DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

Financial Statements
and
Independent Auditors' Report
June 30, 2007 and 2006

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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P: 303-740-9400 F: 303-740-9009

November 29, 2007

Members of the Legislative Audit Committee

We have completed the financial and compliance audits of the Division of Gaming, Department of Revenue, State of Colorado as of and for the years ended June 30, 2007 and 2006. Our audits were conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States of America.

We were engaged to conduct our audit pursuant to Section 12-47.1-702(1), C.R.S., which requires the State Auditor to audit the Limited Gaming Fund. The reports we have issued as a result of this engagement are set forth in the table of contents.

Sincerely,

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

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DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

REPORT SUMMARY
YEAR ENDED JUNE 30, 2007

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The authority for this audit comes from Colorado Revised Statutes, Section 12-47.1-702(1), which requires the State Auditor to conduct an annual audit of the Limited Gaming Fund. A contract exists by and between the State of Colorado, through the State Auditor and the Legislative Audit Committee, and Ehrhardt Keefe Steiner & Hottman PC ("EKS&H" or the "Contract Auditors"), whereby the audit of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") for the year ended June 30, 2007, is to be performed by EKS&H.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America, as promulgated by the American Institute of Certified Public Accounts in *Statements on Auditing Standards,* and the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

The primary purpose of the engagement was to conduct a financial and compliance audit of the Division as of and for the year ended June 30, 2007, in accordance with standards described above. These standards require that the Contract Auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, tests of the Division's compliance with certain provisions of laws, regulations, and contracts were performed, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated November 29, 2007, has been issued, which states that the financial statements present fairly, in all material respects, the financial position of the Division as of June 30, 2007 and 2006, and the change in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated November 29, 2007, has also been issued, which states that the results of the Contract Auditors' tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

RECOMMENDATION LOCATOR

We noted no matters of recommendation for the Division in the current year audit.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

There were no audit recommendations in the prior year audit report.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

DESCRIPTION OF THE COLORADO DIVISION OF GAMING
JUNE 30, 2007

Effective October 1, 1991, Article XVIII, Section 9 of the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities. The Amendment, along with the Limited Gaming Act of 1991 (the "Act"), established the framework for regulating limited gaming in Colorado. The Act created the Division of Gaming within the Department of Revenue, established the Limited Gaming Fund, and gave the Limited Gaming Control Commission (the "Commission") the authority and responsibility for regulating limited gaming in Colorado.

The Division operates with a staff of about 66 full-time employees and a budget of approximately $9.9 million. The Commission is made up of a five-member board appointed by the Governor and approved by the Colorado Senate. Gaming revenues deposited in the Limited Gaming Fund are used to pay operating expenses for the Division and the Commission during the year. After setting aside a reserve for two months' operating expenses at the end of each fiscal year, the remaining fund balance in the Limited Gaming Fund is distributed to state and local governments according to the provisions in the Colorado Constitution and the Act.

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

We have audited the accompanying financial statements of the special revenue fund of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the special revenue fund of the Division are intended to present the financial position and changes in financial position of only that portion of the special revenue fund of the State of Colorado that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2007 and 2006, and the changes in its financial position and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the special revenue fund of the Division as of June 30, 2007 and 2006, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards,* we have also issued our report dated November 29, 2007, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on Pages 5 through 20 and 23 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

November 29, 2007
Denver, Colorado

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. Please read it in conjunction with the Division's financial statements, which begin on Page 21.

FINANCIAL HIGHLIGHTS

- Gaming Tax revenues were $112,005,553 for the fiscal year ended June 30, 2007, which is an increase of $5,862,998 or 5.5%, over revenues of $106,142,555 for the prior fiscal year ending June 30, 2006.
- The growth in the Division's net income increased the Gaming Distribution to $106,356,714 compared to last fiscal year's distribution of $100,147,466. This distribution amount represents an increase of $6,209,248 over last fiscal year, or 6.2%.

USING THIS REPORT

This financial report consists of financial statements for the fiscal years ended June 30, 2007 and 2006. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statement of Revenues, Expenditures, and Changes in Fund Balance provides information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming Distribution, the beginning fund balances at July 1, 2005 and July 1, 2006, respectively, and the ending fund balances as of June 30, 2006 and 2007, respectively. The Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

REVENUES

The excess of revenues over expenditures of the Division for fiscal year 2007 was $107,021,424. This represents an increase of $7,705,283 or 7.8% compared to fiscal year 2006 excess of revenues over expenditures of $99,316,141.

The net increase in fair value of investments of $646,281 and net decrease of ($980,529) represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2007 and June 30, 2006, respectively.

REVENUES (continued)

The largest source of revenue for the Division is from gaming taxes paid by casinos. The gaming tax revenues earned for the fiscal years ending June 30, 2007 and 2006, were $112,005,553 and $106,142,555, respectively. The taxes are paid on a graduated scale ranging from 0.25% to 20% of adjusted gross proceeds. The tax rates remained constant for fiscal years 2007 and 2006. The adjusted gross proceeds of casinos increased 4.4% in fiscal year 2007. The tax increase was 5.5%. Taxes increased at a higher rate than adjusted gross proceeds as there were two casinos that moved into a higher tax rate category during fiscal year 2007.

Below is a chart of the changes in revenues from fiscal year 2006 to fiscal year 2007.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ 5,862,998	5.52%	Gaming tax revenues have historically increased over the prior fiscal year.
License and application fees	(11,425)	(2.03)%	Individual license fees decreased in fiscal year 2007 due to the second year of the two-year individual licensing cycle, whereby more revenue is recognized in the first year in order to more closely match revenues with expenditures.
Background investigations	97,975	41.99%	There were increases in the background investigation activity and rates during fiscal year 2007.
Fines and other	(9,799)	(3.38)%	The fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest income	450,261	25.43%	Interest rates increased 0.8% on average during fiscal year 2007.
Change in fair value of investments	1,626,810	165.91%	This represents the net change in the fair market value of the Division's investments during fiscal year 2007 versus fiscal year 2006.
Total revenues	$ 8,016,820	7.42%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments increased 5.86%.

For fiscal year 2006, the excess of revenues over expenditures was $99,316,141. This represents an increase of $7,123,870 or 7.7% compared to fiscal year 2005 excess of revenues over expenditures of $92,192,271.

REVENUES (continued)

The net decrease in fair value of investments of ($980,529) and ($703,666) represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2006 and June 30, 2005, respectively.

