STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE THREE (3) MONTHS ENDED

SEPTEMBER 30, 2012

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

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

The tax rates for period ending June 30, 2013 are:

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

The tax rates for year ending June 30, 2013 were increased by 5% compared to tax rates for the year ending June 30, 2012, see below:

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

.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

For Periods Beginning July 1, 2011 and 2012 through September 30, 2011 and 2012

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 18,666,992	$ 19,556,295	$ 889,303	4.76%
$2 - $5 Million	$ 29,713,317	$ 29,975,569	$ 262,252	0.88%
$5 - $8 Million	$ 43,753,342	$ 42,597,089	$ (1,156,253)	(2.64%)
$8 - $10 Million	$ 8,778,423	$ 8,503,444	$ (274,979)	(3.13%)
$10 - $13 Million	$ -	$ -	$ -	0.00%
$13+ Million	$ 99,965,443	$ 102,695,634	$ 2,730,191	2.73%
Total	$ 200,877,517	$ 203,328,031	$ 2,450,514	1.22%

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 144,084	$ 153,891	$ 9,807	6.81%
$2 - $5 Million	$ 906,553	$ 959,511	$ 52,958	5.84%
$5 - $8 Million	$ 2,030,911	$ 2,033,738	$ 2,827	0.14%
$8 - $10 Million	$ 917,345	$ 935,379	$ 18,034	1.97%
$10 - $13 Million	$ 1,824,000	$ 1,920,000	$ 96,000	5.26%
$13+ Million	$ 9,113,434	$ 10,139,127	$ 1,025,693	11.25%
Total	$ 14,936,327	$ 16,141,646	$ 1,205,319	8.07%

Open Casinos Comparison

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	19	20	1
$2 - $5 Million	9	9	0
$5 - $8 Million	7	7	0
$8 - $10 Million	1	1	0
$10 - $13 Million	0	0	0
$13+ Million	4	4	0
	40	41	1

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

	FY 2013			FY 2012		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
ASSETS:						
Cash (Note 2)	$ 9,595	$ 8,680,911	$ 8,690,506	$ 14,328	$ 7,710,391	$ 7,724,719
Accounts Receivable (Note 3)						
Gaming Taxes	0	7,769,696	7,769,696	0	7,290,385	7,290,385
Accounts Receivable Other Agencies	0	3,391	3,391	0	2,000	2,000
Fines Receivable	0	1,164	1,164	0	2,091	2,091
Miscellaneous	0	1,304	1,304	0	1,459	1,459
Net Accounts Receivable	0	7,775,555	7,775,555	0	7,295,935	7,295,935
Prepaid Expenses	0	77,859	77,859	0	62,065	62,065
Total Current Assets	9,595	16,534,325	16,543,920	14,328	15,068,391	15,082,719
TOTAL ASSETS	$ 9,595	$ 16,534,325	$ 16,543,920	$ 14,328	$ 15,068,391	$ 15,082,719
LIABILITIES AND FUND BALANCE:						
Accounts Payable	$ 0	$ 39,064	$ 39,064	$ 0	$ 22,054	$ 22,054
Wages & Salaries Payable	0	8,541	8,541	0	1,347	1,347
Due to Other State Agencies (Note 14)	0	324,812	324,812	0	302,760	302,760
Background and Other Deposits (Note 5)	0	239,937	239,937	0	172,705	172,705
Deferred Revenue (Note 6)	0	247,470	247,470	0	295,840	295,840
Total Liabilities	0	859,824	859,824	0	794,706	794,706
FUND BALANCE:						
Restricted	0	6,648,121	6,648,121	0	6,070,012	6,070,012
Committed	0	6,648,122	6,648,122	0	6,070,011	6,070,011
Restricted for:						
Required Reserve	0	2,300,399	2,300,399	0	2,071,597	2,071,597
Extended Gaming Recipients	9,595	0	9,595	14,328	0	14,328
Nonspendable:						
Prepaids	0	38,929	38,929	0	31,033	31,033
Committed to:						
Prepaids	0	38,930	38,930	0	31,032	31,032
Total Fund Balance	9,595	15,674,501	15,684,096	14,328	14,273,685	14,288,013
TOTAL LIABILITIES AND FUND BALANCE	$ 9,595	$ 16,534,325	$ 16,543,920	$ 14,328	$ 15,068,391	$ 15,082,719

