs to update licensing software was $39,749, Teammate labor costs was $11,530, DRC IT consulting was $5,610, temporary staff was $5,570 and carbon dioxide testing was $5,238. These represent the majority of the increase between fiscal year 2012 and 2011.
Printing, Postage, Utilities and Other	(43,061)	(45.20%)	In fiscal year 2011, a $50,000 cost related to a personnel settlement was incurred.
Telephone	(18,227)	(16.42)%	In fiscal year 2012 digital data charges were $9,571 less and local call charges were 6,883 less.

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Expenditures (continued)

Background investigations	(8,636)	(23.24)%	In fiscal year 2011, there were more international travel costs than in fiscal year 2012.
Leased space	73,868	37.98%	In September 2010, the Division moved its Lakewood office to Golden. Subsequently, it began making lease payments for the new Golden space. The increase between fiscal years 2012 and 2011 is directly related to the difference in the Lakewood lease payments verses the Golden lease payments and increase in Lakewood lease payment from fiscal year 2011 to 2012.
Capital outlay	56,686	222.74%	In fiscal year 2012 many technology upgrades were made. Upgrades made include: upgrade of licensing software, installation of a new proxy-card system in Cripple Creek, wireless access for the Golden office, smart board for Golden office, servers for Cripple Creek and Central City offices, firewall, teammate software and camera for the badge system.
Total Expenditures	$ 207,966	1.72%	

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Expenditures (continued)

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	$ 42,396	0.64%	In fiscal year 2011, the average increase in health, dental, and life was 4.8%. During fiscal year 2011, six employees were on leave without pay and four employees left State employment while during fiscal year 2010, three employees left. Thus an increase in annual leave payouts was experienced between the two fiscal years.
State agency services	254,386	6.40%	In fiscal year 2011, the Colorado State Patrol contract costs increased $220,804 from fiscal year 2010 due to the addition of two troopers.
Materials, supplies, and services	127,715	44.56%	In fiscal year 2011, non-capitalized furniture increased $117,293 from fiscal year 2010. The increase between years resulted from the Lakewood Gaming office moving 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 a professional service cost verses another purchased service cost. The definition of professional service cost became exclusive, thus more 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	5,251	3.19%	In fiscal year 2011, lease costs for gaming vehicles were $85,677, an increase of $3,780 from fiscal year 2010. The variable (mileage) costs for these same vehicles in fiscal year 2011 were $65,296 which is $3,141 higher than fiscal year 2010. Higher gas and maintenance costs created this increase between years.
Computer services	(17,582)	(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 which represents the majority of the increase between fiscal year 2011 and 2010.
Other	56,417	116.45%	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 Division paid $2,865 more per month for Multi-Use Network services than in fiscal year 2010, for a total increased cost of $34,380.

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Expenditures (continued)

Background investigations	(25,921)	(39.90)%	In fiscal year 2010, background investigation costs were higher than fiscal year 2011 costs because gaming licenses are issued on a two year basis and therefore, may vary from year to year.
Leased space	44,034	29.26%	In September 2010, 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	$ (275,444)	(2.23)%	

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Assets, Liabilities, and Fund Balance

The year-end total fund balance reflects the overall financial position of the Division, which is $12,058,480 at June 30, 2012 compared to $12,322,562 at June 30, 2011. Total assets of $96,154,623 at June 30, 2012 are $3,946,817 or (3.94)% lower than the prior year balance of $100,101,440. The decrease in total assets is primarily due to the decreases in cash and temporary cash investments.

The Division's total liabilities were $84,096,143 at June 30, 2012 and $87,778,878 at June 30, 2011. The $3,682,735 net decrease is primarily due to the $3,813,049 decrease in the fiscal year 2012 limited gaming distribution.

The following compares fiscal year 2012 and fiscal year 2011 assets, liabilities, and fund balances.

	Fiscal Year		Increase (Decrease)	
	2012	2011	Dollars	Percent
Cash and temporary cash investments	$ 85,229,902	$ 89,394,461	$ (4,164,559)	(4.66)%
Gaming taxes and other receivables	10,904,239	10,692,684	211,555	1.98%
Prepaid expenses	20,482	14,296	6,186	43.27%
Total assets	$ 96,154,623	$ 100,101,441	$ (3,946,818)	(3.94)%
Accounts payable, wages, and accrued payroll payable	$ 663,432	$ 603,754	$ 59,678	9.88%
Due to other State agencies, other governments, and the State General Fund	82,906,233	86,744,504	(3,838,272)	(4.42)%
Other liabilities	526,478	430,620	95,858	22.26%
Total liabilities	84,096,143	87,778,878	(3,682,735)	(4.20)%
Fund balance	12,058,480	12,322,562	(264,082)	(2.14)%
Total liabilities and fund balance	$ 96,154,623	$ 100,101,441	$ (3,946,818)	(3.94)%

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Assets, Liabilities, and Fund Balance (continued)

The year-end total fund balance reflects the overall financial position of the Division, which is $12,322,562 at June 30, 2011 compared to $12,656,476 at June 30, 2010. Total assets of $100,101,440 at June 30, 2011 are $2,361,283 or 2.3% lower than the prior year balance of $102,462,723. 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 $87,778,878 at June 30, 2011, which is a decrease from $89,806,247 at June 30, 2010. The $2,027,369 net decrease is primarily due to the $2,401,253 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	$ 89,394,460	$ 91,418,122	$ (2,023,662)	(2.22)%
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	$ 100,101,440	$ 102,462,723	$ (2,361,283)	(2.30)%
Accounts payable, wages, and accrued payroll payable	$ 603,754	$ 629,939	$ (26,185)	(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	430,620	340,177	90,443	26.59%
Total liabilities	87,778,878	89,806,247	(2,027,369)	(2.26)%
Fund balance	12,322,562	12,656,476	(333,914)	(2.64)%
Total liabilities and fund balance	$ 100,101,440	$ 102,462,723	$ (2,361,283)	(2.30)%