The gaming tax revenues earned for the fiscal years ending June 30, 2006 and 2005, were $106,142,555 and $99,080,505, respectively. The taxes are paid on a graduated scale ranging from 0.25% to 20% of adjusted gross proceeds. The tax rates remained constant for fiscal years 2006 and 2005. The adjusted gross proceeds of casinos increased 3.0% in fiscal year 2006. The tax increase was 7.1%. Taxes increased at a higher rate than adjusted gross proceeds as there were no changes of ownership in fiscal year 2006. In fiscal year 2005 there were five changes of ownership, which resulted in those casinos starting over in the graduated tax schedule.

Below is a chart of the changes in revenues from fiscal year 2005 to fiscal year 2006.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming taxes	$ 7,062,050	7.13%	Gaming tax revenues have historically increased over the prior fiscal year.
License and application fees	(31,303)	(5.28)%	There were 837 more individual licensee applications in fiscal year 2005 than in fiscal year 2006.
Background investigations	(5,095)	(2.14)%	There was a decrease in the background investigation activity during fiscal year 2006.
Fines and other	278,054	2,299.49%	The fines revenues vary from year to year and are dependent upon audit and investigative findings. The current period fines revenue increased significantly over the prior year due to 3 significant fines assessed to one casino operator for a total of $270,000.
Interest income	419,117	31.01%	Interest rates increased 0.8% on average during fiscal year 2006.
Change in fair value of investments	(276,863)	(39.35)%	This represents the net change in the fair market value of the Division's investments during fiscal year 2006 versus fiscal year 2005.
Total revenues	$ 7,445,960	7.40%	This number includes the change in fair value of investments. Revenues excluding the change in fair value of investments increased 7.6%.

EXPENDITURES

Total expenditures for the Division in fiscal year 2007 were $9,012,970. This is an increase of $311,537 or a 3.57% increase over fiscal year 2006 expenditures of $8,701,433. The information below shows the changes in expenditures from fiscal year 2006 to fiscal year 2007 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Expenditures			
Salaries and benefits	$ 156,125	3.43 %	Salaries increased slightly in fiscal year 2007.
State agency services	82,255	2.52 %	In fiscal year 2007, there was an increase in all state agency costs billed to the Division.
Materials, supplies and services	(97,494)	(28.61)%	In fiscal year 2007, Central City building maintenance costs decreased significantly. PC equipment and software purchases also decreased in fiscal year 2007.
Travel and automobiles	14,755	9.05 %	In fiscal year 2007, the Division's leased vehicle costs increased due to two new fleet vehicles received.
Computer services	20,468	22.37 %	In fiscal year 2007, Communication services of $21,417 were included in this line item. In fiscal year 2006, Communication services were part of indirect costs paid by the Division.
Professional services	(31,726)	(31.97)%	In fiscal year 2007, there was a decrease in architectural services needed for the preservation of the historic Central City building.
Other	15,969	31.60 %	In fiscal year 2007, risk management increased $10,205.
Telephone	16,843	44.69 %	In fiscal year 2007, multi-use network services of $18,421 were included in this line item. In fiscal year 2006, these services were part of indirect costs paid by the Division.
Background investigation	25,200	57.23 %	There were more background investigations conducted in fiscal year 2007.
Leased space	90,262	165.97 %	In fiscal year 2007, the Division paid its share of Capitol Complex leased space maintenance, as well as Pierce building management costs.
Capital outlay	18,880	100 %	In fiscal year 2007, the Division paid $17,860 for two badge/camera systems for licensing. There were no capital purchases in fiscal year 2006.
Total expenditures	$ 311,537	3.58 %	

EXPENDITURES (continued)

In fiscal year 2006, total expenditures for the Division were $8,701,433. This is an increase of $322,090 or a 3.8% increase over fiscal year 2005 expenditures of $8,379,343. The information below shows the changes in expenditures from fiscal year 2005 to fiscal year 2006 with explanations provided for large variances.

	Increase (Decrease) Amount	Percent Change	Explanation
Expenditures			
Salaries and benefits	$ 70,355	1.57 %	Salaries increased slightly in fiscal year 2006.
State agency services	267,755	8.93 %	In fiscal year 2006, there was an increase in all state agency costs billed to the Division.
Materials, supplies and services	34,145	11.14 %	In fiscal year 2006, building maintenance, due to the historic Central City building, increased $25,940. The Division also purchased software for replacement PCs.
Travel and automobiles	(5,726)	(3.39)%	In fiscal year 2006, the Division made a concerted effort to reduce travel costs. The Division's leased vehicle costs declined due to an aging fleet.
Computer services	(28,295)	(23.62)%	Less checks were performed in fiscal year 2006: there were 799 fewer non-background individual applications received in fiscal year 2006 than in fiscal year 2005.
Professional services	11,328	12.89 %	In fiscal year 2006, there was an increase in architectural services needed for the preservation of the historic Central City building.
Other	(6,216)	(10.95)%	In fiscal year 2006, risk management decreased $5,800.
Telephone	4,954	15.14 %	In fiscal year 2006, cellular phones and other mobile communications costs increased.
Background investigation	3,699	9.17 %	There were more background investigations conducted in fiscal year 2006.
wCapital outlay	(29,909)	(100)%	In fiscal year 2005, the Division paid $24,666 for two fingerprint machines and $5,243 for a server. There were no capital purchases in 2006.
Total expenditures	$ 322,090	3.80 %	

ASSETS, LIABILITIES AND FUND BALANCE

The year end fund balance reflects the overall financial position of the Division, which was $954,559 at June 30, 2007 compared to $289,849 at June 30, 2006. Total assets of $108,262,008 at June 30, 2007, are $6,866,341 or 6.77% higher than the prior year balance of $101,395,667. The increase in total assets is primarily due to the increase in cash and temporary cash investments.

The Division's total liabilities increased between years, to $107,307,449 at June 30, 2007 from $101,105,818 at June 30, 2006. The $6,201,631 net increase is primarily due to the $6,209,248 increase in the fiscal year 2007 gaming distribution.

The following compares fiscal year 2007 and fiscal year 2006 assets, liabilities and fund balances.

