STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE SIX (6) MONTHS ENDED

DECEMBER 31, 2008

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
DECEMBER 31, 2008 AND 2007

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

The tax rates for period ending June 30, 2009 are:

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

The tax rates for year ending June 30, 2008 changed for year ending June 30, 2009.
The tax rates for year ending June 30, 2008 were:

.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

For Periods Beginning July 1, 2007 and 2008 through December 31, 2007 and 2008

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change	
$0 - $2 Million	$ 15,181,832	$ 16,147,597	$ 965,765	6.36%	**C**
$2 - $5 Million	NA	$ 40,075,347	$ 40,075,347	100.00%	**A**
$2 - $4 Million	$ 27,735,287	NA	$ (27,735,287)	(100.00%)	**B**
$5 - $8 Million	NA	$ 11,102,368	$ 11,102,368	100.00%	**A**
$4 - $5 Million	$ 9,099,600	NA	$ (9,099,600)	(100.00%)	**B**
$8 - $10 Million	NA	$ 44,739,959	$ 44,739,959	100.00%	**A**
$5 - $10 Million	$ 49,017,406	NA	$ (49,017,406)	(100.00%)	**B**
$10 - $13 Million	NA	$ 21,126,338	$ 21,126,338	100.00%	**A**
$10 - $15 Million	$ 51,146,257	NA	$ (51,146,257)	(100.00%)	**B**
$13+ Million	NA	$ 221,663,575	$ 221,663,575	100.00%	**A**
$15+ Million	$ 260,482,105	NA	$ (260,482,105)	(100.00%)	**B**
Total	$ 412,662,487	$ 354,855,184	$ (57,807,303)	(14.01%)	

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change	
$0 - $2 Million	$ 192,954	$ 185,369	$ (7,585)	(3.93%)	**C**
$2 - $5 Million	NA	$ 1,341,507	$ 1,341,507	100.00%	**A**
$2 - $4 Million	$ 994,706	NA	$ (994,706)	(100.00%)	**B**
$5 - $8 Million	NA	$ 4,149,213	$ 4,149,213	100.00%	**A**
$4 - $5 Million	$ 803,984	NA	$ (803,984)	(100.00%)	**B**
$8 - $10 Million	NA	$ 2,721,396	$ 2,721,396	100.00%	**A**
$5 - $10 Million	$ 8,141,915	NA	$ (8,141,915)	(100.00%)	**B**
$10 - $13 Million	NA	$ 4,020,214	$ 4,020,214	100.00%	**A**
$10 - $15 Million	$ 8,183,401	NA	$ (8,183,401)	(100.00%)	**B**
$13+ Million	NA	$ 23,532,715	$ 23,532,715	100.00%	**A**
$15+ Million	$ 28,096,421	NA	$ (28,096,421)	(100.00%)	**B**
Total	$ 46,413,381	$ 35,950,414	$ (10,462,967)	(22.54%)	

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference	
$0 - $2 Million	10	11	1	**C**
$2 - $5 Million	NA	12	12	**A**
$2 - $4 Million	10	NA	(10)	**B**
$5 - $8 Million	NA	2	2	**A**
$4 - $5 Million	2	NA	(2)	**B**
$8 - $10 Million	NA	5	5	**A**
$5 - $10 Million	7	NA	(7)	**B**
$10 - $13 Million	NA	2	2	**A**
$10 - $15 Million	4	NA	(4)	**B**
$13+ Million	NA	8	8	**A**
$15+ Million	8	NA	(8)	**B**
	41	40	(1)	

A = Tax Bracket for Fiscal year 2009
B = Tax Bracket for Fiscal year 2008
C = Same for both 2008 and 2009 fiscal years

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(UNAUDITED)

		FY 2009		FY 2008
ASSETS:				
Cash (Note 2)	$	26,354,836	$	35,444,219
Accounts Receivable (Note 3)				
Gaming Taxes		7,427,419		9,460,174
Background		170		0
Fines Receivable		1,270		1,218
Miscellaneous		54		882
Net Accounts Receivable		7,428,913		9,462,274
Prepaid Expenses		88,895		82,274
Total Current Assets		33,872,644		44,988,767
TOTAL ASSETS	$	33,872,644	$	44,988,767
LIABILITIES AND FUND BALANCE:				
Accounts Payable	$	28,757	$	69,109
Due to Other State Agencies (Note 13)		269,513		445,477
Background and Other Deposits (Note 5)		111,448		234,863
Deferred Revenue (Note 6)		194,650		125,750
Total Liabilities		604,368		875,199
Fund Balance:				
Reserved Fund Balance		1,683,522		1,500,792
Unreserved Fund Balance		31,584,754		42,612,776
Total Fund Balance		33,268,276		44,113,568
TOTAL LIABILITIES AND FUND BALANCE	$	33,872,644	$	44,988,767

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
DECEMBER 31, 2008 AND 2007
(UNAUDITED)

