DIVISION OF GAMING,
DEPARTMENT OF REVENUE,
STATE OF COLORADO

FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2021 AND 2020

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
YEAR ENDED JUNE 30, 2021

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen, LLP to conduct the financial audit of the Limited Gaming Fund, Extended Limited Gaming Fund (Extended Gaming Fund), and Sports Betting Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division) for the Fiscal Year ended June 30, 2021. This audit was performed under authority of Section 44-30-703, C.R.S., which requires the State Auditor to conduct an annual audit of the Limited Gaming Fund and Section 2-3-103, C.R.S. which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of the state government. Effective October 1, 2018, the laws related to the regulation of Limited Gaming were moved pursuant to legislation passed in the 2018 Session, which moved the authority for the audit to this Section. Prior to October 1, 2018, the audit authority was found within Section 12-47.1-702(1), C.R.S. The purpose of the audit was to express opinions on the financial statements of the Division for the fiscal years ended June 30, 2021 and 2020.

CliftonLarsonAllen, LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

The purposes and scope of this audit were:

- To express opinions on the financial statements of the Division as of and for the fiscal years ended June 30, 2021 and 2020, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.

- To review the Division's compliance with rules and regulations governing the expenditure of State funds for the fiscal year ended June 30, 2021.

- To evaluate progress in implementing any prior audit recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated November 18, 2021, has been issued, which states that the financial statements of the Division as of and for the fiscal years ended June 30, 2021 and 2020, are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards,* dated November 18, 2021, has also been issued, which states that the results of the Contract Auditors' tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards.*

RECOMMENDATION LOCATOR

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

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

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

DESCRIPTION OF COLORADO DIVISION OF GAMING
YEAR ENDED JUNE 30, 2021

Effective October 1, 1991, Article XVIII, Section 9 of the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities. In April 2009, House Bill 09-1272 was approved to implement Amendment 50 (Amendment). The Amendment, along with the Limited Gaming Act of 1991 (the Act), established the framework for regulating limited gaming in Colorado. The Act created the Division of Gaming within the Department of Revenue, established the Limited Gaming Fund, and gave the Limited Gaming Control Commission (the Commission) the authority and responsibility for regulating limited gaming in Colorado.

The Division of Gaming operates with a staff of about 90 full-time employees and a budget of approximately $17.7 million. The Commission is made up of a five-member board appointed by the Governor and approved by the Colorado Senate. Gaming revenues deposited in the Limited Gaming Fund are used to pay operating expenses for the Division and the Commission during the year. After setting aside a reserve for two months' operating expenses at the end of each fiscal year, the remaining fund balance in the Limited Gaming Fund is distributed to State and local governments according to the provisions in the Colorado Constitution and the Act.

The Colorado Limited Gaming Control Commission is a five-member regulatory body appointed by the Governor. By statute, the Commission is responsible for promulgating all the rules and regulations governing limited gaming in Colorado, including the establishment of the gaming tax rate. The Commission also has final authority over all gaming licenses issued in the state. By law, the Commission is made up of members from different professional, political and geographic backgrounds.

In April 2009, House Bill 09-1272 was approved to implement Amendment 50. In summation, this amendment allows Colorado casinos to offer $100 maximum bets, an increase from the previous $5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is referred to as Extended Gaming. The Extended Gaming Funds to be distributed are transferred to a separate fund every fiscal year end beginning with fiscal year 2010; therefore, a new Extended Gaming Fund was created separate from the Limited Gaming Fund for this purpose.

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and voter approval of Proposition DD. In summation, House Bill 19-1327 and Proposition DD authorized the collection of a 10% tax on the net proceeds of sports betting through licensed casinos. The revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs and after paying all ongoing expenses related to administering Section 44-30-1501, et seq., C.R.S., are directed to specific public purposes, including the Colorado Water Plan, which is a plan to address Colorado's future water needs and is managed by the Colorado Water Conservation Board. The Sports Betting Fund and Hold Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD. The Hold Harmless Fund receives a portion of the distribution of tax revenues from the Sports Betting Fund, is separate from the Division of Gaming, and was created to reimburse entities which might lose revenue from the implementation of sports betting to offset their losses.

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee and Colorado Limited Gaming Control Commission
Division of Gaming, Department of Revenue, State of Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado as of June 30, 2021 and 2020, and the respective changes in financial position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund and do not purport to, and do not, present fairly the financial position of the Department of Revenue, State of Colorado as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and pension schedules on pages 5-23 and 60-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 18, 2021

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") provides an overview of financial activities for the year ended June 30, 2021. Please read it in conjunction with the Division's financial statements, which begin on page 24.

Financial Highlights

- Gaming Tax revenues (described on page 11 in detail) were $120,480,425 for the fiscal year ended June 30, 2021, compared to revenues of $80,335,469 for the prior fiscal year ending June 30, 2020, which is an increase of $40,144,956 or 49.97%.

- The Limited Gaming Distribution was $89,379,616 in fiscal year 2021 compared to $50,917,748 in fiscal year 2020, relating to an increase in the total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, for the Limited Gaming Fund. The Extended Gaming Distribution was $17,647,531 in fiscal year 2021 compared to $15,310,639 in fiscal year 2020. Due to the timing of the distributions, the Limited Gaming Distribution was recorded as an other financing use occurring within fiscal year 2021 whereas the Extended Gaming Distribution relating to fiscal year 2021 activity remained in restricted fund balance as of June 30, 2021.

- Sports Betting Tax revenues were $8,146,362 for the fiscal year ended June 30, 2021, compared to revenues of $311,697 for the fiscal year ending June 30, 2020, which is an increase of $7,834,665 or 2,513.6%. The increase is a result of Sports Betting beginning on May 1, 2020 in very limited fashion compared to fiscal year 2021 which was the first full year of sports betting operations for the Division.

- An increase of Sports Betting total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, increased the Sports Betting Fund Distribution to $8,708,695 compared to prior fiscal year's total Sports Betting Fund Distribution of $0. Sports Betting revenues collected by the Division during fiscal year 2020 were not sufficient to make the transfers described in Section 44-30-1509, C.R.S. Due to the timing of the distribution, the Sports Betting Fund Distribution relating to fiscal year 2021 activity remained in restricted fund balance as of June 30, 2021.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2021 and 2020. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund, the Limited Gaming Fund, and the Sports Betting Fund. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming and Sports Betting Distributions, the beginning fund balances at July 1, 2020 and July 1, 2019, respectively, and the ending fund balances as of June 30, 2021 and 2020, respectively. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

Using this Report (Continued)

In April 2009, House Bill 09-1272 was approved to implement Amendment 50. In summation, this amendment allows Colorado casinos to offer $100 maximum bets, an increase from the previous $5 limit; offer the games of craps and roulette; and remain open for 24 hours. This is referred to as Extended Gaming. The Extended Gaming Funds to be distributed are transferred to a separate fund every fiscal year end beginning with fiscal year 2010; therefore, a new Extended Gaming Fund was created separate from the Limited Gaming Fund for this purpose.