	Fiscal Year 2007	Fiscal Year 2006	Increase (Decrease) Dollars	Percent
Cash and temporary cash investments	$ 95,932,328	$ 90,229,565	$ 5,702,763	6.32 %
Accounts receivable	12,296,429	11,133,763	1,162,666	10.44 %
Prepaid expenses	33,251	32,339	912	2.82 %
Total assets	$ 108,262,008	$ 101,395,667	$ 6,866,341	6.77 %
Accounts payable, wages and accrued payroll payable	$ 455,544	$ 432,527	$ 23,017	5.32 %
Due to other state agencies, other governments, and the State General Fund	106,524,958	100,378,339	6,146,619	6.12 %
Other liabilities	326,947	294,952	31,995	10.85 %
Total liabilities	107,307,449	101,105,818	6,201,631	6.13 %
Fund balance	954,559	289,849	664,710	229.33 %
Total liabilities and fund balance	$ 108,262,008	$ 101,395,667	$ 6,866,341	6.77 %

The year end fund balance was $289,849 at June 30, 2006 compared to $1,121,174 at June 30, 2005. Total assets of $101,395,667 at June 30, 2006, are $6,507,296 or 6.9% higher than the prior year balance of $94,888,371. The increase in total assets is primarily due to the increase in cash and temporary cash investments.

In fiscal year 2006, the Division's total liabilities increased between years, to $101,105,818 at June 30, 2006 from $93,767,197 at June 30, 2005. The $7,338,621 net increase is primarily due to the $7,217,261 increase in the fiscal year 2006 gaming distribution.

ASSETS, LIABILITIES AND FUND BALANCE (continued)

The following chart compares fiscal year 2006 and fiscal year 2005 assets, liabilities and fund balances.

	Fiscal Year 2006	Fiscal Year 2005	Increase (Decrease) Dollars	Increase (Decrease) Percent
Cash and temporary cash investments	$ 90,229,565	$ 84,270,214	$ 5,959,351	7.1 %
Accounts receivable	11,133,763	10,585,502	548,261	5.2 %
Prepaid expenses	32,339	32,655	(316)	(1.0)%
Total assets	$ 101,395,667	$ 94,888,371	$ 6,507,296	6.9 %
Accounts payable, wages and accrued payroll payable	$ 432,527	$ 379,896	$ 52,631	13.9 %
Due to other state agencies, other governments, and the State General Fund	100,378,339	93,058,319	7,320,020	7.9 %
Other liabilities	294,952	328,982	(34,030)	(10.3)%
Total liabilities	101,105,818	93,767,197	7,338,621	7.8 %
Fund balance	289,849	1,121,174	(831,325)	(74.1)%
Total liabilities and fund balance	$ 101,395,667	$ 94,888,371	$ 6,507,296	6.9 %

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

The following compares fiscal year 2007 and fiscal year 2006 revenues, expenditures and changes in fund balance.

	Fiscal Year 2007	Fiscal Year 2006	Increase (Decrease) Dollars	Increase (Decrease) Percent
Revenues				
Gaming taxes	$ 112,005,553	$ 106,142,555	$ 5,862,998	5.52 %
License and application fees	550,209	561,634	(11,425)	(2.03)%
Other revenue	3,478,632	1,313,385	2,165,247	164.86 %
Total revenues	116,034,394	108,017,574	8,016,820	7.42 %
Expenditures				
Operating expenditures	5,594,724	5,390,642	204,082	3.79 %
Background investigation	69,233	44,033	25,200	57.23 %
State agency services	3,349,013	3,266,758	82,255	2.52 %
Total expenditures	9,012,970	8,701,433	311,537	3.58 %
Excess of revenues over expenditures	107,021,424	99,316,141	7,705,283	7.76 %
Fund balance, beginning of year	289,849	1,121,174	(831,325)	(74.15)%
Less Gaming Fund distribution	106,356,714	100,147,466	6,209,248	6.20 %
Fund balance, end of year	$ 954,559	$ 289,849	$ 664,710	229.33 %

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (continued)

The following compares fiscal year 2006 and fiscal year 2005 revenues, expenditures and changes in fund balance.

	Fiscal Year 2006	Fiscal Year 2005	Increase (Decrease) Dollars	Increase (Decrease) Percent
Revenues				
Gaming taxes	$ 106,142,555	$ 99,080,505	$ 7,062,050	7.1 %
License and application fees	561,634	592,937	(31,303)	(5.3)%
Other revenue	1,313,385	898,172	415,213	46.2 %
Total revenues	108,017,574	100,571,614	7,445,960	7.4 %
Expenditures				
Operating expenditures	5,390,642	5,340,006	50,636	0.9 %
Background investigation	44,033	40,334	3,699	9.2 %
State agency services	3,266,758	2,999,003	267,755	8.9 %
Total expenditures	8,701,433	8,379,343	322,090	3.8 %
Excess of revenues over expenditures	99,316,141	92,192,271	7,123,870	7.7 %
Fund balance, beginning of year	1,121,174	1,859,108	(737,934)	(39.7)%
Less Gaming Fund distribution	100,147,466	92,930,205	7,217,261	7.8 %
Fund balance, end of year	$ 289,849	$ 1,121,174	$ (831,325)	(74.1)%

CONDITIONS AFFECTING FINANCIAL POSITION OR RESULTS OF OPERATIONS

Staffing Changes

In 2002, the Division developed an initiative to keep abreast of emerging technologies that impact the gaming industry. Emerging technologies are continually transforming the gaming industry and the regulatory environment, impacting all aspects of our regulatory responsibilities. In late fiscal year 2006, the Division reorganized the emerging technologies and audit sections, leaving the responsibilities for monitoring emerging technologies related to gaming devices with the emerging technologies section, and placing the responsibilities for monitoring evolving systems-related technologies under the audit umbrella. A dedicated systems group within the audit section was assigned to specifically address these responsibilities along with performing systems audits. As a result, the backlog of Ticket In Ticket Out ("TITO") system approvals was completely eliminated in early fiscal year 2007.

CONDITIONS AFFECTING FINANCIAL POSITION OR RESULTS OF OPERATIONS (continued)

Staffing Changes (continued)

Also during the current fiscal year, it became increasingly clear that evolving technologies related to gaming devices and those related to systems are merging, blurring the distinction between the two. As a result, further staffing changes were made. A couple of audit vacancies were filled with individuals possessing technical skill sets. The 5-member systems group, renamed the technical systems group, was moved under the technology section to work more closely with the device specialists. During fiscal year 2007, this section commenced several process improvement endeavors related to the audit and testing of new systems and related technologies. The technology section remains responsible for continually assessing the impact of emerging technologies on Division policy, rules and regulations, patron protection, casino operations, the Division's ability to provide excellent customer service, and addressing the associated regulatory challenges.

Near the end of this fiscal year, the Division's audit section achieved full staffing, a level not experienced in over three years. The aforementioned reorganization will facilitate this section's focus on the compliance and revenue audit functions. As new staff become trained, the Division expects the reorganization and full staffing level will have a positive impact on both of those functions.