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Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2012 and fiscal year 2011 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase	
	2012	2011	Dollars	Percent
Revenues				
Gaming taxes	$ 102,080,861	$ 104,807,976	$ (2,727,115)	(2.60)%
License and application fees	629,594	620,701	8,893	1.43%
Other revenue	844,824	675,654	169,170	25.04%
Total revenues	103,555,279	106,104,331	(2,549,052)	(2.40)%
Expenditures				
Operating expenditures	7,925,787	7,829,448	96,339	1.23%
Background investigations	28,524	37,160	(8,636)	(23.24)%
State agency services	4,350,751	4,230,488	120,263	2.84%
Total expenditures	12,305,062	12,097,096	207,966	1.72%
Excess of revenues over expenditures	91,250,217	94,007,234	(2,757,017)	(2.93)%
Fund balance, beginning of year	12,322,565	12,656,476	(333,911)	(2.64)%
Less: Gaming Fund distributions	91,514,302	94,341,148	(2,826,846)	(3.00)%
Fund balance, end of year	$ 12,058,480	$ 12,322,562	$ (264,082)	(2.14)%

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

The following compares total 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	675,654	2,505,505	(1,829,851)	(73.03)%
Total revenues	106,104,331	110,809,510	(4,705,179)	(4.25)%
Expenditures				
Operating expenditures	7,827,569	8,331,478	(503,909)	(6.05)%
Background investigations	39,040	64,961	(25,921)	(39.90)%
State agency services	4,230,488	3,976,102	254,386	6.40%
Total expenditures	12,097,097	12,372,541	(275,444)	(2.23)%
Excess of revenues over expenditures	94,007,234	98,436,969	(4,429,735)	(4.50)%
Fund balance, beginning of year	12,656,476	3,031,507	9,624,969	317.50%
Less: Gaming Fund distribution	94,341,148	88,812,000	5,529,148	6.23%
Fund balance, end of year	$ 12,322,562	$ 12,656,476	$ (333,914)	(2.64)%

Conditions Affecting Financial Position or Results of Operations

Amendment 50

Amendment 50 was implemented on July 2, 2009. This increased the maximum betting limit from $5 to $100, authorized the table games of craps and roulette, and extended the hours of operation to 24 hours a day seven days a week. The impact of Amendment 50 on gaming revenues, based upon the allocation formula set by Rule 24 of the Colorado Limited Gaming Regulations, was $9,401,325 for fiscal year 2012, or 9.06% of total gaming revenues.

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Conditions Affecting Financial Position or Results of Operations (continued)

Staffing Changes

In fiscal years 2012 and 2011, the Division had several vacant positions.

Weak Economy

The nation-wide recession that plagued the gaming industry during fiscal years 2010 and 2011 continued to have an impact in the current fiscal year.

Field Offices

Several construction projects were completed, which included additional improvements to the HVAC system in the Cripple Creek office and changing boiler in the Central City office.

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, Colorado to 17301 West Colfax Avenue, Golden, Colorado. 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 Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2012 was $91,197,386 which includes $8,585,260 transferred to the Extended Gaming Fund for distribution.

During August of each fiscal year, the Commission approves the Extended Gaming distribution for the previous fiscal year in accordance with Section 12-47.1-701.5 C.R.S. These amounts are accrued and distributed in the year approved by the Commission.

	June 30,	
	2012	2011
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,707,757	$ 6,954,952
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,031,963	1,069,993
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	859,969	891,660
Total distribution attributable to extended gaming	$ 8,599,689	$ 8,916,605

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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 2012 totaled $41,298,849; 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 $1,104,942. 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 $20,304,942.

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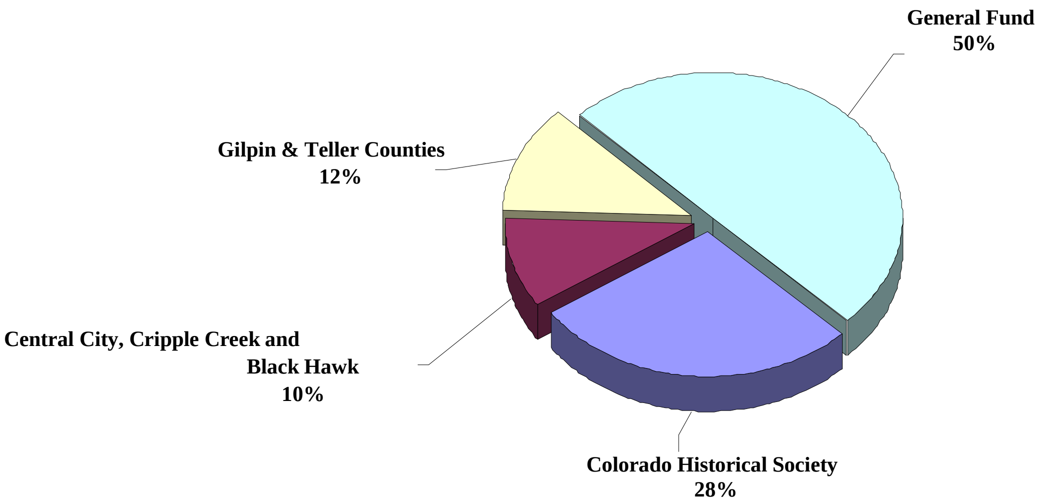
Distribution (continued)

