STATEMENT OF GAMING REVENUES

GAMING TAXES, AND EXPENDITURES

(UNAUDITED)

FOR THE THREE (3) MONTHS ENDED

SEPTEMBER 30, 2009

COLORADO DIVISION OF GAMING
TAX REVENUES COMPARISON
SEPTEMBER 30, 2009 AND 2008

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

The tax rates for period ending June 30, 2010 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, 2009 were the same as they are for year ending June 30, 2010.

For Periods Beginning July 1, 2008 and 2009 through September 30, 2008 and 2009

AGP Comparison

Range	Prior Year AGP	Current Year AGP	Difference	Percent Change
$0 - $2 Million	$ 19,042,012	$ 16,412,869	$ (2,629,143)	(13.81%)
$2 - $5 Million	$ 32,681,018	$ 35,350,601	$ 2,669,583	8.17%
$5 -8 Million	$ 29,892,579	$ 22,889,473	$ (7,003,106)	(23.43%)
$8 - $10 Million	$ 17,466,445	$ 27,445,828	$ 9,979,383	57.13%
$10 - $13 Million	$ 22,245,435	$ 10,319,877	$ (11,925,558)	(53.61%)
$13+ Million	$ 71,872,992	$ 96,857,190	$ 24,984,198	34.76%
Total	$ 193,200,481	$ 209,275,838	$ 16,075,357	8.32%

Tax Comparison

Range	Prior Year Tax	Current Year Tax	Difference	Percent Change
$0 - $2 Million	$ 157,605	$ 156,032	$ (1,573)	(1.00%)
$2 - $5 Million	$ 973,620	$ 987,012	$ 13,392	1.38%
$5 -8 Million	$ 2,330,332	$ 2,420,053	$ 89,721	3.85%
$8 - $10 Million	$ 1,261,309	$ 1,479,041	$ 217,732	17.26%
$10 - $13 Million	$ 1,799,270	$ 1,971,180	$ 171,910	9.55%
$13+ Million	$ 6,574,598	$ 8,971,438	$ 2,396,840	36.46%
Total	$ 13,096,734	$ 15,984,756	$ 2,888,022	22.05%

AGP Summary

Range	Prior Year No. of Open Casinos	This Year No. of Open Casinos	Difference
$0 - $2 Million	19	17	(2)
$2 - $5 Million	10	11	1
$5 -8 Million	5	4	(1)
$8 - $10 Million	2	3	1
$10 - $13 Million	2	1	(1)
$13+ Million	3	4	1
	41	40	(1)

COLORADO DIVISION OF GAMING
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(UNAUDITED)

		FY 2010		FY 2009
ASSETS:				
Cash (Note 2)	$	11,864,289	$	6,887,532
Accounts Receivable (Note 3)				
Gaming Taxes		7,418,713		6,421,543
Background		0		340
Fines Receivable		10,879		1,654
Miscellaneous		429		1,124
Net Accounts Receivable		7,430,021		6,424,661
Prepaid Expenses		27,841		67,652
Total Current Assets		19,322,151		13,379,845
TOTAL ASSETS	$	19,322,151	$	13,379,845
LIABILITIES AND FUND BALANCE:				
Accounts Payable	$	13,929	$	53,696
Wages & Salaries Payable		480		0
Due to Other State Agencies (Note 13)		279,528		269,959
Due to the State's General Fund (Note 13)		2,811,210		0
Background and Other Deposits (Note 5)		105,575		140,922
Deferred Revenue (Note 6)		302,880		146,250
Total Liabilities		3,513,602		610,827
Fund Balance:				
Reserved Fund Balance		2,148,380		1,683,522
Unreserved Fund Balance		13,660,169		11,085,496
Total Fund Balance		15,808,549		12,769,018
TOTAL LIABILITIES AND FUND BALANCE	$	19,322,151	$	13,379,845

COLORADO DIVISION OF GAMING
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2009 AND 2008
(UNAUDITED)