Staff vacancies were experienced throughout this fiscal year in the Division's investigation section, resulting in an increased workload on existing staff, particularly in background investigations. The Division has been successful in fulfilling most of these vacancies and expects the investigation section to be fully staffed very early in fiscal year 2008.

DISTRIBUTION

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 distribution for fiscal year ended June 30, 2007 was $106,356,714.

The chart below compares the amounts distributed to the various recipients for fiscal years 2007 and 2006.

Funds Distribution Comparison

	For the Years Ended			Percent
	June 30, 2007	June 30, 2006	Difference	Difference
Colorado State Historical Fund	$ 29,779,880	$ 28,041,290	$ 1,738,590	6.20 %
Colorado Department of Transportation	5,259,411	-	5,259,411	100.00 %
Colorado Travel and Tourism Promotion Fund	19,676,799	19,000,000	676,799	3.56 %
Local Government Limited Gaming Impact Fund	6,913,186	6,509,585	403,601	6.20 %
Colorado Council on the Arts Cash Fund	1,553,431	1,500,000	53,431	3.56 %
Film Incentives Cash Fund	621,373	500,000	121,373	24.27 %
New Jobs Incentives Cash Fund	3,106,863	3,000,000	106,863	3.56 %
Bioscience Discovery Evaluation Grant Program	2,500,000	2,000,000	500,000	25.00 %
Clean Energy Fund	7,000,000	-	7,000,000	100.00 %
Total payments to other state agencies	76,410,943	60,550,875	15,860,068	26.19 %
City of Black Hawk	7,530,055	7,110,170	419,885	5.91 %
City of Central City	1,067,821	903,931	163,890	18.13 %
City of Cripple Creek	2,037,795	2,000,646	37,149	1.86 %
Gilpin County	10,317,452	9,616,921	700,531	7.28 %
Teller County	2,445,354	2,400,775	44,579	1.86 %
Total payment due to other governments	23,398,477	22,032,443	1,366,034	6.20 %
Due to the General Fund	6,547,294	17,564,148	(11,016,854)	(62.72)%
Total distribution	$ 106,356,714	$ 100,147,466	$ 6,209,248	6.20 %

DISTRIBUTION (continued)

The distribution for fiscal year ended June 30, 2006 was $100,147,466.

The chart below compares the amounts distributed to the various recipients for fiscal years 2006 and 2005.

Funds Distribution Comparison

	For the Years Ended June 30, 2006	For the Years Ended June 30, 2005	Difference	Percent Difference
Colorado State Historical Fund	$ 28,041,290	$ 26,020,457	$ 2,020,833	7.8 %
Colorado Travel and Tourism Promotion Fund	19,000,000	185,861	18,814,139	10,122.7 %
Local Government Limited Gaming Impact Fund	6,509,585	6,040,463	469,122	7.8 %
State Council on the Arts Cash Fund	1,500,000	-	1,500,000	100.0 %
Film Incentives Cash Fund	500,000	-	500,000	100.0 %
New Jobs Incentives Cash Fund	3,000,000	-	3,000,000	100.0 %
Bioscience Discovery Evaluation Grant Program	2,000,000	-	2,000,000	100.0 %
Total payments to other state agencies	60,550,875	32,246,781	28,304,094	87.8 %
City of Black Hawk	7,110,170	6,587,172	522,998	7.9 %
City of Central City	903,931	824,291	79,640	9.7 %
City of Cripple Creek	2,000,646	1,881,558	119,088	6.3 %
Gilpin County	9,616,921	8,893,755	723,166	8.1 %
Teller County	2,400,775	2,257,869	142,906	6.3 %
Total payment due to other governments	22,032,443	20,444,645	1,587,798	7.8 %
Due to the General Fund	17,564,148	40,238,779	(22,674,631)	(56.4)%
Total distribution	$ 100,147,466	$ 92,930,205	$ 7,217,261	7.8 %

DISTRIBUTION (continued)

In accordance with Section 12-47.1 701, C.R.S. and amended by House Bill 06-1201, House Bill 06-1360, Senate Bill 07-246, House Bill 07-1060, and House Bill 07-1206, at the end of each State fiscal year, the balance remaining in the Limited Gaming Fund is to be distributed by the State Treasurer according to the following formula:

- 50% to the State General Fund, of which 13% is to be distributed to the Local Government limited Gaming Impact Fund. In addition, of the 50%, $5,259,411 is to be distributed to the Colorado Department of Transportation, $19,676,799 ($19,000,000 + 3.56% change in CPI) is to be distributed to the Colorado Travel and Tourism Promotion Fund, $1,553,431 ($1,500,000 + 3.56% change in CPI) is to be distributed to the Colorado Council on the Arts Cash Fund, $621,373 ($600,000 + 3.56% change in CPI) is to be distributed to the Film Incentives Cash Fund, $3,106,863 ($3,000,000 + 3.56% change in CPI) is to be distributed to the New Jobs Incentives Cash Fund, $2,500,000 is to be distributed to the Bioscience Discovery Evaluation Grant Program, and $7,000,000 is to be distributed to the Clean Energy Fund;

- 28% to the Colorado State Historical Fund;

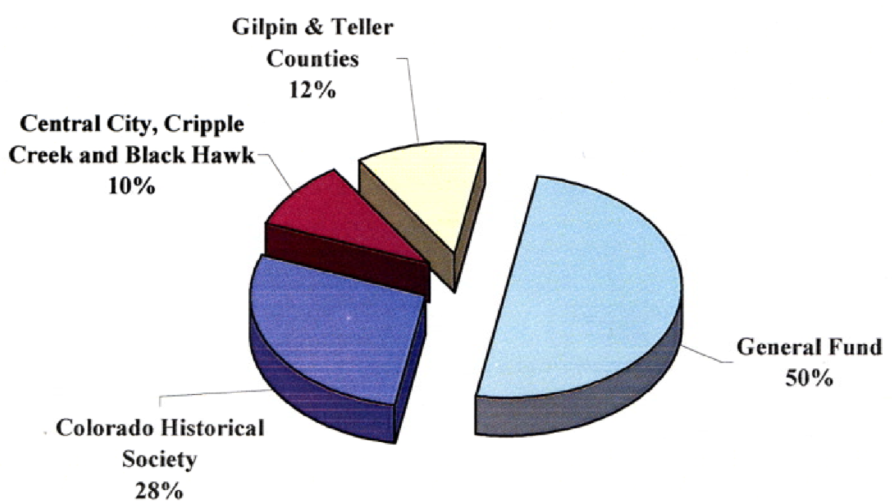
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and