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and approval of Proposition DD. In summation, House Bill 19-1327 and Proposition DD authorized the collection of a 10% tax on the net proceeds of sports betting through licensed casinos. The revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs and after paying all ongoing expenses related to administering Section 44-30-1501, et seq., C.R.S., are directed to specific public purposes. The Sports Betting Fund and Hold-Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD.

On November 3, 2020, Colorado voters approved Amendment 77, which amended the state constitution and statutes to allow voters in Black Hawk, Central City, and Cripple Creek to approve other games in addition to those already permitted and increase the maximum single bet to any amount. All three cities voted to remove the $100 maximum single bet with unlimited maximum single bets. The statute allows the community colleges to use the additional tax revenues to improve student retention and increase credential completion.

Assets, Liabilities, and Fund Balance

The following compares fiscal year 2021 and fiscal year 2020 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2021	2020	Dollars	Percent
Cash and Equity in Treasurer's Pool	$ 101,726,699	$ 68,757,453	$ 32,969,246	47.95%
Gaming Taxes and Other Receivables	18,678,148	5,369,437	13,308,711	247.86%
Prepaid Expenditures	30,863	15,194	15,669	103.13%
Total Assets	120,435,710	74,142,084	46,293,626	62.44%
Accounts Payable, Wages, and Accrued Payroll Payable	942,862	796,444	146,418	18.38%
Due to Other State Agencies, Other Governments, and the State General Fund	89,379,616	50,917,748	38,461,868	75.54%
Other Liabilities	1,008,198	862,081	146,117	16.95%
Total Liabilities	91,330,676	52,576,273	38,754,403	73.71%
Fund Balance	29,105,034	21,565,811	7,539,223	34.96%
Total Liabilities and Fund Balance	$ 120,435,710	$ 74,142,084	$ 46,293,626	62.44%

The year-end total fund balance reflects the overall financial position of the Division, which is $29,105,034 at June 30, 2021 compared to $21,565,811 at June 30, 2020. Total assets of $120,435,710 at June 30, 2021 increased $46,293,626, or 62.4%, as compared to the prior year balance of $74,142,084. The increase in total assets is due primarily to increases in Cash and Taxes Receivable in fiscal year 2021 compared to fiscal year 2020 as a result of casino closures from March 7, 2020 through June 15, 2020 due to the COVID-19 pandemic.

The Division's total liabilities were $91,330,676 at June 30, 2021 and $52,576,273 at June 30, 2020. The $38,754,403 increase is due primarily to the increase in the fiscal year 2021 Limited Gaming Distribution. See Note 7 for additional information on the Gaming distributions.

The following compares fiscal year 2020 and fiscal year 2019 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2020	2019	Dollars	Percent
Cash and Equity in Treasurer's Pool	$ 68,757,453	$ 102,643,883	$ (33,886,430)	(33.01)%
Gaming Taxes and Other Receivables	5,369,437	13,505,779	(8,136,342)	(60.24)%
Prepaid Expenditures	15,194	21,742	(6,548)	(30.12)%
Total Assets	74,142,084	116,171,404	(42,029,320)	(36.18)%
Accounts Payable, Wages, and Accrued Payroll Payable	796,444	753,732	42,712	5.67%
Due to Other State Agencies, Other Governments, and the State General Fund	50,917,748	93,850,620	(42,932,872)	(45.75)%
Other Liabilities	862,081	527,517	334,564	63.42%
Total Liabilities	52,576,273	95,131,869	(42,555,596)	(44.73)%
Fund Balance	21,565,811	21,039,535	526,276	2.50%
Total Liabilities and Fund Balance	$ 74,142,084	$ 116,171,404	$ (42,029,320)	(36.18)%

The year-end total fund balance reflects the overall financial position of the Division, which was $21,565,811 at June 30, 2020 compared to $21,039,535 at June 30, 2019. Total assets of $74,142,084 at June 30, 2020 decreased $42,029,320 or 36.2%, as compared to the prior year balance of $116,171,404. The decrease in total assets was due primarily to decreases in Cash and Gaming Taxes Receivable.

The Division's total liabilities were $52,576,273 at June 30, 2020 and $95,131,869 at June 30, 2019. The $42,555,596 decrease was due primarily to the decrease in the fiscal year 2020 Limited Gaming Distribution.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2021 and fiscal year 2020 revenues, expenditures, and changes in fund balance. The transfer in from the general fund in fiscal year 2020 relates to startup costs outlined in HB19-1327.

	Fiscal Years		Increase/(Decrease)	
	2021	2020	Dollars	Percent
REVENUES				
Gaming Taxes	$ 120,480,425	$ 80,335,469	$ 40,144,956	49.97%
Sports Betting Taxes	8,146,362	311,697	7,834,665	2513.55%
License and Application Fees	827,558	715,188	112,370	15.71%
Other Revenue	1,458,808	3,528,271	(2,069,463)	(58.65)%
Total Revenues	130,913,153	84,890,625	46,022,528	54.21%
EXPENDITURES				
Operating Expenditures	10,535,754	10,659,048	(123,294)	(1.16)%
Background Investigations	9,340	38,683	(29,343)	(75.86)%
State Agency Services	6,591,184	6,372,830	218,354	3.43%
Total Expenditures	17,136,278	17,070,561	65,717	0.38%
Excess of Revenues Over Expenditures	113,776,875	67,820,064	45,956,811	67.76%
Fund Balance - Beginning of Year	21,565,811	21,039,535	526,276	2.50%
Add: Transfer in from the State General Fund	-	1,552,397	(1,552,397)	(100.00)%
Add: Insurance Recoveries	5,000	3,350	1,650	49.25%
Less: Transfer out to the State General Fund	(1,552,397)	-	(1,552,397)	(100.00)%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	(104,690,255)	(68,849,535)	(35,840,720)	52.06%
FUND BALANCE - END OF YEAR	$ 29,105,034	$ 21,565,811	$ 7,539,223	34.96%

Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)

The following compares total fiscal year 2020 and fiscal year 2019 revenues, expenditures, and changes in combined funds balance.