Limited Gaming Distribution (continued)

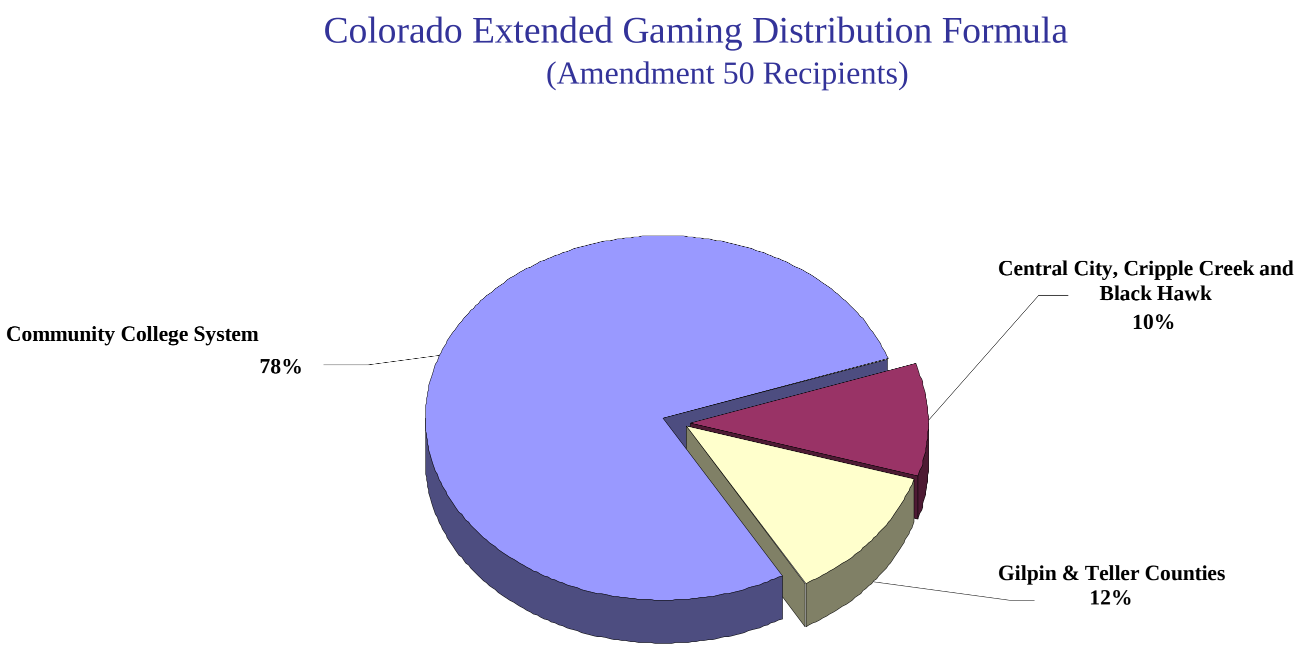
The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2012.

Colorado Limited Gaming Distribution Formula
(Original Recipients)



* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Distribution (continued)



* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Distribution (continued)

The chart below compares the amounts distributed to the various recipients for fiscal years 2012 and 2011.

Funds Distribution Comparison

	For the Years Ended June 30, 2012	2011	Difference	Percent Difference
Colorado State Historical Fund	$ 23,127,355	$ 24,195,009	$ (1,067,654)	(4.41)%
Colorado Travel and Tourism Promotion Fund	11,049,424	12,002,687	(953,263)	(7.94)%
Local Government Limited Gaming Impact Fund	3,314,827	3,600,806	(285,979)	(7.94)%
Creative Industries Cash Fund for the Operation of the Office of Film, Television, and Media	220,989	240,054	(19,065)	(7.94)%
Bioscience Discovery Evaluation Cash Fund	3,977,793	4,320,967	(343,174)	(7.94)%
Creative Industries Cash Fund	883,954	960,215	(76,261)	(7.94)%
Innovative Higher Education Research Fund	1,546,920	1,680,376	(133,457)	(7.94)%
Total payments to other State agencies	44,121,262	47,000,114	(2,878,852)	(6.13)%
City of Black Hawk	6,048,629	6,352,054	(303,425)	(4.78)%
City of Central City	782,200	768,193	14,007	1.82%
City of Cripple Creek	1,428,940	1,520,828	(91,888)	(6.04)%
Gilpin County	8,196,996	8,544,294	(347,298)	(4.06)%
Teller County	1,714,728	1,824,995	(110,267)	(6.04)%
Total payment due to other governments	18,171,493	19,010,364	(838,871)	(4.41)%
Due to the State General Fund	20,304,942	20,400,269	(95,327)	(0.47)%
Due to the Extended Gaming recipients	8,599,689	8,916,605	(316,916)	(3.55)%
Total distribution	$ 91,197,386	$ 95,327,352	$ (4,129,966)	(4.33)%

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Distribution (continued)

The total distribution for the fiscal year ended June 30, 2011 was $95,327,352.