	FY 2009	FY 2008
REVENUES:		
Gaming Taxes	$ 35,950,683	$ 46,421,148
License and Application Fees	301,016	265,428
Background Investigations	114,888	149,161
Fines	5,918	30,184
Interest Income (Note 2)	592,073	879,763
Other Revenue	264	302
TOTAL REVENUES	36,964,842	47,745,986
EXPENDITURES:		
Salaries and Benefits	2,981,117	2,652,795
Annual and Sick Leave Payouts	8,839	335
Professional Services	18,977	28,029
Travel	45,016	38,456
Automobiles	72,416	61,648
Printing	6,597	5,709
Police Supplies	6,861	5,024
Computer Services & Name Searches	46,792	51,457
Materials, Supplies, and Services	108,992	159,441
Postage	1,438	1,118
Telephone	34,595	29,445
Utilities	7,907	6,938
Other Operating Expenditures	9,747	6,824
Leased Space (Note 9)	80,967	70,886
Capital Outlay	15,862	57,453
EXPENDITURES - SUBTOTAL	3,446,123	3,175,558
STATE AGENCY SERVICES (Note 13)		
Colorado Bureau of Investigations	362,372	374,443
Fire Safety	69,091	88,345
Colorado State Patrol	1,045,127	1,040,138
State Auditors	17,050	16,720
Indirect Costs - Department of Revenue	289,327	273,508
Local Affairs	73,839	67,222
Colorado Department of Law	60,154	73,036
TOTAL STATE AGENCY SERVICES	1,916,960	1,933,412
Background Expenditures	17,005	24,240
TOTAL EXPENDITURES	5,380,088	5,133,210
EXCESS OF REVENUES OVER EXPENDITURES	31,584,754	42,612,776
FUND BALANCE AT JULY 1, 2008 AND 2007	1,683,522	1,500,792
FUND BALANCE AT DECEMBER 31, 2008 AND 2007	$ 33,268,276	$ 44,113,568

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED DECEMBER 31, 2008
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 111,991,661	$ 0	$ 111,991,661	$ 35,950,683	$ (76,040,978)	32.10%
License and Application Fees	579,862	0	579,862	301,016	(278,846)	51.91%
Background Investigations	230,698	0	230,698	114,888	(115,810)	49.80%
Fines	0	0	0	5,918	5,918	100.00%
Interest Revenue	1,311,461	0	1,311,461	592,073	(719,388)	45.15%
Other Revenue	0	0	0	264	264	100.00%
TOTAL REVENUES	114,113,682	0	114,113,682	36,964,842	(77,148,840)	32.39%
EXPENDITURES:						
Personal Services	5,649,294	524,000	6,173,294	2,776,767	(3,396,527)	44.98%
Health, Dental and Life Insurance	363,544	0	363,544	181,459	(182,085)	49.91%
Short Term Disability	6,483	0	6,483	3,130	(3,353)	48.28%
Amortization Equalization Disbursement	79,795	0	79,795	33,475	(46,320)	41.95%
Supplemental Amort. Equal. Disbursmnt	37,404	0	37,404	11,956	(25,448)	31.97%
Operating Expenditures	575,734	266,541	842,275	208,077	(634,198)	24.70%
Workers Compensation	38,390	0	38,390	19,195	(19,195)	50.00%
Risk Management	16,886	0	16,886	8,443	(8,443)	50.00%
Licensure Activities	181,497	0	181,497	43,064	(138,433)	23.73%
Leased Space	94,668	0	94,668	47,334	(47,334)	50.00%
Vehicle Lease Payments - Fixed	53,776	0	53,776	23,711	(30,065)	44.09%
Vehicle Lease Payments - Variable	23,930	0	23,930	23,930	-	100.00%
Utilities	25,465	0	25,465	7,907	(17,558)	31.05%
Capital Outlay	15,000	11,711	26,711	4,242	(22,469)	15.88%
EDO - MNT	23,501	0	23,501	11,751	(11,750)	50.00%
EDO - Communications	18,813	0	18,813	9,407	(9,407)	50.00%
Capitol Complex Leased Space	67,267	0	67,267	33,633	(33,634)	50.00%
Legal Services	138,050	0	138,050	60,154	(77,896)	43.57%
Indirect Costs - Department of Revenue	559,702	14,240	573,942	289,327	(284,615)	50.41%
State Agency Services	3,270,813	0	3,270,813	1,550,429	(1,720,384)	47.40%
Central City Bldg. Repairs (capital construction)	8,361	0	8,361	7,891	(471)	94.37%
Cripple Creek Office Building Purchase	0	847,000	847,000	7,801	(839,200)	0.92%
Division Expenditures	11,248,373	1,663,492	12,911,865	5,363,083	(7,548,782)	41.54%
Background Expenditures	263,964	0	263,964	17,005	(246,959)	6.44%
TOTAL EXPENDITURES	11,512,337	1,663,492	13,175,829	5,380,088	(7,795,741)	40.83%
EXCESS OF REVENUES OVER EXPENDITURES	$ 102,601,345	$ (1,663,492)	$ 100,937,853	$ 31,584,754	$ (69,353,099)	31.29%

***** Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through December 31, 2008 is 50.0%.

COLORADO DIVISION OF GAMING
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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.