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

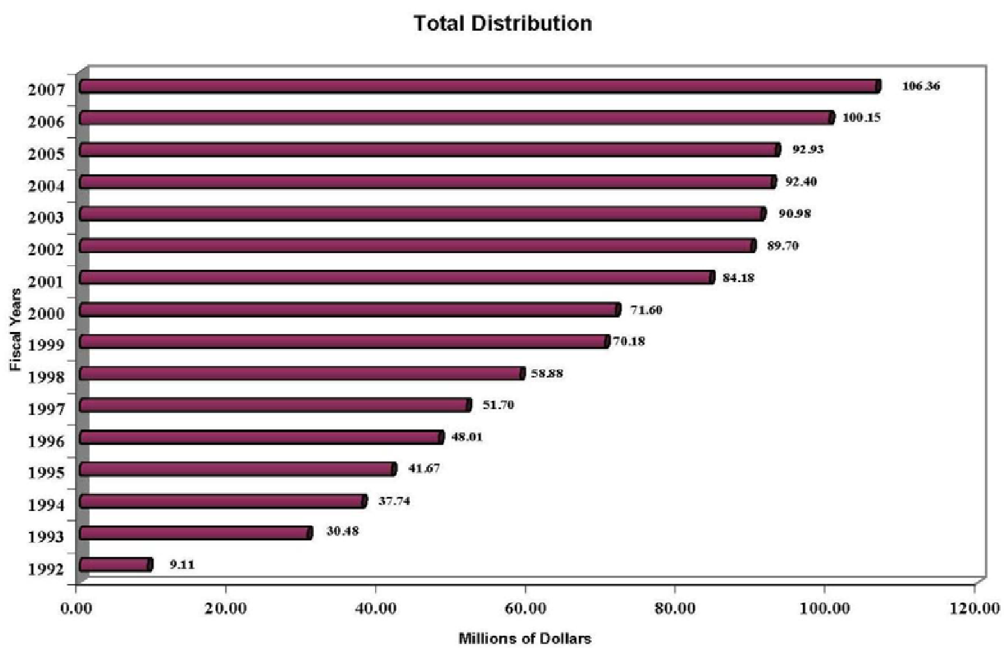
DISTRIBUTION (continued)

The charts below reflect the distribution formula and the Colorado Limited Gaming Fund distribution from the inception of Colorado gaming in 1991 through 2007.

Colorado Limited Gaming Distribution Formula



Total Distribution



BUDGET

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

Changes approved:

On March 22, 2007, Governor Ritter signed SB 07-177 concerning the supplemental request for the Department of Revenue. In July 2006 and April, June and July 2007, the Colorado Limited Gaming Control Commission approved the following changes in spending authority:

- A decrease of $128,879 to the legal services appropriation and a corresponding increase of $128,879 to the indirect costs appropriation.
- Indirect costs for the Enforcement Business Group have increased by $8,199.
- Payments for the leased vehicle fixed costs have been reduced by ($7,898) due to vehicle leases expiring in fiscal year 2007.
- The payment due to the Department of Personnel and Administration ("DPA") for workman's compensation has decreased ($12,472). All State agencies are assessed their share of the State's workman's compensation costs based on historical claim information by department.
- Payments due to the Division of Risk Management have increased by $5,264. This expense is for the Division's pro rata share of fiscal year 2007 Departmental costs for public liability and property damage insurance. The amount charged to the Division is based on full time employees.
- Capital Outlay allocation has been reduced by ($17,629).
- Utility expenditures have increased by $3,500.
- The Division's share of the Multi Use Network ("MNT") charges from the DPA has decreased by ($10,370).
- Statewide communication services have increased by $2,527.

In addition, on March 22, 2007, Governor Ritter signed SB 07-181 concerning the supplemental request for Capital Construction for the Department of Revenue. This bill increased the Division's appropriation by $65,813 for repair of the roof on the Central City office building.

The budget approved at the beginning of the year was $10,210,503. The amendments to the budget resulted in a net increase of $36,934. Therefore, the final approved budget for fiscal year 2007 was $10,247,437. Total actual expenditures were $9,012,970 resulting in excess appropriations, or a savings of $1,234,467 for fiscal year 2007.

ECONOMY AND NEXT YEAR'S BUDGET

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2008 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSPB"). The Division has also incorporated into the request statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2008. The Division's request totaled $7,579,066, which represents a .26% increase from the fiscal year 2007 appropriation. The largest increase is in the estimate of expenses in the Department of Revenue Centralized Appropriations. The Colorado Limited Gaming Control Commission approved a budget request submitted by the Department of Public Safety for $3,181,926 and a budget request submitted by the Department of Local Affairs for $134,444. These funds are used for gaming related purposes.

Assumptions that were made when preparing the revenue projection for fiscal year 2008 included the continuation of the current tax structure, tax rates, license and application fees in effect, and continuation of the current interest rate being paid to the fund. Fiscal year 2008 revenue estimates total $121.9 million, a $5.9 million increase over fiscal year 2007 actual revenue.

During the almost 16 years of gaming in Colorado we have seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. Gaming in Colorado continues to thrive. The Division continually positions itself to respond effectively to new technology, regulations and growth of the industry.

CONTACTING THE DIVISION OF GAMING'S FINANCIAL MANAGEMENT

This financial report is designed to provide Colorado citizens, Colorado government officials, the casino industry, and other interested parties with a general overview of the Division's finances. It is also designed to show the Division's accountability of the funds it receives from the gaming industry. If you have questions about this report or need additional financial information, contact the Division's accounting section at: Colorado Division of Gaming, 1881 Pierce Street Suite 112, Lakewood, Colorado 80214 1496, or visit our website: www.revenue.state.co.us/Gaming/home.asp.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

Balance Sheets - Special Revenue Fund

	June 30, 2007	June 30, 2006
Assets		
Cash and temporary cash investments	$ 95,932,328	$ 90,229,565
Gaming taxes receivable	12,290,265	11,130,728
Other receivables	6,164	3,035
Prepaid expenses	33,251	32,339
Total assets	$ 108,262,008	$ 101,395,667
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 39,922	$ 41,169
Accrued payroll	415,622	391,358
Due to State General Fund	6,547,294	17,564,148
Due to other state agencies	76,579,187	60,781,748
Due to other governments	23,398,477	22,032,443
Other liabilities	326,947	294,952
Total liabilities	107,307,449	101,105,818
Fund balance		
Reserved for statutory purposes	1,500,793	1,482,364
Unreserved		
Undesignated	(546,234)	(1,192,515)
Total fund balance	954,559	289,849
Total liabilities and fund balance	$ 108,262,008	$ 101,395,667

See notes to financial statements.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