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	2010	Difference	Percent Difference
Colorado State Historical Fund	$ 24,195,009	$ 24,867,360	$ (672,351)	(2.70)%
Colorado Travel and Tourism Promotion Fund	12,002,687	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	47,000,114	53,073,360	(6,073,246)	(11.44)%
City of Black Hawk	6,352,054	6,516,136	(164,082)	(2.52)%
City of Central City	768,193	751,350	16,843	2.24%
City of Cripple Creek	1,520,828	1,613,714	(92,886)	(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	8,916,605	7,930,401	986,204	12.44%
Total distribution	$ 95,327,352	$ 96,742,401	$ (1,415,049)	(1.46)%

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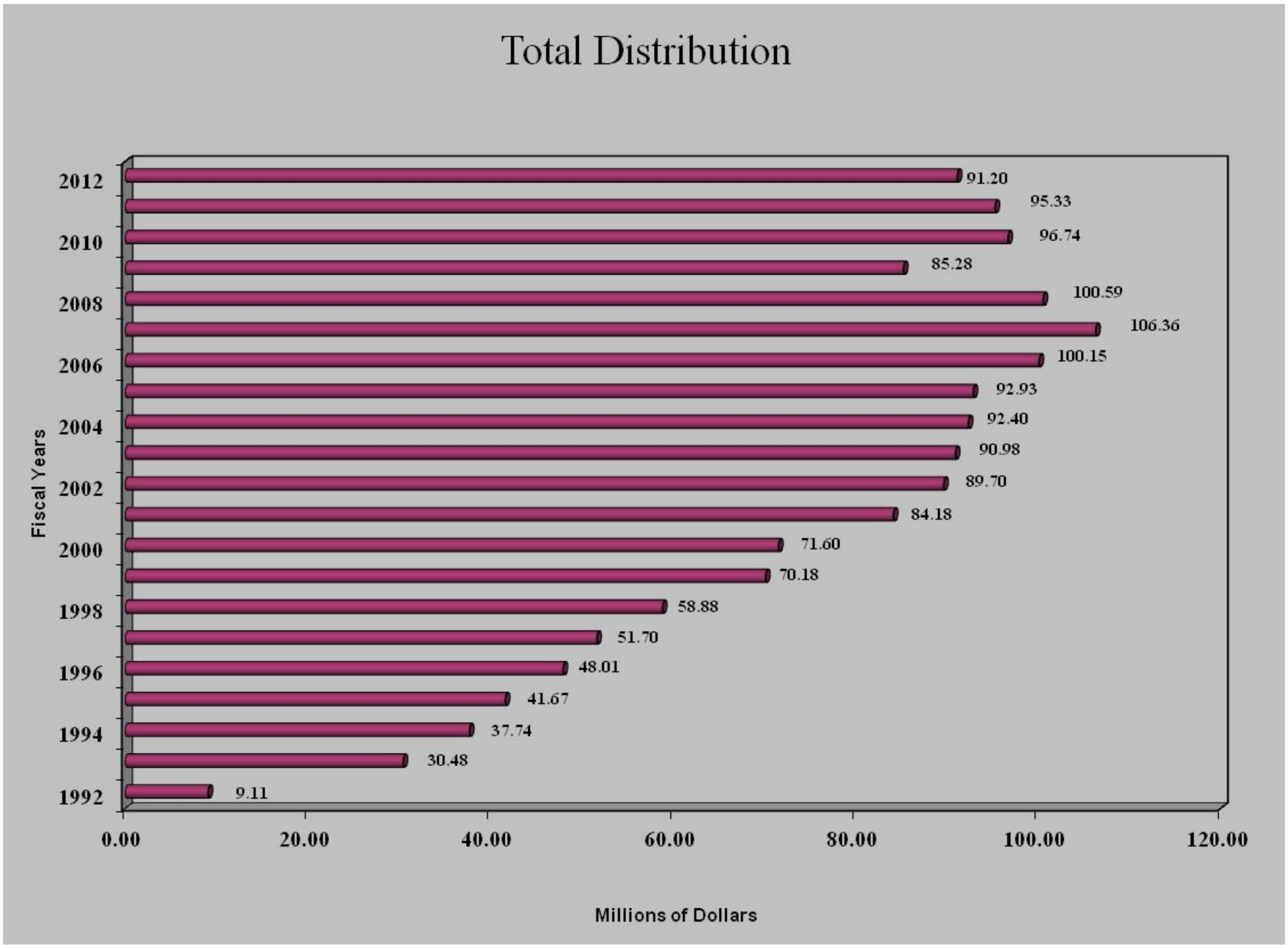
Distribution (continued)



Budget

The Colorado Limited Gaming Control Commission approves the Division's budget for the Limited Gaming Fund. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year, the budget can be amended if approved by the Colorado Limited Gaming Commission.

Changes approved in February 2012

- The Legal Services appropriation was decreased by $83,485.

Changes approved in March 2012

- The Fixed Vehicle Lease appropriation was decreased by $3,854.

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Budget (continued)

Changes approved in April 2012

- The State Agency Services appropriation was increased by $28,033 for the Colorado State Patrol.

The budget approved at the beginning of the year was $13,520,959. The amendments and roll forwards to the budget resulted in a net decrease of $59,306. Therefore, the final approved budget for fiscal year 2012 was $13,461,653. Total actual expenditures were $12,305,062 resulting in excess appropriations, or a savings of $1,156,591 for fiscal year 2012.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2013 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 2013. The Division's request totaled $10,353,618, which represents a 6.45% increase from the fiscal year 2012 appropriation. The largest increase in the fiscal year 2013's budget is $253,719 for the Personal Services appropriation. Health, Life and Dental appropriation was increased by $61,484. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $3,684,918 and a budget request submitted by the Department of Local Affairs for $153,939. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2013 included the continuation of current tax structure, 5% tax rate increase and continuation of license and application fees in effect. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2012. The Division's fiscal year 2013 revenue estimates total $109.4 million, a $5.7 million increase over fiscal year 2012 actual revenue.