	Fiscal Years		Increase/(Decrease)	
	2020	2019	Dollars	Percent
REVENUES				
Gaming Taxes	$ 80,335,469	$ 125,000,293	$ (44,664,824)	(35.73)%
Sports Betting Taxes	311,697	-	311,697	100.00%
License and Application Fees	715,188	659,323	55,865	8.47%
Other Revenue	3,528,271	3,796,212	(267,941)	(7.06)%
Total Revenues	84,890,625	129,455,828	(44,565,203)	(34.43)%
EXPENDITURES				
Operating Expenditures	10,659,048	10,012,286	646,762	6.46%
Background Investigations	38,683	76,800	(38,117)	(49.63)%
State Agency Services	6,372,830	6,085,727	287,103	4.72%
Total Expenditures	17,070,561	16,174,813	895,748	5.54%
Excess of Revenues Over Expenditures	67,820,064	113,281,015	(45,460,951)	(40.13)%
Fund Balance - Beginning of Year	21,039,535	18,205,438	2,834,097	15.57%
Add: Transfer in from the State General Fund	1,552,397	139,182	1,413,215	1015.37%
Add: Insurance Recoveries	3,350	2,800	550	19.64%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	(68,849,535)	(110,588,900)	41,739,365	(37.74)%
FUND BALANCE - END OF YEAR	$ 21,565,811	$ 21,039,535	$ 526,276	2.50%

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2021 was $113,776,875. This represents an increase of $45,956,811 compared to fiscal year 2020 excess of revenues over expenditures of $67,820,064.

The fiscal year 2021 net decrease in fair value of investments of $1,456,213 and net increase $1,596,433 in fiscal year 2020 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2021 and 2020, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos followed by sports betting taxes. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). Sports betting taxes are imposed at the rate of 10% of net sports betting proceeds (NSBP). The adjusted gross proceeds of casinos increased 32.4% in fiscal year 2021, as compared to fiscal year 2020. Sports Betting taxes collected increased 2,513.5% as compared to fiscal year 2020. The combined Gaming and Sports Betting tax revenues earned by the Division for the fiscal years ending June 30, 2021 and 2020 were $128,626,787 and $80,647,166, respectively. This represents an increase of $47,979,621 and was due primarily to the COVID-19 related closures ending and the first full year of sports betting. For fiscal year 2021, the tax rates remained the same as in fiscal year 2020 and 2019. The Sports Betting tax rate remained at 10% of NSBP.

The Colorado Limited Gaming Control Commission assesses Gaming taxes based on AGP. The tax rates for fiscal years 2021, 2020, and 2019 are below.

	Tax Rate for Fiscal Year		
	2021	2020	2019
AGP Range			
Charitable Events	3.00%	3.00%	3.00%
$0 - $2 Million	0.25%	0.25%	0.25%
$2 - $5 Milllion	2.00%	2.00%	2.00%
$5 - $8 Million	9.00%	9.00%	9.00%
$8 - $10 Million	11.00%	11.00%	11.00%
$10 - $13 Million	16.00%	16.00%	16.00%
$13+ Million	20.00%	20.00%	20.00%

Revenues (Continued)

Significant changes in revenue categories to fiscal year 2021 from fiscal year 2020 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	40,144,956	50.0%	The increase in fiscal year 2021 is due to COVID-19 state-wide restrictions lifting allowing the counties to implement their own safety plans; casinos were closed from March through May 2020 and fully opened back up starting in June 2020 with social distancing requirements. Table games closed in November 2020 through February 2021 but opened back up through the end of the year.
Sports Betting Taxes	7,834,665	2513.6%	The increase in fiscal year 2021 is due to a full year of sports betting operations compared to 2020 with three months.
Background Investigations	(108,633)	(31.6)%	Background investigations vary from year to year and are dependent upon background checks being performed.
Fines	(12,036)	(85.1)%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	(580,040)	(49.7)%	The decrease in fiscal year 2021 is due to the decrease in the average annualized rate of 1.23% on State Treasury investments as compared to the average annualized rate of 2.01% for fiscal year 2020.
Changes in Fair Value of Investments	(3,052,646)	(265.4)%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2021 versus the net change in the fair value of the Division's investments during fiscal year 2020, which is based on the market values of the State Treasury Investments.

Revenues (Continued)

Significant changes in revenue categories to fiscal year 2020 from fiscal year 2019 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	(44,624,824)	(35.7)%	The decrease in fiscal year 2020 is due to multiple factors; six casinos went through ownership changes mid-year, re-applied for new licenses, which then started taxation over in lower tax brackets. Casinos shut down March 17, 2020 and re-opened June 15-17, 2020 with restrictions, due to the global pandemic known as COVID-19.
Fines	(165,332)	(92.1)%	Fines revenues vary from year to year and are dependent upon audit and investigative findings. The decrease is due to uncommonly high fines in fiscal year 2019.
Other Revenue	(302,132)	(99.6)%	The decrease in fiscal year 2020 is due primarily to the end of the one-year contract agreement with the Colorado Gaming Association for reimbursement costs related to implementing the Rule 14 allowing casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate along with a decrease in technology costs allocated to the Division by the Department of Revenue compared to fiscal year 2019
Changes in Fair Value of Investments	(114,485)	(6.7)%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2020 versus the net change in the fair value of the Division's investments during fiscal year 2019, which is based on the market values of the State Treasury Investments.

Expenditures

Total expenditures for the Division in fiscal year 2021 were $17,136,278. This is an increase of $65,717, or 0.38%, as compared to fiscal year 2020 expenditures of $17,070,561. The information below shows the changes in expenditures from fiscal year 2021 to fiscal year 2020 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	25,695	136.9%	In fiscal year 2021, eight employees left the Division with accumulated leave balances higher than the amount paid out in the previous fiscal year.
Professional Services	(37,387)	(21.7)%	In fiscal year 2021, the decrease was due to services provided by Fast Enterprises, LLC, during 2020, for sports betting modifications to GenTax for implementation of the new fund during fiscal year 2020.
Travel	(39,835)	(102.4)%	In fiscal year 2021, the decrease was due to the COVID-19 outbreak with an order from the Governor's office in mid-March 2020 to May 2021, restricting all non-essential travel.
Printing	(14,972)	(78.4)%	In fiscal year 2021, the decrease was due primarily to only a few essential employees in the office because of COVID-19 restrictions; Integrated Document Solutions (IDS) changed their current copiers billing model to a lease plus business model in February 2021.
Computer Services and Name Searches	35,245	57.5%	In fiscal year 2021, the increase was due to $7,372 higher fingerprint costs, 402 more individual applications were processed, and Experian vendor cost increases.
Other Operating Expenditures	44,589	57.8%	In fiscal year 2021, the increase is due primarily to the additional costs charged to the Division for CORE Operations, the State's accounting system.
Leased Space	(267,405)	(79.9)%	In fiscal year 2021, the decrease was due to the end of and cancellation of extensions to the Golden, Colfax lease as well as a delay to new office space re-configured for the Specialized Business Group (SBG) at the Lakewood, Cole Center at Denver West.
Background Expenditures	(29,343)	(96.5)%	In fiscal year 2021, the decrease was due to the statewide order restricting non-essential travel. Background investigation travel expenditures are reimbursed to the Division by the entity requiring the background investigation. COVID restricted traveling caused the expenditures to decrease,