Statements of Revenues, Expenditures and Changes in Fund Balance

	For the Years Ended June 30, 2007	2006
Revenues		
Gaming taxes	$ 112,005,553	$ 106,142,555
License and application fees	550,209	561,634
Background investigations	331,281	233,306
Fines and other	280,347	290,146
Interest income	2,220,723	1,770,462
Net increase (decrease) in fair value of investments	646,281	(980,529)
Total revenues	116,034,394	108,017,574
Expenditures		
Current		
Salaries and benefits	4,709,659	4,553,534
State agency services	3,349,013	3,266,758
Materials, supplies, and services	243,225	340,719
Travel and automobiles	177,813	163,058
Computer services	111,959	91,491
Professional services	67,504	99,230
Other	66,509	50,540
Telephone	54,529	37,686
Background investigation	69,233	44,033
Leased space	144,646	54,384
Capital outlay	18,880	-
Total expenditures	9,012,970	8,701,433
Excess of revenues over expenditures	107,021,424	99,316,141
Other financing uses		
Gaming distribution	(106,356,714)	(100,147,466)
Net change in fund balance	664,710	(831,325)
Fund balance, beginning of year	289,849	1,121,174
Fund balance, end of year	$ 954,559	$ 289,849

See notes to financial statements.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual (Unaudited)
Year Ended June 30, 2007

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance with Final Budget Over (Under)	Percent Earned Percent Expended
Revenues						
Gaming taxes	$ 109,428,025	$ -	$ 109,428,025	$ 112,005,553	$ 2,577,528	102.36 %
License and application fees	579,862	-	579,862	550,209	(29,653)	94.89 %
Background investigations	230,698	-	230,698	331,281	100,583	143.60 %
Fines and other	-	-	-	280,347	280,347	100.00 %
Interest income	1,311,461	-	1,311,461	2,220,723	909,262	169.33 %
Net increase in fair value of investments	-	-	-	646,281	646,281	100.00 %
Total revenues	111,550,046	-	111,550,046	116,034,394	4,484,348	104.02 %
Expenditures						
Personal services	5,015,137	-	5,015,137	4,496,640	(518,497)	89.66 %
Health, dental and life insurance	239,241	-	239,241	239,241	-	100.00 %
Short-term disability	6,183	-	6,183	4,386	(1,797)	70.94 %
Amortization equalization disbursement	29,951	-	29,951	28,719	(1,232)	95.89 %
Operating expenditures	584,151	-	584,151	399,369	(184,782)	68.37 %
Workers' compensation	45,277	(12,472)	32,805	32,806	1	100.00 %
Risk management	9,019	5,264	14,283	14,283	-	100.00 %
Licensure activities	181,497	-	181,497	105,047	(76,450)	57.88 %
Pierce building	177,115	-	177,115	177,115	-	100.00 %
Leased space	54,384	-	54,384	54,384	-	100.00 %
Vehicle lease payments - fixed	57,922	(7,898)	50,024	49,543	(481)	99.04 %
Vehicle lease payments - variable	53,672	-	53,672	53,672	-	100.00 %
Utilities	15,048	3,500	18,548	17,965	(583)	96.86 %
Capital outlay	17,629	(17,629)	-	-	-	- %
EDO-MNT	28,791	(10,370)	18,421	18,421	-	100.00 %
EDO-Communications	18,890	2,527	21,417	21,417	-	100.00 %
Capital complex leased space	90,262	-	90,262	90,262	-	100.00 %
Legal services	128,879	(128,879)	-	-	-	- %
Department of Revenue indirect costs	505,173	137,078	642,251	640,919	(1,332)	99.79 %
State agency services	2,688,318	-	2,688,318	2,499,548	(188,770)	92.98 %
Central City building repairs	-	65,813	65,813	-	(65,813)	- %
Total expenditures	9,946,539	36,934	9,983,473	8,943,737	(1,039,736)	89.59 %
Background expenditures	263,964	-	263,964	69,233	(194,731)	26.23 %
Total expenditures	10,210,503	36,934	10,247,437	9,012,970	(1,234,467)	87.95 %
Excess of revenues over expenditures	$ 101,339,543	$ (36,934)	$ 101,302,609	107,021,424	$ 5,718,815	
Other financing uses						
Gaming distribution				(106,356,714)		
Net change in fund balance				664,710		
Fund balance, beginning of year				289,849		
Fund balance, end of year				$ 954,559		

* Amount includes Long Bill items and Supplemental Appropriations by Gaming Commission.

See notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

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

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

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

Fund Structure and Basis of Accounting

The financial activities of the Division are accounted for and reported on the basis of an individual fund, which is considered to be a separate entity for accounting purposes. The operations of the Division are recorded in a Special Revenue Fund, which consists of a discrete set of self balancing accounts that comprise the assets, liabilities, fund balance, revenues, and expenditures of the entity. Throughout the year, encumbrances are recorded. However, at fiscal year end all encumbrances lapse and no reserve for encumbrances is reported. The accounts used for fixed 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 fixed assets and long term liabilities is included in Note 4 and Note 6, respectively.

Governmental Fund

Special Revenue Fund

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

Basis of Accounting

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

Note 1 - Summary of Significant Accounting Policies (continued)

Budget

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual, compares actual revenues and expenditures to those which are legally authorized by State statute. The fiscal year 2007 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

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

Total appropriations for the fiscal years are as follows:

	Year Ended June 30,	
	2007	2006
Appropriations	$ 10,210,503	$ 9,717,627
Supplemental appropriations	36,934	(35,338)
Total appropriations	$ 10,247,437	$ 9,682,289

Accrued Payroll

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

Note 2 - Cash and Temporary Cash Investments

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. The Division deposits cash with the Colorado State Treasurer as required by C.R.S. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division as of June 30, 2007 and 2006, was approximately $96.0 and $90.2 million, respectively.

Note 2 - Cash and Temporary Cash Investments (continued)

The State Treasurer pools these deposits and invests them in securities approved by C.R.S. 24-75-601.1. The Division reports its share of the State Treasury's unrealized gains and losses based on its participation in the State Treasurer's pool. During the years ended June 30, 2007 and 2006, the Division's share of unrealized gains/(losses) was $646,281 and $(980,529), respectively. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at year end. The unrealized gains/(losses) are included in net increase/(decrease) in fair value of investments in the Statements of Revenues, Expenditures and Changes in Fund Balance, and reflect only the change in fair value during the fiscal year.

Additional information on the State Treasurer's pool may be obtained from the State of Colorado's Comprehensive Annual Financial Report.