During the 21 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.

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COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
JUNE 30, 2012 AND 2011

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

The tax rates for period ending June 30, 2012 are:

.2375% on amounts up to $2 million
1.90% on amounts over $2 million and up to $5 million
8.55% on amounts over $5 million and up to $8 million
10.45% on amounts over $8 million and up to $10 million
15.20% on amounts over $10 million and up to $13 million
19.00% on amounts over $13 million

The tax rates for year ending June 30, 2012 were lowered by 5% compared to tax rates for the year ending June 30, 2011, see below:

The tax rates for period ending June 30, 2011 were:

.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

For Periods Beginning July 1, 2010 and 2011 through June 30, 2011 and 2012

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 2,789,073	$ 7,176,950	$ 4,387,877	157.32%
$2 - $5 Million	$ 40,259,808	$ 36,391,146	$ (3,868,662)	(9.61%)
$5 - $8 Million	$ 26,518,931	$ 31,539,031	$ 5,020,100	18.93%
$8 - $10 Million	$ 36,509,267	$ 18,242,088	$ (18,267,179)	(50.03%)
$10 - $13 Million	$ 31,800,023	$ 21,420,358	$ (10,379,665)	(32.64%)
$13+ Million	$ 616,209,911	$ 644,834,902	$ 28,624,991	4.65%
Total	$ 754,087,013	$ 759,604,475	$ 5,517,462	0.73%

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 196,973	$ 183,295	$ (13,678)	(6.94%)
$2 - $5 Million	$ 1,885,196	$ 1,736,432	$ (148,764)	(7.89%)
$5 - $8 Million	$ 6,526,704	$ 5,689,087	$ (837,617)	(12.83%)
$8 - $10 Million	$ 4,456,019	$ 3,996,298	$ (459,721)	(10.32%)
$10 - $13 Million	$ 7,488,004	$ 7,511,895	$ 23,891	0.32%
$13+ Million	$ 84,241,982	$ 82,998,631	$ (1,243,351)	(1.48%)
Total	$ 104,794,878	$ 102,115,638	$ (2,679,240)	(2.56%)

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	1	6	5
$2 - $5 Million	11	9	(2)
$5 - $8 Million	4	5	1
$8 - $10 Million	4	2	(2)
$10 - $13 Million	3	2	(1)
$13+ Million	14	16	2
	37	40	3

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
JUNE 30, 2012 AND 2011
(UNAUDITED)

	FY 2012			FY 2011		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
ASSETS:						
Cash & Temporary Cash Investment - Note 2	$ 8,718,155	$ 76,511,747	$ 85,229,902	$ 9,051,721	$ 80,342,740	$ 89,394,461
Accounts Receivable - Note 3						
Gaming Taxes	0	10,900,285	10,900,285	0	10,678,561	10,678,561
Accounts Receivable Other Agencies	0	32	32	0	10	10
Background	0	530	530	0	0	0
Fines Receivable	0	1,969	1,969	0	1,456	1,456
Miscellaneous	0	1,423	1,423	0	12,657	12,657
Net Accounts Receivable	0	10,904,239	10,904,239	0	10,692,684	10,692,684
Prepaid Expenses	0	20,482	20,482	0	14,296	14,296
Total Current Assets	8,718,155	87,436,468	96,154,623	9,051,721	91,049,720	100,101,441
TOTAL ASSETS	$ 8,718,155	$ 87,436,468	$ 96,154,623	$ 9,051,721	$ 91,049,720	$ 100,101,441
LIABILITIES AND FUND BALANCE:						
Accounts Payable	$ 0	$ 103,146	$ 103,146	$ 0	$ 43,402	$ 43,402
Accrued Payroll Payable - Note 1	0	558,834	558,834	0	555,994	555,994
Wages & Salaries Payable	0	1,452	1,452	0	4,357	4,357
Due to Other State Agencies - Note 13	0	44,429,798	44,429,798	0	47,333,871	47,333,871
Due to Other Governments - Note 13	0	18,171,493	18,171,493	0	19,010,364	19,010,364
Due to the State's General Fund - Note 13	0	20,304,942	20,304,942	0	20,400,269	20,400,269
Background and Other Deposits - Note 5	0	274,088	274,088	0	131,689	131,689
Deferred Revenue - Note 5	0	252,390	252,390	0	298,930	298,930
Total Liabilities	0	84,096,143	84,096,143	0	87,778,876	87,778,876
FUND BALANCE:						
Restricted for:						
Required Reserve - Note 7	118,467	3,319,843	3,438,310	135,116	3,256,548	3,391,664
Extended Gaming Recipients - Note 7	8,599,688	0	8,599,688	8,916,605	0	8,916,605
Nonspendable:						
Prepaids	0	10,241	10,241	0	7,148	7,148
Committed to:						
Prepaids	0	10,241	10,241	0	7,148	7,148
Total Fund Balance	8,718,155	3,340,325	12,058,480	9,051,721	3,270,844	12,322,565
TOTAL LIABILITIES AND FUND BALANCE	$ 8,718,155	$ 87,436,468	$ 96,154,623	$ 9,051,721	$ 91,049,720	$ 100,101,441

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2012 AND 2011
(UNAUDITED)

