STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE NINE (9) MONTHS ENDED

MARCH 31, 2007

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
MARCH 31, 2007 AND 2006

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

The tax rates for period ending June 30, 2007 are:
- .25% on amounts up to $2 million
- 2% on amounts over $2 million and up to $4 million
- 4% on amounts over $4 million and up to $5 million
- 11% on amounts over $5 million and up to $10 million
- 16% on amounts over $10 million and up to $15 million
- 20% on amounts over $15 million

The tax rates for year ending June 30, 2006 were the same as they are for year ending June 30, 2007.

For Periods Beginning July 1, 2005 and 2006 through March 31, 2006 and 2007

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 10,004,564	$ 10,155,566	$ 151,002	1.51%
$2 - $4 Million	$ 45,732,118	$ 46,965,783	$ 1,233,665	2.70%
$4 - $5 Million	$ 8,651,275	$ 9,942,136	$ 1,290,861	14.92%
$5 - $10 Million	$ 50,635,467	$ 55,312,281	$ 4,676,814	9.24%
$10 - $15 Million	$ 34,501,849	$ 37,888,997	$ 3,387,148	9.82%
$15+ Million	$ 420,992,268	$ 432,649,104	$ 11,656,836	2.77%
Total	$ 570,517,541	$ 592,913,867	$ 22,396,326	3.93%

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 210,011	$ 210,389	$ 378	0.18%
$2 - $4 Million	$ 1,274,642	$ 1,286,854	$ 12,212	0.96%
$4 - $5 Million	$ 866,051	$ 938,395	$ 72,344	8.35%
$5 - $10 Million	$ 9,419,901	$ 9,945,939	$ 526,038	5.58%
$10 - $15 Million	$ 9,520,296	$ 10,062,239	$ 541,943	5.69%
$15+ Million	$ 51,198,454	$ 53,529,821	$ 2,331,367	4.55%
Total	$ 72,489,355	$ 75,973,637	$ 3,484,282	4.81%

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	9	7	(2)
$2 - $4 Million	14	12	(2)
$4 - $5 Million	2	3	1
$5 - $10 Million	7	8	1
$10 - $15 Million	3	3	0
$15+ Million	11	11	0
Total No. of Casinos	46	44	(2)

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
MARCH 31, 2007 AND 2006
(UNAUDITED)

	FY 2007	FY 2006
ASSETS:		
Cash (Note 2)	$ 60,799,454	$ 58,465,405
Accounts Receivable (Note 3)		
Gaming Taxes	12,686,076	11,275,911
Fines Receivable	1,485	1,318
Miscellaneous	318	2,154
Net Accounts Receivable	12,687,879	11,279,383
Prepaid Expenses	69,146	66,893
Total Current Assets	73,556,479	69,811,681
TOTAL ASSETS	$ 73,556,479	$ 69,811,681
LIABILITIES AND FUND BALANCE:		
Accounts Payable	$ 16,524	$ 47,375
Due to Other State Agencies (Note 13)	216,803	199,822
Background and Other Deposits (Note 5)	223,867	146,763
Deferred Revenue (Note 6)	127,860	132,250
Total Liabilities	585,054	526,210
Fund Balance:		
Reserved Fund Balance	1,482,363	1,333,160
Unreserved Fund Balance	71,489,062	67,952,311
Total Fund Balance	72,971,425	69,285,471
TOTAL LIABILITIES AND FUND BALANCE	$ 73,556,479	$ 69,811,681

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
MARCH 31, 2007 AND 2006
(UNAUDITED)

	FY 2007	FY 2006
REVENUES:		
Gaming Taxes	$ 75,974,247	$ 72,500,333
License and Application Fees	401,737	414,784
Background Investigations	262,313	168,751
Fines	245,290	282,824
Interest Income (Note 2)	1,340,741	1,004,304
Other Revenue	345	469
TOTAL REVENUES	78,224,673	74,371,465
EXPENDITURES:		
Salaries and Benefits	3,498,286	3,397,472
Annual and Sick Leave Payouts	15,323	6,114
Professional Services	33,686	60,380
Travel	35,978	34,142
Automobiles	95,304	87,856
Printing	20,346	13,118
Police Supplies	3,595	7,396
Computer Services & Name Searches	83,959	65,413
Materials, Supplies, and Services	159,152	185,293
Postage	3,992	3,437
Telephone	46,033	29,502
Utilities	15,776	17,468
Other Operating Expenditures	9,022	3,683
Leased Space (Note 9)	108,484	40,788
EXPENDITURES - SUBTOTAL	4,128,936	3,952,062
STATE AGENCY SERVICES (Note 13)		
Colorado Bureau of Investigations	534,859	553,151
Fire Safety	109,002	105,712
Colorado State Patrol	1,142,754	1,081,862
State Auditors	16,231	15,755
Indirect Costs - Department of Revenue	652,654	590,370
Local Affairs	98,558	91,778
TOTAL STATE AGENCY SERVICES	2,554,058	2,438,628
Background Expenditures	52,617	28,464
TOTAL EXPENDITURES	6,735,611	6,419,154
EXCESS OF REVENUES OVER EXPENDITURES	71,489,062	67,952,311
FUND BALANCE AT JULY 1, 2006 AND 2005	1,482,363	1,333,160
FUND BALANCE AT MARCH 31, 2007 AND 2006	$ 72,971,425	$ 69,285,471