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2020 were $17,070,561. This is an increase of $895,748 or 5.5%, as compared to fiscal year 2019 expenditures of $16,174,813. The information below shows the changes in expenditures for the Limited Gaming fund only, from fiscal year 2020 to fiscal year 2019 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	(14,181)	(43.0)%	In fiscal year 2020, five employees left the Division with accumulated leave balances lower than the amount paid out in the previous fiscal year.
Professional Services	(115,975)	(29.2)%	In fiscal year 2020, the decrease was due primarily to the end of the contract agreement associated with the costs to program Gen-Tax, the tax system, for Rule 14 allowing casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate (costs were reimbursed by the Colorado Gaming Association) and executive coaching services for top Management in fiscal year 2019
Travel	(11,125)	(18.1)%	In fiscal year 2020, the decrease was due to the COVID-19 pandemic with an order from the Governor's office in mid-March to cease all non-essential travel.
Police Supplies	(20,065)	(50.1)%	In fiscal year 2020, the decrease was due primarily to the lower costs associated with uniforms, safety apparel, and equipment.
Capital Outlay	6,775	100.0%	In fiscal year 2020, the increase was due to the purchase of a fingerprint system for the Central City office.
Background Expenditures	(38,117)	(49.6)%	In fiscal year 2020, the decrease was due primarily to no out of country travel and the statewide no travel order put in place March 2020 caused by COVID-19. Background investigation expenditures are reimbursed to the Division by the entity requiring the background investigation.

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

In fiscal years 2020 and 2021, staffing changes for the Division were as follows:

FY 2020	FTE	FY 2021	FTE
Gaming	85.0	Gaming	78.5
Sports Betting	3.0	Sports Betting	11.8

Computer Systems / Projects

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and approval of Proposition DD. In summation House Bill 19-1327 and Proposition DD authorized the collection of a 10% tax on the net proceeds of sports betting through licensed casinos. The Sports Betting Fund and Hold-Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD.

Fiscal Year 2021 was the first full year of operation of the Sports Betting Fund. Additionally, Amendment 77 went into effect May 1, 2021, which removed bet limits and allowed for additional games.

The Specialized Business Group (SBG) entered into a "Digital Transformation" project with System Automation (SA) to configure certain licensing forms for a new online platform known as ML1. This new online platform will expand licensing options casinos have to submit applications online. Additionally, ML1 includes “My License Gadget” and “Digital License” for field investigators and auditors to use in the application process. The initial project had a very aggressive timeline, with the intention of going live July 1, 2021. The project was revised and will continue into fiscal year 2022, with the projected go-live dates for ML1 in September and November 2021.

The effects of the COVID-19 pandemic were still a concern throughout fiscal year 2021 in respect to casino re-openings as well as how the Department and the Division navigated customer service, health requirements, office space, and remote work.

Distribution

The voters of Colorado passed Amendment 50 on November 4, 2008. In summation, this amendment allowed 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. In November 2020, Amendment 77 was passed, allowing voters in Black Hawk, Central City, and Cripple Creek to approve new bet limits and add new casino games in their respective cities. Local voters approved removing maximum amounts for single bets and new casino games. Any additional taxes generated will be distributed in the manner required under current law.

The tax revenues attributable to the implementation of Amendment 50 are distributed as follows:

- 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;
- 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.

Distribution (Continued)

At the end of each fiscal year in accordance with Section 44-30-701(1)(d), C.R.S., the Division distributes the balance remaining in the Limited Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2021 was $107,027,147, which includes $17,647,531 for the Extended Gaming Fund distribution.

During August of each fiscal year, the Commission approves the Extended Gaming distribution for the previous fiscal year in accordance with Section 44-30-702, C.R.S. These amounts are distributed in the year approved by the Commission.

	June 30, 2021	June 30, 2020
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	$ 13,765,074	$ 11,942,298
12% to Gilpin and Teller Counties, in Proportion to the Tax Revenues Generated in the Respective Counties	2,117,704	1,837,277
10% to the Cities of Cripple Creek, Central, and Black Hawk, in Proportion to the Tax Revenues Generated in the Respective Cities	1,764,753	1,531,064
Total Distribution Attributable to Extended Gaming	$ 17,647,531	$ 15,310,639