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

	FY 2013 YTD			FY 2012 YTD		
	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE	EXTENDED GAMING FUND	LIMITED GAMING FUND	TOTAL FUND BALANCE
REVENUES:						
Gaming Taxes	$ 0	$ 16,141,646	$ 16,141,646	$ 0	$ 14,936,478	$ 14,936,478
License and Application Fees	0	172,868	172,868	0	165,196	165,196
Background Investigations	0	126,073	126,073	0	48,706	48,706
Fines	0	1,950	1,950	0	53,850	53,850
Interest Income (Note 2)	9,595	152,169	161,764	14,328	218,818	233,146
Other Revenue	0	58	58	0	39	39
TOTAL REVENUES	9,595	16,594,764	16,604,359	14,328	15,423,087	15,437,415
EXPENDITURES:						
Salaries and Benefits	0	1,733,702	1,733,702	0	1,625,079	1,625,079
Annual and Sick Leave Payouts	0	3,864	3,864	0	14,932	14,932
Professional Services	0	26,614	26,614	0	8,325	8,325
Travel	0	13,910	13,910	0	10,748	10,748
Automobiles	0	44,658	44,658	0	42,581	42,581
Printing	0	4,663	4,663	0	1,982	1,982
Police Supplies	0	155	155	0	605	605
Computer Services & Name Searches	0	29,893	29,893	0	31,350	31,350
Materials, Supplies, and Services	0	76,036	76,036	0	64,529	64,529
Postage	0	988	988	0	1,236	1,236
Telephone	0	27,107	27,107	0	22,893	22,893
Utilities	0	5,781	5,781	0	5,035	5,035
Other Operating Expenditures	0	6,712	6,712	0	2,757	2,757
Leased Space (Note 9)	0	71,259	71,259	0	69,877	69,877
Capital Outlay	0	1,680	1,680	0	0	0
EXPENDITURES - SUBTOTAL	0	2,047,022	2,047,022	0	1,901,929	1,901,929
STATE AGENCY SERVICES (Note 14)						
Colorado Bureau of Investigations	0	206,541	206,541	0	192,979	192,979
Fire Safety	0	26,407	26,407	0	53,735	53,735
Colorado State Patrol	0	619,881	619,881	0	789,823	789,823
State Auditors	0	13,643	13,643	0	15,500	15,500
Indirect Costs - Department of Revenue	0	205,577	205,577	0	172,551	172,551
Local Affairs	0	38,485	38,485	0	39,526	39,526
Regulatory Agencies	0	2,400	2,400	0	0	0
Colorado Department of Law	0	39,124	39,124	0	46,389	46,389
TOTAL STATE AGENCY SERVICES	0	1,152,058	1,152,058	0	1,310,503	1,310,503
Background Expenditures	0	21,582	21,582	0	8,567	8,567
TOTAL EXPENDITURES	0	3,220,662	3,220,662	0	3,220,999	3,220,999
Excess of Revenues Over Expenditures	9,595	13,374,102	13,383,697	14,328	12,202,088	12,216,416
FY12 & FY11 Extended Gaming Distr.	(8,599,688)	0	(8,599,688)	(8,916,605)	0	(8,916,605)
FUND BALANCE AT JULY 1, 2012 & 2011	8,599,688	2,300,399	10,900,087	8,916,605	2,071,597	10,988,202
TOTAL FUND BAL. SEPTEMBER 30, 2012 & 2011	$ 9,595	$ 15,674,501	$ 15,684,096	$ 14,328	$ 14,273,685	$ 14,288,013

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED SEPTEMBER 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	$ 107,477,934	$ 0	$ 107,477,934	$ 16,141,646	$ (91,336,288)	15.02%
License and Application Fees	637,848	0	637,848	172,868	(464,980)	27.10%
Background Investigations	253,768	0	253,768	126,073	(127,695)	49.68%
Fines	0	0	0	1,950	1,950	100.00%
Interest Revenue	1,000,584	0	1,000,584	152,169	(848,415)	15.21%
Other Revenue	0	0	0	58	58	100.00%
TOTAL REVENUES	109,370,134	0	109,370,134	16,594,764	(92,775,370)	15.17%
EXPENDITURES:						
Personal Services	6,841,637	0	6,841,637	1,540,057	(5,301,580)	22.51%
Health, Dental and Life Insurance	584,783	0	584,783	153,578	(431,205)	26.26%
Short Term Disability	10,650	0	10,650	2,318	(8,332)	21.77%
Amortization Equalization Disbursement	192,667	0	192,667	38,755	(153,912)	20.12%
Supplemental Amort. Equal. Disbursmnt	165,666	0	165,666	32,296	(133,370)	19.49%
Operating Expenditures	588,084	0	588,084	107,608	(480,476)	18.30%
Workers Compensation	52,877	0	52,877	13,219	(39,658)	25.00%
Risk Management	12,393	0	12,393	3,098	(9,295)	25.00%
Licensure Activities	181,497	0	181,497	27,156	(154,341)	14.96%
Leased Space	285,038	0	285,038	71,259	(213,779)	25.00%
Vehicle Lease Payments - Fixed	95,254	0	95,254	18,719	(76,535)	19.65%
Vehicle Lease Payments - Variable	114,564	0	114,564	25,940	(88,624)	22.64%
Utilities	25,465	0	25,465	5,781	(19,684)	22.70%
EDO - MNT	59,891	0	59,891	14,973	(44,918)	25.00%
EDO - Communications	33,232	0	33,232	8,308	(24,924)	25.00%
COFRS Upgrade	26,004	0	26,004	0	(26,004)	0.00%
Legal Services	83,485	86,267	169,752	39,124	(130,628)	23.05%
Indirect Costs - Department of Revenue	736,467	90,459	826,926	205,577	(621,349)	24.86%
State Agency Services	3,838,857	0	3,838,857	891,314	(2,947,543)	23.22%
Division Expenditures	13,928,511	176,726	14,105,237	3,199,080	(10,906,157)	22.68%
Background Expenditures	263,964	0	263,964	21,582	(242,382)	8.18%
TOTAL EXPENDITURES	14,192,475	176,726	14,369,201	3,220,662	(11,148,539)	22.41%
EXCESS OF REVENUES OVER EXPENDITURES	$ 95,177,659	N/A	$ 95,000,933	$ 13,374,102	$ (81,626,831)	14.08%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through September 30, 2012 is 25.0%.