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED MARCH 31, 2007
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 109,428,025	$ 0	109,428,025	$ 75,974,247	$ (33,453,778)	69.43%
License and Application Fees	579,862	0	579,862	401,737	(178,125)	69.28%
Background Investigations	230,698	0	230,698	262,313	31,615	113.70%
Fines	0	0	0	245,290	245,290	100.00%
Interest Revenue	1,311,461	0	1,311,461	1,340,741	29,280	102.23%
Other Revenue	0	0	0	345	345	100.00%
TOTAL REVENUES	111,550,046	0	111,550,046	78,224,673	(33,325,373)	70.13%
EXPENDITURES:						
Personal Services	5,015,137	0	5,015,137	3,324,297	(1,690,840)	66.29%
Health, Dental and Life Insurance	239,241	0	239,241	183,065	(56,176)	76.52%
Short Term Disability	6,183	0	6,183	3,264	(2,919)	52.79%
Amortization Equalization Disbursement	29,954	0	29,954	18,942	(11,012)	63.24%
Operating Expenditures	584,151	0	584,151	260,514	(323,637)	44.60%
Workers Compensation	45,277	0	45,277	33,958	(11,319)	75.00%
Risk Management	9,019	0	9,019	6,764	(2,255)	75.00%
Licensure Activities	181,497	0	181,497	67,343	(114,154)	37.10%
Pierce Building	177,115	0	177,115	177,115	-	100.00%
Leased Space	54,384	0	54,384	40,788	(13,596)	75.00%
Vehicle Lease Payments - Fixed	57,922	0	57,922	37,196	(20,726)	64.22%
Vehicle Lease Payments - Variable	53,672	0	53,672	53,672	0	100.00%
Utilities	15,048	0	15,048	14,306	(742)	95.07%
Capital Outlay	17,629	0	17,629	0	(17,629)	0.00%
EDO - MNT	28,791	0	28,791	19,194	(9,597)	66.67%
EDO - Communications	18,890	0	18,890	14,168	(4,722)	75.00%
Capitol Complex Leased Space	90,262	0	90,262	67,696	(22,566)	75.00%
Legal Services	128,879	(128,879)	0	0	0	0.00%
Indirect Costs - Department of Revenue	505,173	128,879	634,052	475,539	(158,513)	75.00%
State Agency Services	2,688,318	0	2,688,318	1,885,173	(803,145)	70.12%
Division Expenditures	9,946,542	0	9,946,542	6,682,994	(3,263,547)	67.19%
Background Expenditures	263,964	0	263,964	52,617	(211,347)	19.93%
TOTAL EXPENDITURES	10,210,506	0	10,210,506	6,735,611	(3,474,894)	65.97%
EXCESS OF REVENUES OVER EXPENDITURES	$ 101,339,540	0	$ 101,339,540	$ 71,489,062	$ (29,850,479)	70.54%

***** Amount includes Long Bill items, and Supplemental Appropriations by Gaming Commission
The percent of the fiscal year elapsed through March 31, 2007 is 75.0%.

COLORADO DIVISION OF GAMING
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

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.

A. Fund Structure and Basis of Accounting

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

GOVERNMENTAL FUNDS

Special Revenue Funds

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the special revenue fund. The Division's resources are obtained from specific gaming related activities such as application fees, license fees and gaming taxes. These resources 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.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
March 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. No stand-alone software will be capitalized except the Division's licensing system.

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 its' furniture and equipment range from 5 to 10 years, its' 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	$752,118	
Accumulated Depreciation - Buildings	(43,656)	$708,462
Furniture & Equipment	192,867	
Accumulated Depr. - Furn. & Equip.	(170,960)	21,907
Software	371,036	
Accumulated Depreciation - Software	(250,450)	120,586
Total		$850,955

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)

BASIS OF ACCOUNTING

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

B. Budget

The statement of revenues and expenditure-budget to actual compares those revenues and expenditures, which are legally authorized by State statute. The fiscal year 2007 revenue projections 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 roll-forward of the unexpended budget.