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 furniture and equipment ranges from 5 to 10 years, building 30 years, and the licensing software 10 years.

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

Assets		Carrying Value
Building, Roof, & Land	$819,518	
Accumulated Depreciation – Buildings & Roof	(57,386)	$762,132
Furniture & Equipment	179,302	
Accumulated Depr. - Furn. & Equip.	(159,581)	19,721
Software	372,861	
Accumulated Depreciation - Software	(315,381)	57,480
Total		$839,333

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 2009 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 a roll-forward of the unexpended budget is approved.

Appropriation as of July 1, 2008	$11,512,337
Supplemental appropriations	1,663,492
Total appropriation	$13,175,829

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 December 31, 2008 was $26.4 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 $592,073 is interest earned on the average daily cash balance. During the month of December, the State Treasurer was paying interest at 3.06% annualized.

3. ACCOUNTS RECEIVABLE

As of December 31, 2008, the Division had an accounts receivable balance of $7,428,913. This amount includes $7,427,419 in gaming taxes collected by the Department of Revenue for the Division for the month of December 2008, which were due on the 15th of January 2009. In addition, the Division has a fines receivable balance of $1,270, $170 in background deposits receivable, and $54 due from others.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2008	Deletions	Additions	Balances at December 31, 2008
Computer Equipment	$ 94,355			$ 94,355
Office Equipment	78,857			78,857
Investigative Equipment	6,090			6,090
Software	372,861			372,861
Building, Roof, & Land	752,118		$67,400	819,518
Construction in Progress	59,338	($59,338)		0
Total	$1,363,619			$1,371,681

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 $103,437 at December 31, 2008. Additionally, on December 31, 2008, the Division of Gaming held $8,010 on deposit, which represents funds seized during criminal investigations, or involves gaming patrons, and are pending court order releases or adjudication.

6. DEFERRED REVENUE

The Division has issued 2-year licenses to individuals for quite some time now. Beginning in August 2008, the Division began to stagger the issuance of 2-year licenses to businesses as well. There continues to 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 $194,650 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	$365,130
Sick Leave	54,032
Total	$419,162

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, House Bill 07-1206, and House Bill 08-1001 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, 50% that goes to the General Fund is further divided as follows:

- 13% will be distributed to the Local Government Limited Gaming Impact Fund;
- $10,127,274 will be distributed to the Colorado Department of Transportation;
- $20,107,662 plus the percent of change in the Consumer Price Index (CPI) will be distributed to the Colorado Travel and Tourism Promotion Fund;
- $1,587,447 plus the percent of change in the CPI will be distributed to the Colorado Council on the Arts Cash Fund;
- $634,979 plus the percent of change in the CPI will be distributed to the Film Incentives Cash Fund;
- $3,174,894 plus the percent of change in the CPI will be distributed to the New Jobs Incentives Cash Fund.
- Any funds remaining 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 December 31, 2008, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $1,708,838. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of December 31, 2008	$33,268,276
Less: Two month Reserve	(1,708,838)
Available for Distribution at December 31, 2008	$31,559,438

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:

	CRIPPLE CREEK
Total Paid	
FY 2009	$47,334
Estimated Future Payments	
FY 2009	$ 47,334
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	$881,673

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.

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.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan. Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan with 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

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

10. PENSION PLAN (Continued)

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.

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.)

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, 2007 to December 31, 2007, the state contributed 11.15 percent of the employee's salary. From January 1, 2008, through June 30, 2008, the state contributed 12.05 percent. During all of Fiscal Year 2008, 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, 2007, 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.

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's contributions to PERA and/or the state defined contribution plan for the period ending December 31, 2008 were $263,752. 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. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer’s contributions as discussed above in Note 10.

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

Beginning July 1, 2004, state agencies are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. As of December 31, 2008, the Division contributed $24,376 as required by statute.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations, and self-insured plans administered for PERA by third party vendors. As of December 31, 2007, there were 44,214 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.045 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

13. RELATED-PARTY TRANSACTIONS

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, legal, and other expenses incurred with the Department of Revenue for indirect costs. Interagency charges as of December 31, 2008 consist of the following:

State Agency Services:	
Colorado Bureau of Investigation	$ 362,372
Colorado Division of Fire Safety	69,091
Colorado State Patrol	1,045,127
Office of the State Auditor	17,050
Indirect Costs (Department of Revenue)	289,327
Department of Local Affairs	73,839
Department of Law	60,154
Total Payments to State Agencies	$1,916,960

As of December 31, 2008, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:	
Colorado Bureau of Investigation	$ 65,165
Colorado Division of Fire Safety	15,000
Colorado State Patrol	171,000
Office of the State Auditor	17,050
Colorado Department of Revenue	1,188
Colorado Division of Telecommunication	110
Total Payments to State Agencies	$ 269,513

14. <u>RISK MANAGEMENT</u>

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.