	FY 2012			FY 2011		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
REVENUES:						
Gaming Taxes	$ 0	$ 102,080,861	$ 102,080,861	$ 0	$ 104,807,976	$ 104,807,976
License and Application Fees	0	629,594	629,594	0	620,701	620,701
Background Investigations	0	221,817	221,817	0	209,430	209,430
Fines	0	184,682	184,682	0	67,347	67,347
Interest Income - Note 2	14,428	599,775	614,203	19,356	904,959	924,315
Investment Income / (Loss) - Note 2	(16,649)	(159,321)	(175,970)	135,116	(669,790)	(534,674)
Other Revenue	0	92	92	0	778	778
TOTAL REVENUES	(2,221)	103,557,500	103,555,279	154,472	105,941,401	106,095,873
OTHER FINANCING SOURCES / USES:						
Transfer from Limited Gaming Fund - Note 7	8,585,260	0	8,585,260	8,897,249	0	8,897,249
Insurance Recoveries - Note 12	0	0	0	0	8,458	8,458
TOTAL REVENUES & OTHER FIN. SOURCES	8,583,039	103,557,500	112,140,539	9,051,721	105,949,859	115,001,580
EXPENDITURES:						
Salaries and Benefits	0	6,649,696	6,649,696	0	6,629,782	6,629,782
Annual and Sick Leave Payouts	0	42,033	42,033	0	8,148	8,148
Professional Services	0	127,273	127,273	0	57,583	57,583
Travel	0	42,658	42,658	0	20,624	20,624
Automobiles	0	180,483	180,483	0	150,973	150,973
Printing	0	14,186	14,186	0	12,233	12,233
Police Supplies	0	15,216	15,216	0	9,598	9,598
Computer Services & Name Searches	0	114,991	114,991	0	112,195	112,195
Materials, Supplies, and Services	0	257,948	257,948	0	414,322	414,322
Postage	0	4,047	4,047	0	4,199	4,199
Telephone	0	92,767	92,767	0	110,994	110,994
Utilities	0	21,862	21,862	0	19,261	19,261
Other Operating Expenditures	0	12,112	12,112	0	59,575	59,575
Leased Space	0	268,380	268,380	0	194,512	194,512
Capital Outlay	0	82,135	82,135	0	25,449	25,449
EXPENDITURES - SUBTOTAL	0	7,925,787	7,925,787	0	7,829,448	7,829,448
STATE AGENCY SERVICES - Note 13						
Colorado Bureau of Investigations	0	804,838	804,838	0	694,656	694,656
Fire Safety	0	175,044	175,044	0	167,421	167,421
Colorado State Patrol	0	2,319,762	2,319,762	0	2,326,121	2,326,121
State Auditors	0	32,860	32,860	0	31,698	31,698
Indirect Costs - Department of Revenue	0	685,832	685,832	0	711,203	711,203
Local Affairs	0	158,103	158,103	0	151,516	151,516
Regulatory Agencies	0	6,517	6,517	0	0	0
Colorado Department of Law	0	167,795	167,795	0	147,873	147,873
TOTAL STATE AGENCY SERVICES	0	4,350,751	4,350,751	0	4,230,488	4,230,488
Background Expenditures	0	28,524	28,524	0	37,160	37,160
TOTAL EXPENDITURES	0	12,305,062	12,305,062	0	12,097,096	12,097,096
Excess of Revenues Over Expenditures	8,583,039	91,252,438	99,835,477	9,051,721	93,852,763	102,904,484
FY 12 Limited Gaming Distribution - Note 7	0	(82,597,697)	(82,597,697)	0	(86,410,746)	(86,410,746)
Transferred to Extended Gaming Fund - Note 7	0	(8,585,260)	(8,585,260)	0	(8,897,249)	(8,897,249)
FY 11 and FY 10 Extended Gaming Distribution	(8,916,605)	0	(8,916,605)	(7,930,401)	0	(7,930,401)
FUND BALANCE AT JULY 1, 2011 & 2010	9,051,721	3,270,844	12,322,565	7,930,401	4,726,076	12,656,477
TOTAL FUND BAL. JUNE 30, 2012 AND 2011	$ 8,718,155	$ 3,340,325	$ 12,058,480	$ 9,051,721	$ 3,270,844	$ 12,322,565

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED JUNE 30, 2012
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 104,935,975	$ 0	$ 104,935,975	$ 102,080,861	$ (2,855,114)	97.28%
License and Application Fees	637,848	0	637,848	629,594	(8,254)	98.71%
Background Investigations	253,768	0	253,768	221,817	(31,951)	87.41%
Fines	0	0	0	184,682	184,682	100.00%
Interest Revenue	1,000,584	0	1,000,584	599,775	(400,809)	59.94%
Other Revenue	0	0	0	92	92	100.00%
TOTAL REVENUES	106,828,175	0	106,828,175	103,716,821	(3,111,354)	97.09%
EXPENDITURES:						
Personal Services	6,587,918	0	6,587,918	6,205,319	(382,599)	94.19%
Health, Dental and Life Insurance	523,299	0	523,299	523,299	0	100.00%
Short Term Disability	9,262	0	9,262	9,262	0	100.00%
Amortization Equalization Disbursement	167,324	0	167,324	144,941	(22,383)	86.62%
Supplemental Amort. Equal. Disbursmnt	134,460	0	134,460	116,607	(17,853)	86.72%
Operating Expenditures	588,084	0	588,084	467,302	(120,782)	79.46%
Workers Compensation	45,759	0	45,759	45,759	0	100.00%
Risk Management	10,722	0	10,722	10,722	0	100.00%
Licensure Activities	181,497	0	181,497	100,547	(80,950)	55.40%
Leased Space	279,509	0	279,509	268,380	(11,129)	96.02%
Vehicle Lease Payments - Fixed	85,677	(3,854)	81,823	81,823	0	100.00%
Vehicle Lease Payments - Variable	62,155	0	62,155	62,155	0	100.00%
Utilities	25,465	0	25,465	21,862	(3,603)	85.85%
EDO - MNT	47,881	0	47,881	47,881	0	100.00%
EDO - Communications	27,100	0	27,100	27,100	0	100.00%
Legal Services	83,485	(83,485)	0	0	0	0.00%
Indirect Costs - Department of Revenue	690,400	0	690,400	685,832	(4,568)	99.34%
State Agency Services	3,706,998	28,033	3,735,031	3,457,747	(277,284)	92.58%
Division Expenditures	13,256,995	(59,306)	13,197,689	12,276,538	(921,151)	93.02%
Background Expenditures	263,964	0	263,964	28,524	(235,440)	10.81%
TOTAL EXPENDITURES	13,520,959	(59,306)	13,461,653	12,305,062	(1,156,591)	91.41%
EXCESS OF REVENUES OVER EXPENDITURES	$ 93,307,216	N/A	$ 93,366,522	$ 91,411,759	$ (1,954,763)	97.91%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through June 30, 2012 is 100.0%.