	FY 2010	FY 2009
REVENUES:		
Gaming Taxes	$ 15,986,245	$ 13,096,734
License and Application Fees	171,821	172,585
Background Investigations	65,898	66,138
Fines	15,607	4,343
Interest Income (Note 2)	331,343	480,486
Other Revenue	184	168
TOTAL REVENUES	16,571,098	13,820,454
EXPENDITURES:		
Salaries and Benefits	1,647,325	1,511,868
Annual and Sick Leave Payouts	2,497	6,636
Professional Services	10,520	8,653
Travel	8,171	21,602
Automobiles	36,341	39,371
Printing	3,075	3,902
Police Supplies	211	5,964
Computer Services & Name Searches	52,890	25,497
Materials, Supplies, and Services	60,372	56,378
Postage	685	551
Telephone	18,744	18,569
Utilities	4,477	3,691
Other Operating Expenditures	3,085	4,319
Leased Space (Note 9)	38,940	40,484
Capital Outlay	0	5,892
EXPENDITURES - SUBTOTAL	1,887,333	1,753,377
STATE AGENCY SERVICES (Note 13)		
Colorado Bureau of Investigations	201,223	183,887
Fire Safety	32,098	36,711
Colorado State Patrol	539,869	548,315
State Auditors	17,050	16,198
Indirect Costs - Department of Revenue	152,037	117,455
Local Affairs	39,524	36,920
Colorado Department of Law	30,193	29,790
TOTAL STATE AGENCY SERVICES	1,011,994	969,276
Background Expenditures	11,602	12,305
TOTAL EXPENDITURES	2,910,929	2,734,958
EXCESS OF REVENUES OVER EXPENDITURES	13,660,169	11,085,496
FUND BALANCE AT JULY 1, 2009 AND 2008	2,148,380	1,683,522
FUND BALANCE AT SEPTEMBER 30, 2009 AND 2008	$ 15,808,549	$ 12,769,018

COLORADO DIVISION OF GAMING
STATEMENT OF BUDGET TO ACTUAL
FOR THE YEAR-TO-DATE ENDED SEPTEMBER 30, 2009
(UNAUDITED)

	COMMISSION APPROVED BUDGET	SUPPLE-MENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATE/ BUDGET *	YEAR-TO-DATE ACTUAL	OVER/ (UNDER)	% EARNED % EXPENDED
REVENUES:						
Gaming Taxes	$ 129,291,401	$ 0	$ 129,291,401	$ 15,986,245	$ (113,305,156)	12.36%
License and Application Fees	637,848	0	637,848	171,821	(466,027)	26.94%
Background Investigations	253,768	0	253,768	65,898	(187,870)	25.97%
Fines	0	0	0	15,607	15,607	100.00%
Interest Revenue	1,311,461	0	1,311,461	331,343	(980,118)	25.27%
Other Revenue	0	0	0	184	184	100.00%
TOTAL REVENUES	131,494,478	0	131,494,478	16,571,098	(114,923,380)	12.60%
EXPENDITURES:						
Personal Services	6,755,705	(86,570)	6,669,135	1,520,022	(5,149,113)	22.79%
Health, Dental and Life Insurance	465,003	0	465,003	111,063	(353,940)	23.88%
Short Term Disability	7,747	0	7,747	2,073	(5,674)	26.76%
Amortization Equalization Disbursement	119,190	0	119,190	23,482	(95,708)	19.70%
Supplemental Amort. Equal. Disbursmnt	74,494	0	74,494	13,040	(61,454)	17.51%
Operating Expenditures	613,084	0	613,084	79,867	(533,217)	13.03%
Workers Compensation	30,847	0	30,847	7,712	(23,135)	25.00%
Risk Management	11,922	0	11,922	2,981	(8,942)	25.00%
Licensure Activities	181,497	0	181,497	53,776	(127,721)	29.63%
Leased Space	96,684	0	96,684	22,240	(74,444)	23.00%
Vehicle Lease Payments - Fixed	74,208	0	74,208	20,474	(53,734)	27.59%
Vehicle Lease Payments - Variable	81,799	0	81,799	15,837	(65,962)	19.36%
Utilities	25,465	0	25,465	4,477	(20,988)	17.58%
EDO - MNT	23,501	0	23,501	5,875	(17,626)	25.00%
EDO - Communications	19,057	0	19,057	4,764	(14,293)	25.00%
Capitol Complex Leased Space	66,799	0	66,799	16,700	(50,099)	25.00%
Legal Services	139,209	0	139,209	30,193	(109,016)	21.69%
Indirect Costs - Department of Revenue	612,365	(3,708)	608,657	152,037	(456,620)	24.98%
State Agency Services	3,338,626	0	3,338,626	812,714	(2,525,912)	24.34%
Cripple Creek Office Building Purchase	839,000	0	839,000	0	(839,000)	0.00%
Division Expenditures	13,576,202	(90,278)	13,485,924	2,899,327	(10,586,597)	21.50%
Background Expenditures	263,964	0	263,964	11,602	(252,362)	4.40%
TOTAL EXPENDITURES	13,840,166	(90,278)	13,749,888	2,910,929	(10,838,959)	21.17%
EXCESS OF REVENUES OVER EXPENDITURES	$ 117,654,312	$ 90,278	$ 117,744,590	$ 13,660,169	$ (104,084,421)	11.60%

* Amount includes Long Bill items and Supplemental Appropriations by the Gaming Commission.
The percent of the fiscal year elapsed through September 30, 2009 is 25.0%.