Unreserved Undesignated Fund Balance of $(546,234) and $(1,192,515) at June 30, 2007 and 2006, respectively, represents the cumulative unrealized net loss 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, 2007 and 2006, $2,220,723 and $1,770,462, respectively, was earned on the average daily cash and temporary cash investments balances. During fiscal years 2007 and 2006, the State Treasurer paid interest at 4.70% and 3.91%, respectively, based on average annualized monthly interest rates.

Note 3 - Accounts Receivable

As of June 30, 2007 and 2006, the Division had accounts receivable balances of $12,296,429 and $11,133,763, respectively. The Division had $12,290,265 and $11,130,728 of gaming taxes receivable from 44 and 46 Colorado casinos at June 30, 2007 and 2006, respectively. These receivables primarily represent June 2007 and 2006 gaming taxes, which were due on July 16, 2007, and July 17, 2006, respectively, and were subsequently collected by the Department of Revenue in July 2007 and 2006 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

Note 4 - Changes in Fixed Assets and Accumulated Depreciation

Pursuant to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, the Division's fixed assets are reported only in the statewide financial statements. In addition, these fixed assets are depreciated over their estimated useful lives, but depreciation expense is also reported only in the statewide financial statements.

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 values on the date donated. 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. No stand alone software is capitalized except the Division's licensing system. Fixed assets are depreciated using the straight line method over the estimated useful lives of the related assets, which is 30 years for the building, 5 to 10 years for leasehold improvements, furniture, equipment, and 10 years for licensing software.

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			
	Land	Construction in Progress	Subtotal	Vehicles and Equipment	Building	Subtotal	Total
Cost							
Balances, June 30, 2005	$ 421,000	$ -	$ 421,000	$ 581,630	$ 331,118	$ 912,748	$ 1,333,748
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(17,727)	-	(17,727)	(17,727)
Balances, June 30, 2006	421,000	-	421,000	563,903	331,118	895,021	1,316,021
Additions	-	1,020	1,020	17,860	-	17,860	18,880
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2007	421,000	1,020	422,020	581,763	331,118	912,881	1,334,901
Accumulated depreciation							
Balances, June 30, 2005	-	-	-	(349,427)	(30,174)	(379,601)	(379,601)
Additions	-	-	-	(53,695)	(7,704)	(61,399)	(61,399)
Disposals	-	-	-	17,727	-	17,727	17,727
Balances, June 30, 2006	-	-	-	(385,395)	(37,878)	(423,273)	(423,273)
Additions	-	-	-	(48,019)	(7,704)	(55,723)	(55,723)
Disposals	-	-	-	-	-	-	-
Balances, June 30, 2007	-	-	-	(433,414)	(45,582)	(478,996)	(478,996)
Total fixed assets, net	$ 421,000	$ 1,020	$ 422,020	$ 148,349	$ 285,536	$ 433,885	$ 855,905

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 $185,597 and $159,487 at June 30, 2007 and 2006, respectively, primarily represent background investigation deposits, as well as $8,820 and $13,405 of funds at June 30, 2007 and 2006, 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. 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, 2007 and 2006, deferred license fees are $132,530 and $122,060, 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, 2007:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2005	$ 286,677	$ 48,042	$ 334,719
Increase	229,417	36,620	266,037
Decrease	(215,469)	(46,530)	(261,999)
Balances, June 30, 2006	300,625	38,132	338,757
Increase	228,816	36,602	265,418
Decrease	(214,072)	(26,660)	(240,732)
Balances, June 30, 2007	$ 315,369	$ 48,074	$ 363,443

Note 7 - Gaming Distribution

In accordance with Section 12-47.1 701, C.R.S. and amended by House Bill 06-1201, House Bill 06-1360, Senate Bill 07-246, House Bill 07-1060, and House Bill 07-1206, at the end of each State fiscal year, the balance remaining in the Limited Gaming Fund is to be distributed by the State Treasurer according to the following formula:

- 50% to the State General Fund, of which 13% is to be distributed to the Local Government limited Gaming Impact Fund. In addition, of the 50%, $5,259,411 is to be distributed to the Colorado Department of Transportation, $19,676,799 ($19,000,000 + 3.56% change in CPI) is to be distributed to the Colorado Travel and Tourism Promotion Fund, $1,553,431 ($1,500,000 + 3.56% change in CPI) is to be distributed to the State Council on the Arts Cash Fund, $621,373 ($600,000 + 3.56% change in CPI) is to be distributed to the Film Incentives Cash Fund, $3,106,863 ($3,000,000 + 3.56% change in CPI) is to be distributed to the New Jobs Incentives Cash Fund, $2,500,000 is to be distributed to the Bioscience Discovery Evaluation Grant Program, and $7,000,000 is to be distributed to the Clean Energy Fund;
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in these respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two month period of the fiscal year. As of June 30, 2007 and 2006, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two month period was $1,500,793 and $1,482,364, respectively.

Note 7 - Gaming Distribution (continued)

On August 16, 2007, the Commission approved the distribution of $106,356,714 for the fiscal year ended June 30, 2007, in accordance with Section 12-47.1 701 C.R.S. In August 2006, $100,147,466 was approved as the 2006 distribution. The distributions are summarized as follows:

	Year Ended June 30,	
	2007	2006
State General Fund Restricted	$ 6,547,294	$ 17,564,148
Distribution to other state agencies		
Colorado State Historical Fund	29,779,880	28,041,290
Local Government Limited Gaming Impact Fund	6,913,186	6,509,585
Colorado Travel and Tourism Promotion Fund	19,676,799	19,000,000
State Council on the Arts Cash Fund	1,553,431	1,500,000
Film Incentives Cash Fund	621,373	500,000
New Jobs Incentives Cash Fund	3,106,863	3,000,000
Bioscience Discovery Evaluation Grant Program	2,500,000	2,000,000
Clean Energy Fund	7,000,000	-
Colorado Department of Transportation	5,259,411	-
Total distributions to other state agencies	76,410,943	60,550,875
Distributions to other governments		
Gilpin and Teller Counties	12,762,806	12,017,696
Cities of Cripple Creek, Central City and Black Hawk	10,635,671	10,014,747
Total distributions to other governments	23,398,477	22,032,443
Total distributions	$ 106,356,714	$ 100,147,466

Note 8 - Commitments and Contingencies

Cripple Creek Lease

In April 2002, the Division renewed a lease agreement with a third party to lease office space in Cripple Creek, Colorado. The lease expires June 30, 2007. In February 2007, the Division exercised a hold over agreement extending the lease until completion of construction of a new office location, which is anticipated to be through September 1st, 2007. Future commitments associated with this lease extension will be $10,197 for the year ended June 30, 2008. Cripple Creek lease expenditures were approximately $54,000 in 2007. The additional amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund balance represents the Division's share of Capitol Complex lease cost.