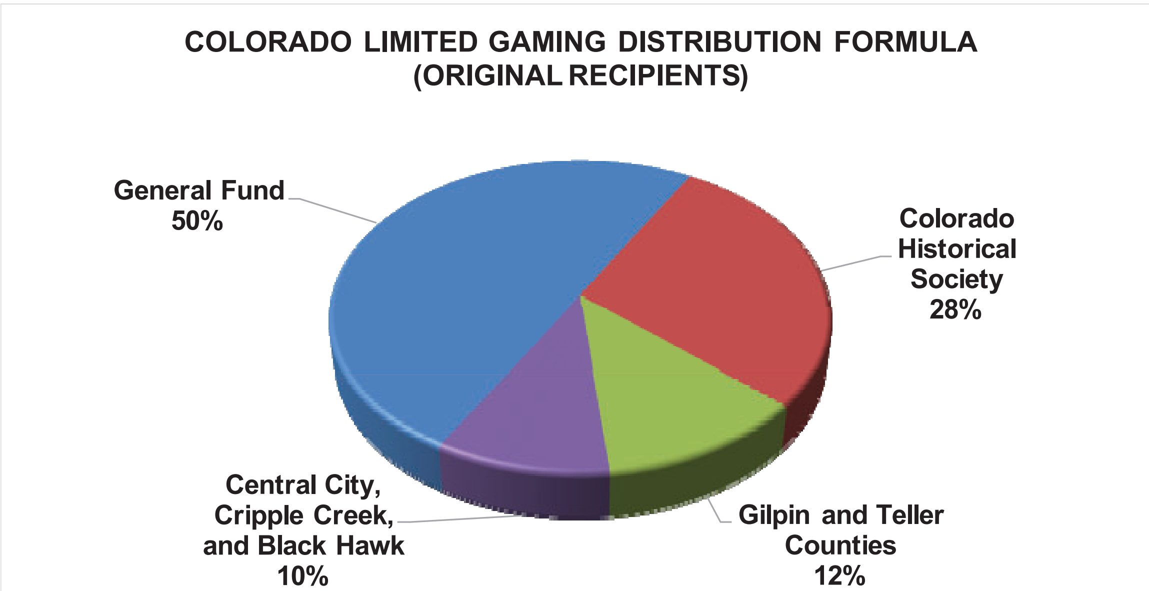
Limited Gaming Distribution

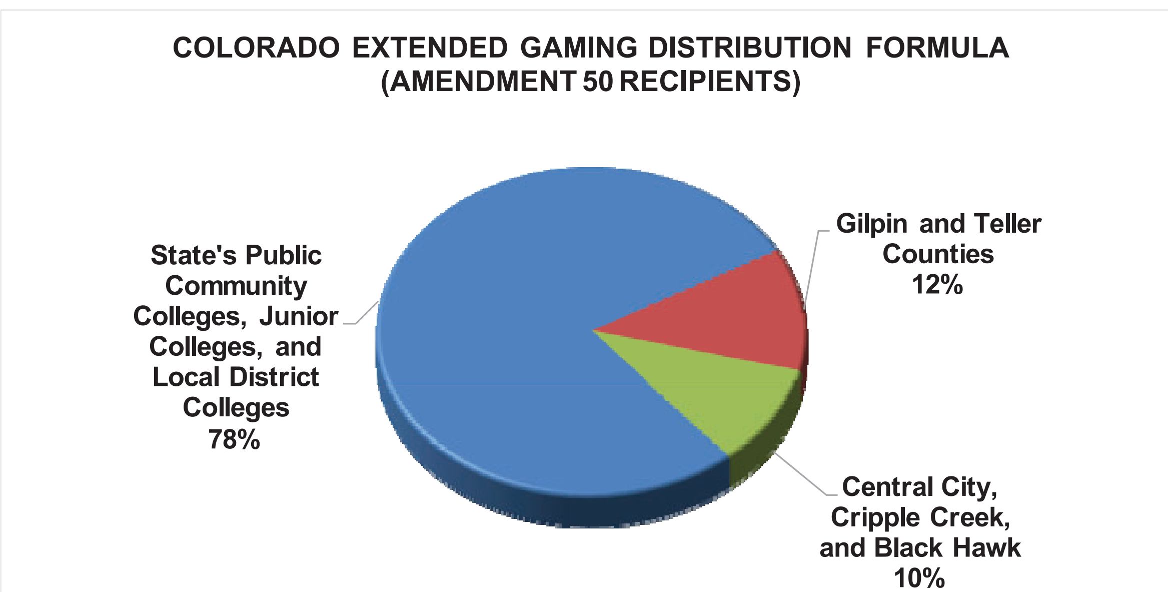
In accordance with Section 44-30-701, C.R.S., and amended by Senate Bills 13-133 and 18-191, the balance remaining in the Limited Gaming Fund is to be transferred by the State Treasurer to recipients of limited gaming revenues according to the formula specified in the statute. House Bill 20-1399 suspends for 2 years, until fiscal year 2023, the operation of statutory provisions allocating specific amounts of revenue derived from the tax. The transfer of limited gaming revenues is based on the following formula:

- 50% shall be transferred 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 these respective counties; and
- 10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

Distribution (Continued)

The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2021.





Distribution (Continued)

The table below compares the amounts distributed to the various recipients for fiscal years 2021 and 2020.

	For the Years Ended June 30, 2021	2020	Difference	Percent Difference
Colorado State Historical Fund	$ 25,026,293	$ 14,256,969	10,769,324	75.5%
Total Payments to Other State agencies	25,026,293	14,256,969	10,769,324	75.5%
City of Black Hawk	6,497,004	3,716,996	2,780,008	74.8%
City of Central	841,062	485,246	355,816	73.3%
City of Cripple Creek	1,599,895	889,533	710,362	79.9%
Gilpin County	8,805,680	5,042,690	3,762,990	74.6%
Teller County	1,919,874	1,067,440	852,434	79.9%
Total Payment Due to Other Governments	19,663,515	11,201,905	8,461,610	75.5%
Due to the State General Fund	44,689,808	25,458,874	19,230,934	75.5%
Due to the Limited Gaming Recipients	89,379,616	50,917,748	38,461,868	75.5%
Due to the Extended Gaming Recipients	17,647,531	15,310,639	2,336,892	15.3%
Total Distribution	$ 107,027,147	$ 66,228,387	$ 40,798,760	61.6%

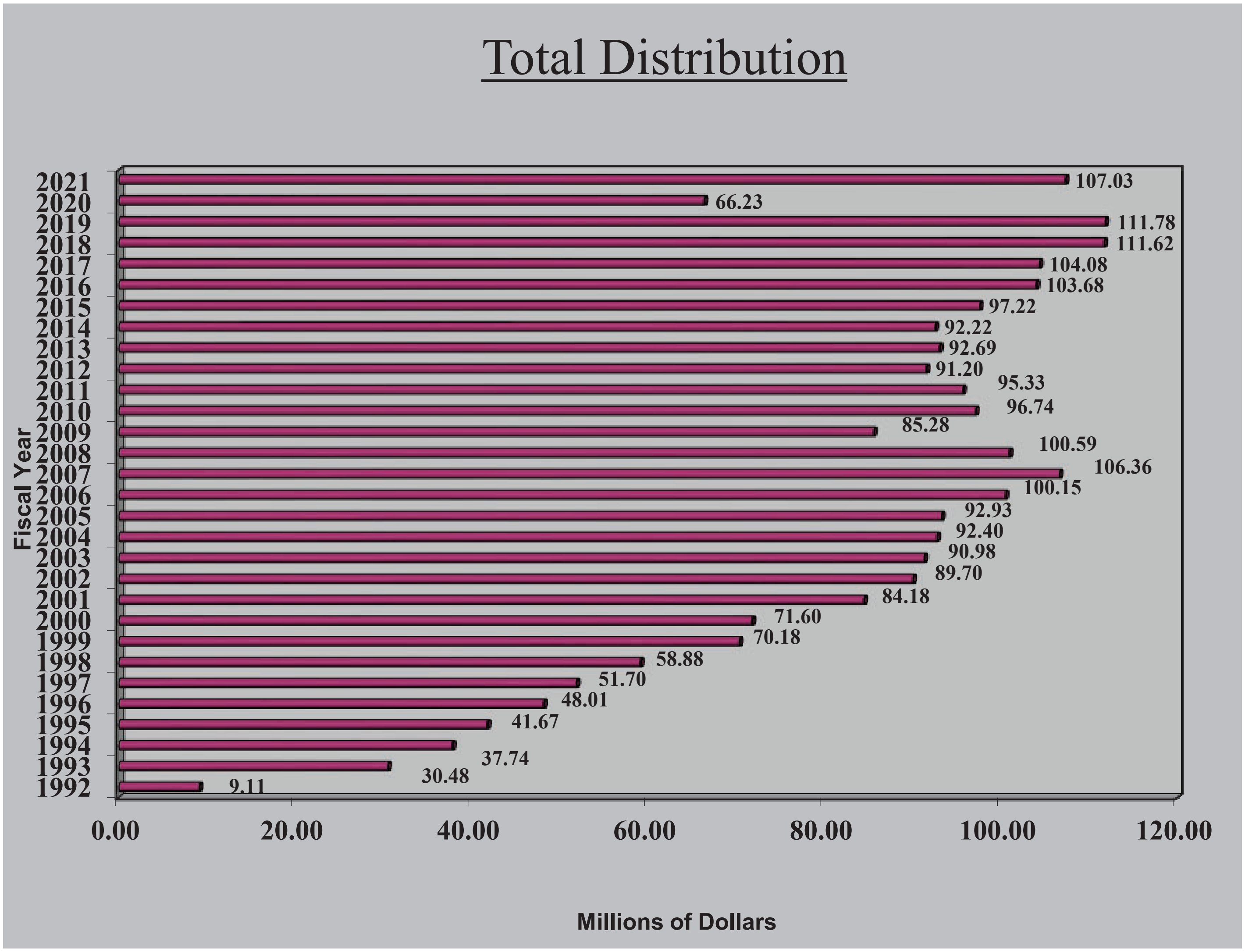
Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2020 was $66,228,387.