COLORADO DIVISION OF GAMING
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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 license fees, application fees, and gaming taxes. These sources are restricted for specific uses as outlined in Section 12-47.1-701, C.R.S.

Fixed Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

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

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

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

Assets		Carrying Value
Building and Land	$819,518	
Accumulated Depreciation - Buildings	(65,393)	$754,125
Furniture & Equipment	203,962	
Accumulated Depr. - Furn. & Equip.	(166,985)	36,977
Software	372,861	
Accumulated Depreciation - Software	(343,209)	29,652
Construction in Progress	$ 8,663	8,663
Total		$829,417

Long-term Liabilities

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Structure and Basis of Accounting (continued)

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 2010 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, 2009	$13,840,166
Supplemental appropriations	(90,278)
Total appropriation	$13,749,888

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, 2009 was $11.9 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 $331,343 is interest earned on the average daily cash balance. During the month of September, the State Treasurer was paying interest at 2.28% annualized.

3. ACCOUNTS RECEIVABLE

As of September 30, 2009, the Division had an accounts receivable balance of $7,430,021. This amount includes $7,418,713 in gaming taxes collected by the Department of Revenue for the Division for the month of September 2009, which were due on the 15th of October 2009. In addition, the Division had a fines receivable balance of $10,879, $360 in outstanding credit card deposits, and $69 due from others.

4. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balances at July 1, 2009	Deletions	Additions	Balances at September 30, 2009
Computer Equipment	$ 94,355			$ 94,355
Office Equipment	103,517			103,517
Investigative Equipment	6,090			6,090
Software	372,861			372,861
Building and Land	819,518			819,518
Total	$ 1,396,341			$ 1,396,341

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 $97,564 at September 30, 2009. Additionally, on September 30, 2009, 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 issues a two-year license to individuals who are subject to an investigative review on an annual basis. Beginning in August 2008, the Division began to stagger the issuance of 2-year licenses to businesses as well. The fees for the second year of the license period are recorded as deferred revenue until the Division incurs the expense during the review period. As of September 30, 2009 deferred license fees were $302,880.

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	$421,026
Sick Leave	55,348
Total	$476,374

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

8. GAMING DISTRIBUTION

A. Extended Gaming Distribution

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

- 78% to the Colorado Community College System;
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.

8. GAMING DISTRIBUTION (Continued)

A. Extended Gaming Distribution (continued)

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

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

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

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

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

(1) After the end of the fiscal year ending June 30, 2010, the Commission shall determine limited gaming revenues by multiplying the amount of total gaming tax revenues collected during the fiscal year ending June 30, 2009, by a factor of three percent and adding that amount to the amount of total gaming tax revenues collected during fiscal year 2009. This amount is $97,753,778.27. Any gaming tax revenues collected over this amount in fiscal year 2010, will be attributable to extended gaming revenues.

(2) After the end of each subsequent fiscal year ending June 30, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the previous fiscal year by a factor of three percent and adding that amount to the amount of total gaming tax revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than three percent, either positive or negative, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual growth or decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of total gaming tax revenues collected during the previous fiscal year.

(3) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming revenues by subtracting the amount of limited gaming revenues from the amount of total gaming tax revenues collected during the fiscal year.

(4) After the end of each fiscal year ending June 30, the Commission shall determine extended gaming expenses by multiplying the total of all expenses of the Commission and other state agencies for the fiscal year by the percentage of total limited gaming revenues attributable to extended gaming revenues.

8. GAMING DISTRIBUTION (Continued)

A. Extended Gaming Distribution (continued)

The original or limited gaming fund recipients will receive an annual adjustment of the lesser of 6 percent, or the actual percentage, of annual growth in extended gaming revenues. For revenues collected in fiscal year 2010, the payment shall equal 6 percent of the first year's extended gaming revenues. In addition, an amount equal to the expenses incurred by the Commission to administer extended gaming during the fiscal year ending June 30, 2009, shall be subtracted in fiscal year 2010 from the amount to be distributed to the recipients of extended gaming revenues and added to the amount to be distributed to the recipients of limited gaming revenues.

