



**STATEMENT OF GAMING REVENUES
GAMING TAXES, AND EXPENDITURES
(UNAUDITED)
FOR THE THREE (3) MONTHS ENDED
SEPTEMBER 30, 2007**

**COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
SEPTEMBER 30, 2007 AND 2006**

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

The tax rates for period ending June 30, 2008 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, 2007 were the same as they are for year ending June 30, 2008.

For Periods Beginning July 1, 2006 and 2007 through September 30, 2006 and 2007

AGP Comparison				
Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
\$0 - \$2 Million	\$ 25,604,655	\$ 23,863,225	\$ (1,741,430)	-6.80%
\$2 - \$4 Million	\$ 20,360,995	\$ 22,318,466	\$ 1,957,471	9.61%
\$4 - \$5 Million	\$ 13,153,780	\$ 9,118,849	\$ (4,034,931)	-30.68%
\$5 - \$10 Million	\$ 37,546,632	\$ 45,687,342	\$ 8,140,710	21.68%
\$10 + \$15 Million	\$ 23,424,284	\$ 22,996,290	\$ (427,994)	-1.83%
\$15+ Million	\$ 92,704,119	\$ 97,555,215	\$ 4,851,096	5.23%
Total	<u>\$ 212,794,465</u>	<u>\$ 221,539,387</u>	<u>\$ 8,744,922</u>	4.11%

Tax Comparison				
Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
\$0 - \$2 Million	\$ 169,012	\$ 164,658	\$ (4,354)	-2.58%
\$2 - \$4 Million	\$ 687,220	\$ 726,369	\$ 39,149	5.70%
\$4 - \$5 Million	\$ 486,151	\$ 524,754	\$ 38,603	7.94%
\$5 - \$10 Million	\$ 4,680,129	\$ 5,025,608	\$ 345,479	7.38%
\$10 + \$15 Million	\$ 3,747,885	\$ 3,679,406	\$ (68,479)	-1.83%
\$15+ Million	\$ 6,540,824	\$ 7,511,043	\$ 970,219	14.83%
Total	<u>\$ 16,311,221</u>	<u>\$ 17,631,838</u>	<u>\$ 1,320,617</u>	8.10%

AGP Summary			
Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
\$0 - \$2 Million	26	22	(4)
\$2 - \$4 Million	7	7	0
\$4 - \$5 Million	3	2	(1)
\$5 - \$10 Million	5	6	1
\$10 - \$15 Million	2	2	0
\$15+ Million	4	4	0
Total No. of Casinos	<u>47</u>	<u>43</u>	<u>(4)</u>

**COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)**

	<u>FY 2008</u>	<u>FY 2007</u>
ASSETS:		
Cash (Note 2)	\$ 8,985,614	\$ 8,424,812
Accounts Receivable (Note 3)		
Gaming Taxes	9,113,746	8,383,343
Accounts Receivable Other Agencies	1,000	0
Background	0	242
Fines Receivable	1,376	106,114
Miscellaneous	5,882	2,410
Net Accounts Receivable	9,122,004	8,492,109
Prepaid Expenses	59,369	71,949
Total Current Assets	<u>18,166,987</u>	<u>16,988,870</u>
TOTAL ASSETS	\$ <u>18,166,987</u>	\$ <u>16,988,870</u>
 LIABILITIES AND FUND BALANCE:		
Accounts Payable	\$ 75,927	\$ 20,064
Due to Other State Agencies (Note 13)	283,392	212,498
Background and Other Deposits (Note 5)	277,553	220,980
Deferred Revenue (Note 6)	131,380	120,600
Total Liabilities	<u>768,252</u>	<u>574,142</u>
Fund Balance:		
Reserved Fund Balance	1,500,792	1,482,363
Unreserved Fund Balance	15,897,943	14,932,365
Total Fund Balance	<u>17,398,735</u>	<u>16,414,728</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>18,166,987</u>	\$ <u>16,988,870</u>