The table below compares the amounts distributed to the various recipients for fiscal years 2020 and 2019.

	For the Years Ended June 30, 2020	2019	Difference	Percent Difference
Colorado State Historical Fund	$ 14,256,969	$ 26,278,174	$ (12,021,205)	(45.7)%
Colorado Travel and Tourism Promotion Fund	-	15,000,000	(15,000,000)	(100.0)%
Local Government Limited Gaming Impact Fund	-	5,398,346	(5,398,346)	(100.0)%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	-	500,000	(500,000)	(100.0)%
Advanced Industries Acceleration Cash Fund	-	5,500,000	(5,500,000)	(100.0)%
Creative Industries Cash Fund	-	2,000,000	(2,000,000)	(100.0)%
Innovative Higher Education Research Fund	-	2,100,000	(2,100,000)	(100.0)%
Total Payments to Other State agencies	14,256,969	56,776,520	(42,519,551)	(74.9)%
City of Black Hawk	3,716,996	6,916,791	(3,199,795)	(46.3)%
City of Central	485,246	891,581	(406,335)	(45.6)%
City of Cripple Creek	889,533	1,576,690	(687,157)	(43.6)%
Gilpin County	5,042,690	9,370,046	(4,327,356)	(46.2)%
Teller County	1,067,440	1,892,028	(824,588)	(43.6)%
Total Payment Due to Other Governments	11,201,905	20,647,136	(9,445,231)	(45.7)%
Due to the State General Fund	25,458,874	16,426,964	9,031,910	55.0%
Due to the Limited Gaming Recipients	50,917,748	93,850,620	(42,932,872)	(45.7)%
Due to the Extended Gaming Recipients	15,310,639	17,931,787	(2,621,148)	(14.6)%
Total Distribution	$ 66,228,387	$ 111,782,407	$ (45,554,020)	(40.8)%

Distribution (Continued)



Sports Betting Distribution

Pursuant to Section 44-30-1509, C.R.S., the revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs and after paying all ongoing expenses related to administering Section 44-30-1501, et seq., C.R.S., are directed to specific public purposes: the Colorado Water Plan, the Wagering Revenue Recipients Hold-Harmless Fund, and gambling addiction services.

At the end of fiscal year 2021 the available balance to be distributed from the Sports Betting Fund was $8,614,230. The available balance in the Sports Betting Fund is net of the general fund repayment for startup costs, which was transferred to the general fund in March 2021. The Division will distribute the available Sports Betting Fund balance in fiscal year 2022 after commission approval as follows:

- First, transfer an amount to the general fund to repay any appropriation made from the general fund for the commission's and division's startup cost, including initial licensing and rule-making related to sports betting.
- Second, pay all ongoing expenses related to administering Section 44-30-1509, C.R.S. When making distributions from the Sports Betting Fund, the state treasurer may withhold an amount reasonably anticipated to be sufficient to pay the expenses until the next annual distribution.
- Third, transfer an amount equal to 6% of the full fiscal year sports betting tax revenues to the Wagering Revenue Recipients Hold-harmless Fund.
- Fourth, transfer $130,000 dollars annually to the Office of Behavioral Health in the Department of Human Services.
- Fifth, transfer all remaining unexpended and unencumbered money in the fund to the Water Plan Implementation Cash Fund.

Budget

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming and the Sports Betting Funds. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2021:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Leased Space	$ 408,347	$ (74,847)	$ 333,500
Vehicle Lease Payments - Fixed	72,642	7,000	79,642
Utilities	23,425	4,000	27,425
Information Technology	93,823	(17,548)	76,275
Indirect Costs - Department of Revenue	899,596	208,154	1,107,750

The budgeted expenditures approved at the beginning of the year were $17,700,236 less the PERA Direct Distribution of $119,590, which resulted in a net increase of $126,759. The final approved budget for fiscal year 2021 was $17,707,405. Total actual expenditures were $15,240,897 resulting in excess appropriations, or a savings of $2,466,508 for fiscal year 2021.

Sports Betting

The approved budgeted expenditures were $2,971,928. There were no amendments to the budget. Total actual expenditures were $1,895,381 resulting in excess appropriations, or a savings of $1,076,547 for fiscal year 2021.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2022 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSPB"). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2022. The Division's budget request includes a portion specific to the Division and separate budget requests approved by the Colorado Limited Gaming Control Commission (CLGCC) from the Colorado Bureau of Investigation, Colorado State Patrol, and Division of Fire Prevention and Control (Other Agencies). These Other Agencies' funds are used for gaming related purposes, such as patrolling roads leading to the casinos. The Division has Interagency Agreements with the Other Agencies and Performance Measures began for these Interagency Agreements in fiscal year 2020. The fiscal year 2022 budget request totaled $20,320,952, which included $15,180,984 for the Division and $5,139,968 for the Other State Agencies. This represented a total increase of 29.26%.

The Gaming Commission approved the Colorado Gaming Association (CGA) proposed change to Rule 14 "Gaming Tax" during the May 2018 Commission meeting. The changes to Rule 14 will allow casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate. Tax revenues did not increase at or above the specific growth rate in fiscal year 2021; therefore, no refunds were issued for fiscal year 2021.