B. Limited Gaming Distribution

In accordance with Section 12-47.1-701, the balance remaining in the limited gaming fund is to be distributed by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% to the State General Fund;
- 28% to the Colorado State Historical Fund;
- 12% to Gilpin and Teller Counties, in proportion to the gaming revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the gaming revenues generated in the respective cities.

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

- 13% to the Local Government Limited Gaming Impact Fund;
- $19 million to the Colorado Travel & Tourism Promotion Fund (adjusted annually by rate of inflation);
- $3 million to the New Jobs Incentives Cash Fund (adjusted annually by rate of inflation);
- $1.5 million to the State Council on the Arts Cash Fund (adjusted annually by rate of inflation);
- $1.0 million to the Innovative Higher Education Research Fund;
- $600,000 to the Colorado Office of Film, Television, and Media Operational Account Cash Fund (adjusted annually by rate of inflation);

8. GAMING DISTRIBUTION (Continued)

B. Limited Gaming Distribution (continued)

- $5.5 million to the Bioscience Discovery Evaluation Cash Fund, and;

- The remaining portion of General Fund share to the Clean Energy Fund, unless the General Fund is in a deficit at the end of the fiscal year, in which case the remaining portion would be directed to the General Fund.

In fiscal year 2009, the above division of General Fund distribution monies was changed by legislation, and fiscal year 2010 legislation to change the above division of General Fund monies is highly anticipated to occur.

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, 2009, the amount calculated as reserved fund balance, which is restricted by enabling legislation, was $1,948,030. This amount equals Division expenditures for the preceding two-month period.

Fund Balance as of September 30, 2009	$15,808,549
Less: Two month Reserve	(1,948,030)
Available for Distribution at September 30, 2009	$13,860,519

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 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.

On January 1, 2009 House Bill 08-1395 went into effect establishing those properties used by a State of Colorado entity under a lease agreement will be exempt from all property taxes. The portion of the property leased by the State will reduce the assessed value of the property and the real property tax due. This reduction in property tax due will decrease the amount owed by the State in rental obligation.

9. LEASED SPACE (Continued)

Additional lease information follows:

		CRIPPLE CREEK	
Fiscal Year	Payment	Payment Reduction	Total Paid
FY 2010	$ 24,171	$ 1,930	$ 22,241

Fiscal Year	Estimated Future Payments	Payment Reduction	Adjusted Est. Future Payments
FY 2010	$ 72,513	$(5,792)	$ 66,721
FY 2011	98,751	(7,722)	91,029
FY 2012	100,870	(7,722)	93,148
FY 2013	103,042	(7,722)	95,320
FY 2014	105,268	(7,722)	97,546
FY 2015	107,550	(7,722)	99,828
FY 2016	109,888	(7,722)	102,166
FY 2017	112,286	(7,722)	104,564
	$810,168	$(59,846)	$750,322

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 actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

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

10. PENSION PLAN (Continued)

A. Plan Description (continued)

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

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.

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.

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.

A. Plan Description (continued)

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

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

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, 2008, to December 31, 2008, the state contributed 12.05 percent of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95 percent. During all of Fiscal Year 2008-09, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

10. PENSION PLAN (Continued)

B. Funding Policy (continued)

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, 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's contributions to PERA and/or the state defined contribution plan for the period ending September 30, 2009 were $155,574. 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.

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 September 30, 2009, the Division contributed $13,308 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, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7 percent, and a 39-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 September 30, 2009 consist of the following:

State Agency Services:	
Colorado Bureau of Investigation	$ 201,223
Colorado Division of Fire Safety	32,098
Colorado State Patrol	539,869
Office of the State Auditor	17,050
Indirect Costs (Department of Revenue)	152,037
Colorado Department of Local Affairs	39,524
Colorado Department of Law	30,193
Total Payments to State Agencies	$ 1,011,994

As of September 30, 2009, the Division had liabilities to other State agencies as follows:

State Agency Liabilities:	
Colorado State General Fund	$ 2,811,210
Colorado Bureau of Investigation	65,200
Colorado Division of Fire Safety	15,100
Colorado State Patrol	176,000
Office of the State Auditor	17,050
Colorado Department of Corrections	424
Colorado Department of Revenue	5,754
Total Payments to State Agencies	$ 3,090,738

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.