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

Fund Structure and Basis of Accounting

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

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010 to clarify fund balances. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements that are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division has spending constraint classifications presented on the balance sheet.

Basis of Accounting

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

Budget

The Statement of Budget to Actual compares actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2012 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

Each year, the Division submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budget may be modified due to roll forward authorization or supplemental budget approval. The Commission must approve all supplemental budget requests, with the exception of decreases to shared expenses. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Budget (continued)

Total appropriations for the fiscal years are as follows:

	Years Ended June 30, 2012	Years Ended June 30, 2011
Appropriations	$ 13,520,959	$ 13,698,021
Supplemental appropriations	(59,306)	(24,540)
Total appropriations	$ 13,461,653	$ 13,673,481

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, 2012, which is the date the financial statements and supplemental schedules were available to be issued, and determined there were no subsequent events requiring additional disclosure.

Note 2 - Cash and Temporary Cash Investments

The State Treasury acts as a bank for all State agencies. Monies deposited in the State Treasury are invested until the cash is needed. The Division deposits cash with the Colorado State Treasurer as required by C.R.S. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasury for the Division as of June 30, 2012 and 2011 were approximately $76.5 million and $80.3 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, 2012 and 2011, the Division's share of unrealized gain (loss) was $(159,321) and $(669,790), respectively.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 $1,039,926 and $1,199,247 at June 30, 2012 and 2011, respectively, represents the cumulative unrealized net gain on cash and temporary cash investments and is not available for use in the gaming distribution calculation.

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, 2012 and 2011, $599,775 and $904,959, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2012 and 2011, the State Treasurer paid interest at 1.37% and 1.95%, respectively, based on average annualized monthly interest rates.

Note 3 - Accounts Receivable

As of June 30, 2012 and 2011, the Division had accounts receivable balances of $10,904,239 and $10,692,684, respectively. At June 30, 2012 and 2011, the Division had $10,900,285 and $10,678,561 of gaming taxes receivable from 41 and 37 Colorado casinos, respectively. These receivables primarily represent June 2012 and 2011 gaming taxes, which were due on July 16, 2012 and July 15, 2011, respectively, and were subsequently collected by the Department of Revenue in July 2012 and 2011 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 4 - Changes in Capital Assets and Accumulated Depreciation

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

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair values on the date donated. The capitalization criteria for capital assets are $50,000 for buildings and leasehold improvements, $5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at $5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the buildings, five to ten years for leasehold improvements, furniture, equipment, and software.

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, 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)
Balances, June 30, 2011	536,138	-	536,138	589,908	1,134,912	1,724,820	2,260,958
Additions	-	-	-	82,135	-	82,135	82,135
Disposals	-	-	-	(22,875)	-	(22,875)	(22,875)
Balances, June 30, 2012	536,138	-	536,138	649,168	1,134,912	1,784,080	2,320,218
Accumulated Depreciation							
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)
Additions	-	-	-	(6,901)	(31,892)	(38,793)	(38,793)
Disposals	-	-	-	22,875	-	22,875	22,875
Balances, June 30, 2012	-	-	-	(528,671)	(137,110)	(665,781)	(665,781)
Total capital assets, net	$ 536,138	$ -	$ 536,138	$ 120,497	$ 997,802	$ 1,118,299	$ 1,654,437

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 $267,774 and $125,355 at June 30, 2012 and 2011, respectively, represent background investigation deposits, as well as $6,314 and $6,335 of monies at June 30, 2012 and 2011, 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, 2012 and 2011, deferred license fees were $252,390 and $298,930, 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, 2012:

	Annual Leave	Sick Leave	Total
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
Increase	295,815	45,490	341,305
Decrease	(292,150)	(42,708)	(334,858)
Balances, June 30, 2012	$ 466,657	$ 49,549	$ 516,206

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 2012 totaled $41,298,849; 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 $1,104,942. 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 $20,304,942.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

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, 2012 and 2011, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,300,399 and $2,071,594, respectively.