Note 8 - Commitments and Contingencies (continued)

Cripple Creek Lease (continued)

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 initial term of the lease is ten years. The lease will begin upon substantial completion of construction of the building, which is anticipated to be in September 2007. The option to purchase the building expires on June 30, 2013. Estimated future payments are as follows:

Fiscal Year	
2008	$ 87,447
2009	94,668
2010	96,684
2011	98,751
2012	100,870
2013-2017	538,034
Total estimated payments	$ 1,016,454

Sunset Review

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

Licensing System

In December 2004, the Division entered into a three year contract with a third party for maintenance and service of the Division's regulatory licensing and document imaging computer system. This contract requires the Division to pay approximately $51,500 to $55,000 per year through November 30, 2007. During fiscal years 2007 and 2006, the Division expended $53,973 and $52,401, respectively, under this contract.

Note 9 - Pension Plan

Plan Description

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

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 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Note 9 - Pension Plan (continued)

Plan Description (continued)

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

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

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

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

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.

- Hired on or after January 1, 2007 – lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

Members 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.

Note 9 - Pension Plan (continued)

Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2006 to December 31, 2006 the state contributed 10.65 percent of the employee's salary. From January 1, 2007, through June 30, 2007, the state contributed 11.15 percent. During all of Fiscal Year 2007, 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, 2005, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement ("AED") to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement ("SAED") that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

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

The Division's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2007, 2006, and 2005 were $415,793, $388,799, and $372,887, respectively. These contributions met the contribution requirement for each year.

Note 10 - Voluntary Tax Deferred Retirement Plans

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

Note 11 - Post Retirement Health Care and Life Insurance Benefits

Health Care Program

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. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. 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.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 9.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans, and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006, there were 42,433 enrollees in the plan.

Life Insurance Program

During fiscal year 2006, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Note 12 - Risk Management

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

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

Note 13 - Related Party Transactions

On May 23, 1996, SB 96-216 was signed authorizing the Department of Personnel to execute a ten-year lease purchase agreement on behalf of the Department of Revenue for the acquisition of a building located at 1881 Pierce Street, Lakewood, Colorado. The lease purchase of the building occurred on October 31, 1996. The Division's share of the purchase price was approximately $2,000,000, including both principal and interest. The Division transferred funds annually to the Department of Revenue for its share of the building purchase. Approximately $177,000 and $197,000 was paid in fiscal year 2007 and 2006 respectively, and no future obligations remain.

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, the Division's share of the building purchase, and other direct and indirect expenses incurred. Beginning in fiscal year 2006, the legal services are included in the Department of Revenue indirect/direct appropriation. Interagency charges consist of the following:

	For the Years Ended 2007	For the Years Ended 2006
State agency services		
Colorado State Patrol	$ 1,528,892	$ 1,530,104
Colorado Bureau of Investigations	689,447	709,446
Colorado Division of Fire Safety	154,445	152,579
Indirect costs (Colorado Department of Revenue)	818,034	722,708
Office of the State Auditor	31,431	30,510
Colorado Department of Local Affairs	126,764	121,411
Total payments to state agencies	$ 3,349,013	$ 3,266,758

Note 13 - Related Party Transactions (continued)

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

	June 30, 2007	June 30, 2006
State agencies		
Colorado State Historical Society	$ 29,779,880	$ 28,041,290
Colorado Department of Local Affairs	6,913,186	6,509,585
Office of Economic Development	27,458,466	24,500,000
Colorado Council on the Arts	-	1,500,000
Colorado Department of Transportation	5,259,411	-
Governor's Energy Office	7,000,000	-
Colorado State Patrol	148,102	204,811
Colorado Division of Fire Safety	20,142	26,062
Total liabilities of state agencies	76,579,187	60,781,748
State's General Fund	6,547,294	17,564,148
Other governments		
City of Black Hawk	7,530,055	7,110,170
City of Central City	1,067,821	903,931
City of Cripple Creek	2,037,795	2,000,646
Gilpin County	10,317,452	9,616,921
Teller County	2,445,354	2,400,775
Total liabilities to other governments	23,398,477	22,032,443
Total liabilities to state agencies, State General Fund and other governments	$ 106,524,958	$ 100,378,339

Beginning fiscal year 2007, the Colorado Council on the Arts is included with the Office of Economic Development.

Total related party liabilities of $106,524,958 and $100,378,339 at June 30, 2007 and 2006, respectively, include amounts due to the Colorado State Patrol and the Division of Fire Safety which total $168,244 and $230,873, respectively, and represent liabilities related to agreements with these agencies. The remaining liabilities of $106,356,714 and $100,147,466, respectively, are related to the fiscal years 2007 and 2006 gaming distributions.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee

We have audited the accompanying financial statements of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") as of and for the year ended June 30, 2007, and have issued our report thereon dated November 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Division's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Division's financial statements that is more than inconsequential will not be prevented or detected by the Division's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Division's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the members of the Legislative Audit Committee of the State of Colorado and management of the Division and is not intended to be and should be not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

November 29, 2007
Denver, Colorado

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REQUIRED AUDITOR COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE

Members of the Legislative Audit Committee

We have audited the financial statements of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") for the year ended June 30, 2007, and have issued our report thereon dated November 29, 2007. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*

As stated in our contract dated May 3, 2007 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free from material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control over financial reporting of the Division. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Division's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our contract, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Division are described in Note to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007.

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We noted no transactions entered into by the Division during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's use of estimates is disclosed in the notes to the financial statements.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define an audit adjustment as a proposed correction to the financial statements that, in our judgment, may not have been detected except through our audit procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Division's financial reporting process (that is, cause future financial statements to be materially misstated).

In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Division, either individually or in the aggregate, indicate matters which could have a significant effect on the Division's financial reporting process.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Pursuant to professional standards, the auditors' responsibility for other information in documents containing the Division's audited financial statements does not extend beyond the financial information identified in the audit report, and the auditor is not required to perform procedures to corroborate such other information. However, in accordance with such standards, we are required to read the information in such documents and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information, which we believe is a material misstatement of fact. No such inconsistencies or misstatements came to our attention.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Division's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consulted has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION OF INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Division's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the information and use of the Legislative Audit Committee, the Division's management, and others within the Division and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

November 29, 2007
Denver, Colorado

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

DISTRIBUTION PAGE
YEARS ENDED JUNE 30, 2007 AND 2006

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