COLORADO DIVISION OF GAMING
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Fund Structure and Basis of Accounting

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

GOVERNMENTAL FUNDS

Special Revenue Funds

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

Fixed Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

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

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

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

Assets		Carrying Value
Building and Land	$1,671,050	
Accumulated Depreciation - Buildings	(145,084)	$1,525,966
Furniture & Equipment	254,840	
Accumulated Depr. - Furn. & Equip.	(161,694)	93,156
Computers	395,998	
Accumulated Depreciation - Computers	(372,405)	23,593
Total		$1,642,715

Long-term Liabilities

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

Fund Balance Classification

The Governmental Accounting Standards Board (GASB) issued statement # 54, effective July 1 2010, to clarify fund balances. This statement creates new fund balance classifications for the purpose of showing financial statement users the degree of constraints on the use of resources. 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 who are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division now has restricted fund balance classifications presented on the balance sheet. Therefore, based upon the Constitutional Amendment, fund balance is classified as follows:

- Restricted Fund Balance: 50% of the Division's net income (less prepaid expense balance). These funds can only be spent on items related to the administration of the Division of Gaming.
- Committed Fund Balance: 50% of the Division's net income (less prepaid expense balance.) This balance may be distributed at year end to any fund as dictated by the General Assembly.
- Restricted for: Funds that are reserved based on legislation.
- Prepaids: Prepaid expense balances constitute a prior outlay of cash and are not available. 50% of the prepaid expense balance is assigned to nonspendable. 50% is assigned to committed and is also not available to be spent.

BASIS OF ACCOUNTING

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budget

The statement of budget to actual compares those revenues and expenditures, which are legally authorized by State statute. The fiscal year 2013 revenue projections were provided by the Division, based on the tax rate structure established by the Commission. Each year, the Division submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budget may be modified due to roll-forward authorization or supplemental budget approval. The Commission must approve all supplemental budget requests with the exception of POTS transfers. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

Appropriation as of July 1, 2012	$14,192,475
Supplemental appropriations	176,726
Total appropriation	$14,369,201

2. CASH AND INVESTMENTS

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division of Gaming on September 30, 2012 was approximately $8.7 million.

The Division of Gaming receives interest payments from the State Treasurer's Office on cash held by the Treasurer's Office on behalf of the Division for its limited gaming fund and extended gaming fund. The amount of $152,169 is interest earned on the average daily cash balances for fiscal year 2013. During the month of September, the State Treasurer was paying interest at 1.10% annualized.

3. ACCOUNTS RECEIVABLE

As of September 30, 2012, the Division had an accounts receivable balance of $7,775,555. This amount includes $7,769,696 in gaming taxes collected by the Department of Revenue for the Division for the month of September 2012, which were due on the 15th of October 2012. In addition, the Division had $1,164 in fines receivable, $1,303 in outstanding credit card deposits, and $3,391 outstanding licensing fees.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2012	Deletions	Additions	Balances at September 30, 2012
Computer Equipment	$ 135,711		$ 1,680	$ 137,391
Office Equipment	103,580			103,580
Investigative Equipment	13,879			13,879
Software	395,998			395,998
Building and Land	1,671,050			1,671,050
Total	$ 2,320,218		$ 1,680	$ 2,321,898

5. DEPOSITS

Applicants applying for gaming licenses are required to remit deposits to the Division, which are used to perform background investigations of these applicants. These deposits are recorded as liabilities until the Division incurs expenditures to perform the background investigations, or until any remaining balance is refunded to the applicant. Deposits for background investigations were $233,623 at September 30, 2012. Additionally, on September 30, 2012, the Division of Gaming held $6,314 in deposits, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

6. DEFERRED REVENUE

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of 2-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of September 30, 2012 deferred license fees were $247,470.