**COLORADO DIVISION OF GAMING
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 SEPTEMBER 30, 2007 AND 2006
 (UNAUDITED)**

	FY 2008	FY 2007
REVENUES:		
Gaming Taxes	\$ 17,639,392	\$ 16,311,632
License and Application Fees	151,643	168,751
Background Investigations	77,113	74,967
Fines	6,418	116,633
Interest Income (Note 2)	655,611	617,167
Other Revenue	193	91
TOTAL REVENUES	18,530,370	17,289,241
 EXPENDITURES:		
Salaries and Benefits	1,318,235	1,171,783
Annual and Sick Leave Payouts	335	0
Professional Services	16,654	19,788
Travel	18,372	8,736
Automobiles	31,135	33,722
Printing	3,350	4,870
Police Supplies	1,870	134
Computer Services & Name Searches	29,259	33,204
Materials, Supplies, and Services	108,431	49,507
Postage	669	1,269
Telephone	15,534	18,390
Utilities	3,192	3,453
Other Operating Expenditures	3,383	2,387
Leased Space (Note 9)	32,719	36,161
Capital Outlay	46,035	0
EXPENDITURES - SUBTOTAL	1,629,173	1,383,404
STATE AGENCY SERVICES (Note 13)		
Colorado Bureau of Investigations	195,306	170,520
Fire Safety	44,874	37,947
Colorado State Patrol	526,863	371,830
State Auditors	16,720	13,280
Indirect Costs - Department of Revenue	136,754	334,488
Local Affairs	33,611	32,853
Colorado Department of Law	32,238	0
TOTAL STATE AGENCY SERVICES	986,366	960,918
Background Expenditures	16,888	12,554
TOTAL EXPENDITURES	2,632,427	2,356,876
EXCESS OF REVENUES OVER EXPENDITURES	15,897,943	14,932,365
FUND BALANCE AT JULY 1, 2007 AND 2006	1,500,792	1,482,363
FUND BALANCE AT SEPTEMBER 30, 2007 AND 2006	\$ 17,398,735	\$ 16,414,728

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED SEPTEMBER 30, 2007
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE- MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	\$ 119,827,850	\$ 0	119,827,850	\$ 17,639,392	\$ (102,188,458)	14.72%
License and Application Fees	579,862	0	579,862	151,643	(428,219)	26.15%
Background Investigations	230,698	0	230,698	77,113	(153,585)	33.43%
Fines	0	0	0	6,418	6,418	100.00%
Interest Revenue	1,311,461	0	1,311,461	655,611	(655,850)	49.99%
Other Revenue	0	0	0	193	193	100.00%
TOTAL REVENUES	121,949,871	0	121,949,871	18,530,370	(103,419,501)	15.20%
EXPENDITURES:						
Personal Services	5,158,213	295,147	5,453,360	1,252,079	(4,201,281)	22.96%
Personal Services Rollforward	0	1,855	1,855	1,854	(1)	99.96%
Health, Dental and Life Insurance	284,207	0	284,207	74,332	(209,875)	26.15%
Short Term Disability	5,198	0	5,198	1,404	(3,794)	27.00%
Amortization Equalization Disbursement	47,980	0	47,980	10,626	(37,354)	22.15%
Supplemental Amort. Equal. Disbursemt	9,995	0	9,995	0	(9,995)	0.00%
Operating Expenditures	552,734	2,000	554,734	115,805	(438,929)	20.88%
Operating Expenditures Rollforward	0	30,648	30,648	30,579	(69)	99.78%
Workers Compensation	39,455	0	39,455	9,864	(29,591)	25.00%
Risk Management	12,599	0	12,599	3,150	(9,449)	25.00%
Licensure Activities	181,497	0	181,497	23,694	(157,803)	13.05%
Leased Space	98,950	0	98,950	15,252	(83,698)	15.41%
Vehicle Lease Payments - Fixed	48,323	0	48,323	11,790	(36,533)	24.40%
Vehicle Lease Payments - Variable	56,551	0	56,551	19,345	(37,206)	34.21%
Utilities	25,465	0	25,465	3,192	(22,273)	12.53%
Capital Outlay	16,251	18,000	34,251	0	(34,251)	0.00%
EDO - MNT	20,774	0	20,774	5,194	(15,580)	25.00%
EDO - Communications	16,924	0	16,924	4,231	(12,693)	25.00%
Capitol Complex Leased Space	69,868	0	69,868	17,467	(52,401)	25.00%
Legal Services	133,711	0	133,711	32,238	(101,473)	24.11%
Indirect Costs - Department of Revenue	536,407	0	536,407	136,754	(399,653)	25.49%
State Agency Services	3,316,370	0	3,316,370	800,654	(2,515,716)	24.14%
Central City Bldg. Repairs (capital construction)	65,813	0	65,813	46,035	(19,778)	69.95%
Division Expenditures	10,697,285	347,650	11,044,935	2,615,539	(8,429,396)	23.68%
Background Expenditures	263,964	0	263,964	16,888	(247,076)	6.40%
TOTAL EXPENDITURES	10,961,249	347,650	11,308,899	2,632,427	(8,676,472)	23.28%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 110,988,622	(347,650)	\$ 110,640,972	\$ 15,897,943	\$ (94,743,029)	14.37%