Assumptions that were made when preparing the revenue projection for fiscal year 2022 included the continuation of current tax structure, tax rates, and continuation of license and application fees. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2022.

The Division's fiscal year 2022 budgeted revenue estimates total $123.0 million, a $9,310,571 decrease over fiscal year 2021 actual revenue. The change in fair market value of investments is not included in this calculation.

During the 29 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. The gaming industry was severely impacted by the COVID closures and shutdowns in 2020-21, and there was uncertainty to how long it would take to recover. The successful economic recovery has exceeded expectations. The recovery in Colorado has been a direct result of regulators and the industry working closely together as a critical partnership between government and business. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

Contacting the Division of Gaming's Financial Management

This financial report is designed to provide Colorado citizens, Colorado government officials, the casino industry, and other interested parties with a general overview of the Division's finances. It is also designed to show the Division's accountability of the funds it receives from the gaming industry. If you have questions about this report or need additional financial information, please visit the Division's website: https://sbg.colorado.gov/gaming/limited-gaming.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
JUNE 30, 2021 AND 2020

	FY 2021			
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
ASSETS:				
Cash and Equity in				
Treasurer's Pool	$ 17,755,516	$ 75,826,994	$ 8,144,189	$ 101,726,699
Accounts Receivable				
Gaming Taxes	-	17,487,238	-	17,487,238
Sports Betting Taxes	-	-	1,186,169	1,186,169
Other State Agencies	-	114	-	114
Fines Receivable	-	672	-	672
Miscellaneous	-	3,225	730	3,955
Prepaid Expenditures	-	24,681	6,182	30,863
Total Assets	$ 17,755,516	$ 93,342,924	$ 9,337,270	$ 120,435,710
LIABILITIES AND FUND BALANCE:				
LIABILITIES				
Accounts Payable	$ -	$ 119,752	$ 10,038	$ 129,790
Accrued Payroll Payable	-	682,246	97,158	779,404
Wages & Salaries Payable	-	33,668	-	33,668
Due to Other State Agencies	-	25,026,293	-	25,026,293
Due to Other Governments	-	19,663,515	-	19,663,515
Due to the State's General Fund	-	44,689,808	-	44,689,808
Background and Other Deposits	-	136,374	555,902	692,276
Unearned Revenue	-	262,161	53,761	315,922
Total Liabilities	-	90,613,817	716,859	91,330,676
FUND BALANCE:				
Nonspendable:				
Prepaids	-	24,681	6,182	30,863
Restricted for:				
Required Reserve	107,985	2,704,426	49,613	2,862,024
Sports Betting Recipients			8,564,616	8,564,616
Extended Gaming Recipients	17,647,531	-		17,647,531
Total Fund Balance	17,755,516	2,729,107	8,620,411	29,105,034
Total Liabilities and Fund Balance	$ 17,755,516	$ 93,342,924	$ 9,337,270	$ 120,435,710

See accompanying Notes to Financial Statements.

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
JUNE 30, 2021 AND 2020

	FY 2020			
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
ASSETS:				
Cash and Equity in Treasurer's Pool	$ 15,786,860	$ 51,183,563	$ 1,787,030	$ 68,757,453
Accounts Receivable				
Gaming Taxes	-	5,149,894	-	5,149,894
Sports Betting Taxes	-	-	215,153	215,153
Other State Agencies	-	-	-	-
Fines Receivable	-	567	350	917
Miscellaneous	-	3,077	396	3,473
Prepaid Expenditures	-	15,194	-	15,194
Total Assets	$ 15,786,860	$ 56,352,295	$ 2,002,929	$ 74,142,084
LIABILITIES AND FUND BALANCE:				
LIABILITIES				
Accounts Payable	$ -	$ 30,074	$ 14,739	$ 44,813
Accrued Payroll Payable	-	731,181	16,607	747,788
Wages & Salaries Payable	-	3,839	4	3,843
Due to Other State Agencies	-	14,256,969	-	14,256,969
Due to Other Governments	-	11,201,905	-	11,201,905
Due to the State's General Fund	-	25,458,874	-	25,458,874
Background and Other Deposits	-	127,290	414,752	542,042
Unearned Revenue	-	231,616	88,423	320,039
Total Liabilities	-	52,041,748	534,525	52,576,273
FUND BALANCE:				
Nonspendable:				
Prepaids	-	15,194	-	15,194
Restricted for:				
Required Reserve	476,221	4,295,353	-	4,771,574
Sports Betting Recipients	-	-	1,468,404	1,468,404
Extended Gaming Recipients	15,310,639	-	-	15,310,639
Total Fund Balance	15,786,860	4,310,547	1,468,404	21,565,811
Total Liabilities and Fund Balance	$ 15,786,860	$ 56,352,295	$ 2,002,929	$ 74,142,084

See accompanying Notes to Financial Statements.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2021 AND 2020

	FY 2021			
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
REVENUES:				
Gaming Taxes	$ -	$ 120,480,425	$ -	$ 120,480,425
Sports Betting Taxes	-	-	8,146,362	8,146,362
License and Application Fees	-	621,988	205,570	827,558
Sports Betting Operations Fees	-	-	2,075,300	2,075,300
Background Investigations	-	119,441	115,431	234,872
Fines	-	1,764	336	2,100
Interest Income	21,243	520,248	61,077	602,568
Net Increase/(Decrease) in the Fair Value of Investments	(368,236)	(1,083,686)	(4,291)	(1,456,213)
Other Revenue	-	181	-	181
Total Revenues	(346,993)	120,660,361	10,599,785	130,913,153
EXPENDITURES:				
Salaries and Benefits	-	7,923,961	1,319,587	9,243,548
Annual and Sick Leave Payouts	-	44,463	-	44,463
Professional Services	-	220,458	23,792	244,250
Travel	-	8,354	2,082	10,436
Automobiles	-	142,953	3,459	146,412
Printing	-	4,739	1,539	6,278
Police Supplies	-	18,561	-	18,561
Computer Services and Name Searches	-	81,335	21,110	102,445
Materials, Supplies, and Services	-	360,742	55,086	415,828
Postage	-	3,073	660	3,733
Telephone	-	82,982	3,637	86,619
Utilities	-	24,311	-	24,311
Other Operating Expenditures	-	101,677	20,053	121,730
Leased Space	-	67,140	-	67,140
Capital Outlay	-	-	-	-
State Agency Services	-	6,153,255	437,929	6,591,184
Background Expenditures	-	2,893	6,447	9,340
Total Expenditures	-	15,240,897	1,895,381	17,136,278
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(346,993)	105,419,464	8,704,404	113,776,875
OTHER FINANCING SOURCES (USES)				
Limited Gaming Distribution	-	(89,379,616)	-	(89,379,616)
Extended Gaming Distribution	(15,310,639)	-	-	(15,310,639)
Transferred to Extended Gaming Fund	-	(17,626,288)	-	(17,626,288)
Transfer from Limited Gaming Fund	17,626,288	-	-	17,626,288
Transfer in from the State General Fund	-	-	-	-
Transfer out to the State General Fund			(1,552,397)	(1,552,397)
Insurance Recoveries	-	5,000	-	5,000
Total Other Financing Sources (Uses)	2,315,649	(107,000,904)	(1,552,397)	(106,237,652)
NET CHANGE IN FUND BALANCE	1,968,656	(1,581,440)	7,152,007	7,539,223
Fund Balance - Beginning of Year	15,786,860	4,310,547	1,468,404	21,565,811
FUND BALANCE - END OF YEAR	$ 17,755,516	$ 2,729,107	$ 8,620,411	$ 29,105,034