7. ACCRUED COMPENSATED ABSENCES

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

Annual Leave	$465,903
Sick Leave	53,943
Total	$519,846

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

8. GAMING DISTRIBUTION

A. Extended Gaming Distribution

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

- 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;

- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and

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

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

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

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

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

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

(1) After the end of 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. This amount is $95,459,922.13. Any gaming tax revenues collected over this amount in fiscal year 2013 will be attributable to extended gaming revenues. 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.

(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.

8. <u>GAMING DISTRIBUTION (Continued)</u>

A. Extended Gaming Distribution (continued)

(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.

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

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

- 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 as follows:

- 50% to the Colorado Travel & Tourism Promotion Fund;
- 18% to the Bioscience Discovery Evaluation Cash Fund;
- 15% to the Local Government Limited Gaming Impact Fund;
- 7% to the Innovative Higher Education Research Fund;

8. GAMING DISTRIBUTION (Continued)

B. Limited Gaming Distribution (continued)

- 5% to the General Fund (previously New Jobs Incentives Cash Fund); [1]
- 4% to the Creative Industries Cash Fund;
- 1% to the Creative Industries Cash Fund for the operation of the Colorado Office of Film, Television, and Media.

[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 amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period. As of September 30, 2012 the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $2,204,120. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of September 30, 2012	$15,674,501
Less: Two month Reserve	(2,204,120)
Available for Distribution at September 30, 2012	$13,470,381

9. COMMITMENTS AND CONTINGENCIES

A. Lease

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

Cripple Creek

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

9. COMMITMENTS AND CONTINGENCIES (Continued)

A. Lease (continued)

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

Golden

In May 2010, the Division entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. The initial term of the lease is ten years. The lease term began on September 17, 2010. Below are the estimated rental payments for fiscal years 2013-2020:

GOLDEN
Estimated Future Payments

FISCAL YEAR 2013 (October 2012 – June 2013)	$ 213,778
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
	$ 2,377,983

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

B. 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.

As of September 30th 2012, the General Assembly has almost completed the current sunset review. The sunset review report will be available on the Colorado DORA website (www.dora.state.co.us), under Newly Released Sunset Reviews.

C. Encumbrances (GASB 54 -new)

The Division had encumbrances totaling $3,157,766 as of September 30, 2012. The significant encumbrances include $2,832,089 for Public Safety, $76,969 for Department of Local Affairs and $213,778 for Golden office rental expenditures.

10. PENSION PLAN

Plan Description

Most of the Division's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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.

10. PENSION PLAN (Continued)

Plan Description (continued)

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

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

10. <u>PENSION PLAN (Continued)</u>

Plan Description (continued)

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

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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

Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 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%.

10. PENSION PLAN (Continued)

Funding Policy (continued)

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%.

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 0.5%.

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

The Division's contributions to PERA and/or the State defined contribution plan for the period ending September 30, 2012 were $190,184. These contributions met the contribution requirement.

11. OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent of their salary. For Fiscal Years 2010 and 2011 the legislature temporarily increased the required contribution rate to 10.5 percent. At December 31, 2011, the plan had 4,029 participants.

11. OTHER RETIREMENT PLANS (continued)

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2011 and 2012) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

12. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers voluntary 401k, 457, and defined contribution plans entirely separate from the defined benefit pension plan. Certain agencies and institutions of the State offered 403(b) or 401(a) plans.

13. OTHER POST EMPLOYMENT BENEFITS

Health Care Plan

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

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

13. OTHER POST EMPLOYMENT BENEFITS (Continued)

Health Care Plan (continued)

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. As of September 30, 2012, the Division contributed $13,265 as required by statute.

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%, and a 49-year amortization period.

14. RELATED-PARTY TRANSACTIONS

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, legal, and other expenses incurred with the Department of Revenue for indirect costs. Interagency charges as of September 30, 2012 consist of the following:

State Agency Services:		
Colorado Bureau of Investigation	$	206,541
Colorado Division of Fire Safety		26,407
Colorado State Patrol		619,881
Office of the State Auditor		13,643
Indirect Costs (Department of Revenue)		205,577
Colorado Department of Local Affairs		38,485
Colorado Department of Regulatory Agencies		2,400
Colorado Department of Law		39,124
Total Payments to State Agencies	$	1,152,058

As of September 30, 2012, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:		
Colorado Bureau of Investigation	$	70,000
Colorado Division of Fire Safety		15,000
Colorado State Patrol		215,000
Colorado State Auditors		13,642
Colorado Department of Regulatory Agencies		2,400
Colorado Correctional Institute		883
Colorado Department of Revenue		7,887
Total Liabilities to State Agencies	$	324,812

15. RISK MANAGEMENT

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

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