On August 23rd, 2012, the Commission is expected to approve the distribution of $82,597,697 for the fiscal year ended June 30, 2012 in accordance with Section 12-47.1-701, C.R.S. On August 25, 2011, $86,410,747 was approved as the 2011 distribution. The adjusted distributions are summarized as follows:

	Year Ended June 30,	
	2012	2011
Distribution to other State agencies		
Colorado State Historical Fund	$ 23,127,355	$ 24,195,009
Local Government Limited Gaming Impact Fund	3,314,827	3,600,806
Colorado Travel and Tourism Promotion Fund	11,049,424	12,002,687
Creative Industries Cash Fund for the Operation of the Office of Film, Television, and Media	220,989	240,054
New Jobs Incentives Cash Fund	-	-
Bioscience Discovery Evaluation Cash Fund	3,977,793	4,320,967
Creative Industries Cash Fund	883,954	960,215
Innovative Higher Education Research Fund	1,546,920	1,680,376
Total distributions to other State agencies	44,121,262	47,000,114
Distributions to other governments		
Cities of Cripple Creek, Central City, and Black Hawk	8,259,770	8,641,075
Gilpin and Teller Counties	9,911,723	10,369,289
Total distributions to other governments	18,171,493	19,010,364
Distribution to the State General Fund	20,304,942	20,400,269
Total distributions	$ 82,597,697	$ 86,410,747

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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.; and

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

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

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

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 2012, the actual annual decline is (2.60) % which is the lesser of 6%. The annual adjustment amount attributable to this actual annual decline for fiscal year 2012 is $(244,434).

On August 23rd, 2012, the Commission is expected to approve the distribution of $8,599,688 for the fiscal year ended June 30, 2012, in accordance with Section 12-47.1-701.5 C.R.S. On August 25, 2011, $8,916,605 was approved as the 2011 distribution. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	June 30, 2012	June 30, 2011
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 6,707,757	$ 6,954,952
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	1,031,963	1,069,993
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	859,969	891,660
Total transfer for distribution attributable to extended gaming	$ 8,599,689	$ 8,916,605

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 8 - Commitments and Contingencies

Cripple Creek Office

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at a 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 $834,000.

Golden Office

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

Estimated Future Payments

Fiscal year 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
	$	2,449,243

As shown in the Management Discussion and Analysis in fiscal year 2010, the leased space expenditure amount includes the Division's share of Capitol Complex lease cost for the Division's previous Lakewood location.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 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 in the process of conducting a sunset review. 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. In November 2011, the Division entered into a fourth amendment which extended the option to renew the maintenance and service agreement through November 2012. During fiscal years 2012 and 2011, the Division expended $31,285 and $42,811, respectively, under this contract.

Note 9 - Pension Plan

Plan Description

Virtually all of the department/institution'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 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

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

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 and must elect either PERA's defined benefit or defined contribution plan with 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

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

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

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

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

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

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

- Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.

- Hired on or after January 1, 2017 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.

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

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

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

- 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.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.

- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Plan Description (continued)

- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent. During all of Fiscal Year 2012, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 9 - Pension Plan (continued)

Funding Policy (continued)

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point.

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

The Division's contributions to PERA and/or the State defined contribution plan for the fiscal years ending June 30, 2012, 2011 and 2010 were $605,677, $571,200 and $643,950 respectively. These contributions met the contribution requirement for each year.

Note 10 - Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

Note 11 - Other Post Employment Benefits and Life Insurance

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

* Fiscal Year 2011 may not match the financial statements exactly. The audited financial statement numbers were rounded. Fiscal Year 2011 numbers match the audited financial statements.

Note 11 - Other Post Employment Benefits and Life Insurance (continued)

Health Care Plan (continued)

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 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 $50,955, $51,837, and $51,160 as required by statute in fiscal years 2012, 2011, and 2010, respectively. In each year the amount contributed was 100% of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

Note 12 – Risk Management

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

The Division had recorded $8,458 in insurance recoveries as of June 30, 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	
State agency services:	2012	2011
Colorado State Patrol	$ 2,319,762	$ 2,326,121
Colorado Bureau of Investigations	804,838	694,656
Colorado Division of Fire Safety	175,044	167,421
Indirect costs (Colorado Department of Revenue)	685,832	711,203
Legal Services (Colorado Department of Law)	167,795	147,873
Office of the State Auditor	32,860	31,698
Colorado Division of Local Affairs	158,103	151,516
Colorado Department of Regulatory Agencies	6,517	0
Total payments to State agencies	$ 4,350,751	$ 4,230,488

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

	June 30,	
	2012	2011
State agencies		
Colorado State Historical Society	$ 23,127,355	$ 24,195,009
Colorado Department of Local Affairs	3,314,827	3,600,806
Office of Economic Development	16,132,159	17,523,922
Colorado Department of Higher Education	1,546,920	1,680,376
Colorado State Patrol	219,821	250,671
Colorado Division of Fire Safety	10,702	15,457
Colorado Bureau of Investigations	77,615	60,550
Colorado Department of Revenue	399	6,759
Colorado Department of Personnel and Administration	0	321
Total liabilities to State agencies	44,429,798	47,333,871
Other governments		
City of Black Hawk	6,048,629	6,352,054
City of Central City	782,200	768,193
City of Cripple Creek	1,428,940	1,520,828
Gilpin County	8,196,996	8,544,294
Teller County	1,714,728	1,824,995
Total liabilities to other governments	18,171,493	19,010,364

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Note 13 - Related-Party Transactions (continued)

State General Fund	20,304,942	20,400,269
Total liabilities to State agencies, State General Fund, and other governments	$ 82,906,233	$ 86,744,504

Total related party liabilities of $82,906,233 and $86,744,504 at June 30, 2012 and 2011, 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 $308,537 and $333,758, respectively. The remaining liabilities of $82,597,697 and $86,410,746, respectively, are related to the fiscal years 2012 and 2011 gaming distributions.

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