* Amount includes Long Bill items, and Supplemental Appropriations by Gaming Commission
The percent of the fiscal year elapsed through September 30, 2007 is 25.0%.

COLORADO DIVISION OF GAMING

NOTES TO FINANCIAL STATEMENTS

September 30, 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)
September 30, 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:

<u>Assets</u>		<u>Carrying Value</u>
Building and Land	\$752,118	
Accumulated Depreciation - Buildings	<u>(47,508)</u>	\$704,610
Furniture & Equipment	179,302	
Accumulated Depr. - Furn. & Equip.	<u>(148,383)</u>	30,919
Software	372,861	
Accumulated Depreciation - Software	<u>(269,001)</u>	103,860
Construction in Progress	<u>1,020</u>	<u>1,020</u>
Total		<u><u>\$840,409</u></u>

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.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

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 2008 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, 2007	\$10,961,249
Roll forward appropriations	32,503
Supplemental appropriations	<u>315,147</u>
Total appropriation	<u>\$11,308,899</u>

2. CASH AND INVESTMENTS

The State Treasury acts as a bank for all state agencies. Monies deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Cash held by the State Treasurer for the Division of Gaming on September 30, 2007 was \$9 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 \$655,611 is interest earned on the average daily cash balance. During the month of September, the State Treasurer was paying interest at 4.78% annualized.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

3. ACCOUNTS RECEIVABLE

As of September 30, 2007, the Division had an accounts receivable balance of \$9,122,004. This amount includes \$9,113,746 in gaming taxes collected by the Department of Revenue for the Division for the month of September, which were due on the 15th of October, 2007. In addition, the Division had a fines receivable balance of \$1,376, \$331 in outstanding credit card deposits, and \$5,551 due from others.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2007	Deletions	Additions	Balances at September 30, 2007
Computer Equipment	\$ 123,955	\$(29,600)		\$ 94,355
Office Equipment	78,857			78,857
Investigative Equipment	6,090			6,090
Software	372,861			372,861
Building and Land	752,118			752,118
Construction in Progress	1,020			1,020
Total	\$1,334,901	\$(29,600)		\$1,305,301

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 \$268,733 at September 30, 2007. Additionally, on September 30, 2007, the Division of Gaming held \$8,820 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)
September 30, 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 \$131,380 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	\$316,482
Sick Leave	<u>50,980</u>
Total	<u><u>\$367,462</u></u>

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, House Bill 06-1360, House 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;
- 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.

**Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007**

8. GAMING DISTRIBUTION (Continued)

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

- 13% will be distributed to the Local Government Limited Gaming Impact Fund;
- \$14,292,757 will be distributed to the Colorado Department of Transportation;
- \$19,676,799 plus the percent of change in the Consumer Price Index (CPI) will be distributed to the Colorado Travel and Tourism Promotion Fund;
- \$1,553,431 plus the percent of change in the CPI will be distributed to the Colorado Council on the Arts Cash Fund;
- \$621,373 plus the percent of change in the CPI will be distributed to the Film Incentives Cash Fund;
- \$3,106,863 plus the percent of change in the CPI will be distributed to the New Jobs Incentives Cash Fund.
- Any remaining funds will be distributed to the Clean Energy Fund.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period. As of September 30, 2007, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was \$1,801,406. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of September 30, 2007	\$17,398,735
Less: Two month Reserve	(1,801,406)
Available for Distribution at September 30, 2007	\$15,597,329

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

9. LEASED SPACE

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

CRIPPLE CREEK

In April 2002, the Division renewed a lease agreement with a third party to lease office space at 433-435 E. Carr Avenue in Cripple Creek, Colorado. The term of the lease began on July 1, 2002, and ended on 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. This occurred in September 2007.

In April 2007, the Division entered into a lease and option to purchase agreement with a third party to lease office space at 350 W. Carr Avenue in Cripple Creek, Colorado. This lease began in September 2007 with an initial term of ten years. The option to purchase the building expires on June 30, 2013.

Additional lease information follows:

	<u>CRIPPLE CREEK</u>
<u>Total Paid</u>	
FY 2008	\$15,252
<u>Estimated Future Payments</u>	
FY 2008	\$ 87,447
FY 2009	94,668
FY 2010	96,684
FY 2011	98,751
FY 2012	100,870
FY 2013	103,042
FY 2014	105,268
FY 2015	107,550
FY 2016	109,888
FY 2017	112,286
Total Estimated Payments	\$1,016,454

The remaining leased space expenditure amount shown on the Statement of Revenues, Expenditures and Changes in Fund Balance represents the Division's share of Capitol Complex lease cost.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

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.

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.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

10. PENSION PLAN (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.)

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

10. PENSION PLAN (Continued)

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.

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 September 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 .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.

Colorado Division of Gaming
Notes to Financial Statements (Continued)
September 30, 2007

10. PENSION PLAN (Continued)

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 September 30, 2007 were \$118,476. 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.

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12. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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.

B. Life Insurance Program

During Fiscal Year 2007, 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.

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. In fiscal year 2007, the legal services costs were included in the Department of Revenue indirect/direct appropriation. Starting in fiscal year 2008, the legal fees are paid directly to the Department of Law. Interagency charges as of September 30, 2007 consist of the following:

<u>State Agency Services:</u>	
Colorado Bureau of Investigation	\$ 195,306
Colorado Division of Fire Safety	44,874
Colorado State Patrol	526,863
Office of the State Auditor	16,720
Indirect Costs (Department of Revenue)	136,754
Department of Local Affairs	33,611
Department of Law	32,238
Total Payments to State Agencies	<u><u>\$ 986,366</u></u>

Colorado Division of Gaming
Notes to Financial Statements (Continued)
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13. RELATED-PARTY TRANSACTIONS (Continued)

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 \$2,000,000, including both principal and interest. The Division transferred funds annually to the Department of Revenue for its share of the building purchase. These expenditures were included in Indirect costs in fiscal year 2007. The final payment was made in fiscal year 2007, no future obligations remain.

As of September 30, 2007, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:

Colorado Bureau of Investigation	\$ 70,000
Colorado Division of Fire Safety	16,000
Colorado State Patrol	180,000
Office of the State Auditor	16,720
Colorado Division of Central Services, Telecommunications	507
Colorado Department of Revenue	165
Total State Agencies	<u>\$ 283,392</u>

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.