Appropriation as of July 1, 2006	$10,210,506
Roll forward appropriations	0
Supplemental appropriations	0
Total appropriation	$10,210,506

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 March 31, 2007 was $60.8 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. The amount of $1,340,741 is interest earned on the average daily cash balance. During the month of March, the State Treasurer was paying interest at 4.91% annualized.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
March 31, 2007

3. ACCOUNTS RECEIVABLE

As of March 31, 2007, the Division had an accounts receivable balance of $12,687,879. This amount includes $12,686,076 in gaming taxes collected by the Department of Revenue for the Division for the month of March, which were due on the 16th of April, 2007. In addition, the Division had a fines receivable balance of $1,485 and $318 in outstanding credit card deposits.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2006	Deletions	Additions	Balances at March 31, 2007
Computer Equipment	$ 107,920			$ 107,920
Office Equipment	78,857			78,857
Investigative Equipment	6,090			6,090
Software	371,036			371,036
Building and Land	752,118			752,118
Total	$1,316,021			$1,316,021

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 $211,335 at March 31, 2007. Additionally, on March 31, 2007, the Division of Gaming held $12,532 on deposit, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
March 31, 2007

6. DEFERRED REVENUE

The Division issues a 2-year license to individuals; however, there will be an investigative review of licenses on an annual basis. The fees for the second year of the license period are recorded as a liability until the Division incurs the expense during the review period. The $127,860 of deferred revenue represents the monies received from applicants applying for gaming licenses.

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	$306,179
Sick Leave	42,025
Total	$348,204

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

In accordance with Section 12-47.1-701, C.R.S., and amended by House Bill 06-1201 and House Bill 06-1360, 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;
- 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.

8. GAMING DISTRIBUTION (Continued)

In addition, the General Fund is further divided:

- 13% of the 50% that goes to the General Fund will be distributed to the Local Government Limited Gaming Impact Fund;
- $5,259,411 of the 50% that goes to the General Fund will be distributed to the Colorado Department of Transportation;
- $19,000,000 of the 50% that goes to the General Fund will be distributed to the Colorado Travel and Tourism Promotion Fund;
- $1,500,000 of the 50% that goes to the General Fund will be distributed to the Colorado Council on the Arts Cash Fund;
- $500,000 of the 50% that goes to the General Fund will be distributed to the Film Incentives Cash Fund;
- $3,000,000 of the 50% that goes to the General Fund will be distributed to the New Jobs Incentives Cash Fund.

For the fiscal year 2007 and each fiscal year thereafter, the amounts transferred to Colorado Travel and Tourism Fund, Colorado Council on the Arts Cash Fund, Film Incentives Cash Fund, and New Jobs Incentives Fund will be adjusted by the rate of inflation for the calendar year ending in the immediately preceding fiscal year.

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 March 31, 2007, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $1,434,587. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of March 31, 2007	$72,971,425
Less: Two month Reserve	(1,434,587)
Available for Distribution at March 31, 2007	$71,536,838

9. LEASED SPACE

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

CRIPPLE CREEK

On April 4, 2002, the Division entered into a lease agreement with a third party for office space at 433-435 E. Carr Avenue, Cripple Creek. The term of the lease began on July 1, 2002, and ends on June 30, 2007. The monthly rental cost is $4,532.

On July 30, 2003, the building was sold and the lease agreement was transferred by a novation agreement to the new owner.

Additional lease information follows:

	CRIPPLE CREEK
Total Paid	
FY 2007	$40,788
Estimated Future Payments	
FY 2007	$13,596

The remaining amount represents the Division's share of Capitol Complex lease cost.

10. PENSION PLAN

A. Plan Description

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

10. PENSION PLAN (Continued)

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state'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.

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.

10. PENSION PLAN (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 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.

B. Funding Policy

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

10. PENSION PLAN (Continued)

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 March 31, 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 .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 of Gaming's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the period ending March 31, 2007 were $306,781. These contributions met the contribution requirement.

11. VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

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

12. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

A. 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 10.

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, 2005, there were 41,080 enrollees in the plan.

B. 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 41,180 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 13,375 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

13. RELATED-PARTY TRANSACTIONS

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, 1881 Pierce lease purchase payments, and other expenses incurred with the Department of Revenue for indirect costs. Starting in fiscal year 2006, the legal services costs are included in the Department of Revenue direct/indirect appropriation. Interagency charges as of March 31, 2007 consist of the following:

State Agency Services:	
Colorado State Patrol	$ 1,142,754
Colorado Bureau of Investigation	534,859
Colorado Division of Fire Safety	109,002
Indirect Costs (Department of Revenue)	652,654
Office of the State Auditor	16,231
Department of Local Affairs	98,558
Total Payments to State Agencies	$ 2,554,058

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 the facility located at 1881 Pierce Street, Lakewood, Colorado. The lease purchase of the building occurred on October 31, 1996. The Division's estimated share of the purchase price was $2,037,900, including both principal and interest. The Division transferred funds annually to the Department of Revenue for its share of the building purchase.

The final payment of $177,115 was made this fiscal year, no future obligations remain.

As of March 31, 2007, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:	
Colorado State Patrol	$ 131,300
Colorado Bureau of Investigation	64,000
Colorado Division of Fire Safety	13,300
Colorado Department of Transportation	662
Colorado Department of Revenue	7,541
Total State Agencies	$ 216,803

14. RISK MANAGEMENT

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

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.