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2021 AND 2020

	FY 2020			
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
REVENUES:				
Gaming Taxes	$ -	$ 80,335,469	$ -	$ 80,335,469
Sports Betting Taxes	-	-	311,697	311,697
License and Application Fees	-	598,129	117,059	715,188
Sports Betting Operations Fees	-	-	390,500	390,500
Background Investigations	-	226,273	117,232	343,505
Fines	-	14,136	-	14,136
Interest Income	40,891	1,126,012	15,705	1,182,608
Net Increase/(Decrease) in the Fair Value of Investments	392,253	1,150,276	53,904	1,596,433
Other Revenue	-	1,089	-	1,089
Total Revenues	433,144	83,451,384	1,006,097	84,890,625
EXPENDITURES:				
Salaries and Benefits	-	8,305,360	771,583	9,076,943
Annual and Sick Leave Payouts	-	18,768	-	18,768
Professional Services	-	172,235	109,402	281,637
Travel	-	38,905	11,366	50,271
Automobiles	-	128,512	-	128,512
Printing	-	19,107	2,143	21,250
Police Supplies	-	19,991	-	19,991
Computer Services and Name Searches	-	61,248	5,952	67,200
Materials, Supplies, and Services	-	426,293	26,358	452,651
Postage	-	5,115	637	5,752
Telephone	-	91,831	1,141	92,972
Utilities	-	24,640	-	24,640
Other Operating Expenditures	-	77,141	-	77,141
Leased Space	-	334,545	-	334,545
Capital Outlay	-	6,775	-	6,775
State Agency Services	-	6,219,604	153,226	6,372,830
Background Expenditures	-	30,401	8,282	38,683
Total Expenditures	-	15,980,471	1,090,090	17,070,561
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	433,144	67,470,913	(83,993)	67,820,064
OTHER FINANCING SOURCES (USES)				
Limited Gaming Distribution	-	(50,917,748)	-	(50,917,748)
Extended Gaming Distribution	(17,931,787)	-	-	(17,931,787)
Transferred to Extended Gaming Fund	-	(15,269,748)	-	(15,269,748)
Transfer from Limited Gaming Fund	15,269,748	-	-	15,269,748
Transfer in from the State General Fund	-	-	1,552,397	1,552,397
Transfer out to the State General Fund	-	-	-	-
Insurance Recoveries	-	3,350	-	3,350
Total Other Financing Sources (Uses)	(2,662,039)	(66,184,146)	1,552,397	(67,293,788)
NET CHANGE IN FUND BALANCE	(2,228,895)	1,286,767	1,468,404	526,276
Fund Balance - Beginning of Year	18,015,755	3,023,780	-	21,039,535
FUND BALANCE - END OF YEAR	$ 15,786,860	$ 4,310,547	$ 1,468,404	$ 21,565,811

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Division of Gaming (the "Division") is an agency of the State of Colorado and was created June 4, 1991, under the provision of Section 44-30-201, 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.

In April 2009, House Bill 09-1272 was approved due to the passage of Amendment 50. In summation, this amendment allowed Colorado casinos to offer $100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours, referred to as extended gaming. The extended gaming funds to be distributed are transferred to a separate fund every fiscal year-end beginning with fiscal year 2010; therefore, an Extended Gaming Fund was created for this purpose.

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and approval of Proposition DD. In summation, House Bill 19-1327 and Proposition DD authorized the collection of a 10% tax on the net proceeds of sports betting through licensed casinos. The revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs and after paying all ongoing expenses related to administering Section 44-30-1501, et seq., C.R.S., are directed to specific public purposes. The Sports Betting Fund and Hold-Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD.

Colorado voters approved Amendment 77 through the November 3, 2020 general election, which went into effect May 1, 2021. The amendment replaced the single bet limit of up to $100 with unlimited maximum single bets and delegated authority to the city councils of Central City, Black Hawk and Cripple Creek to authorize the approval of additional games, provided by the Colorado Limited Gaming Control Commission.

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

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

Fund Structure and Basis of Accounting

The financial activities of the Division are accounted for and reported on the basis of funds, which is considered to be a separate entity for accounting purposes. The operations of the Division are recorded in Special Revenue Funds, which consists of a discrete set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues, and expenditures of the entity. Throughout the year, encumbrances are recorded.

However, at fiscal year-end all encumbrances lapse and no reserve for encumbrances are reported. The accounts used for capital assets and long-term liabilities are not recorded in the Special Revenue Funds, but in a separate fund that is maintained on a statewide basis, and are not reflected in these statements. Information on capital assets and long-term liabilities are included in Note 4, Note 6, Note 10, and Note 12.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund

Special Revenue Fund

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Funds. The Division's resources are obtained from specific gaming and sports betting related activities such as license fees, application fees, operations fees, gaming taxes, and sports betting taxes. These sources are restricted for specific uses as outlined in Sections 44-30-701 and 44-30-1509, C.R.S.

The Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010 to clarify fund balances. The following is according to the Governmental Generally Accepted Accounting Principles Update, Volume 10, Issue 13. "Fund balance is one of the most commonly used pieces of governmental financial information and is considered key information for users of governmental financial statements that are trying to identify resources that are liquid and available to be used to provide services." Because the Division's required reserve and the funds to be distributed to extended gaming recipients are specified in enabling legislation, the Colorado Constitution, the Division has spending constraint classifications presented on the balance sheet. The restricted for required reserve fund balance line on the balance sheet includes the unrealized gain/loss amount.

Basis of Accounting

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

Budgets

The Statements of Budget to Actuals for the Sports Betting and Limited Gaming funds compare actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2021 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission. A budget is not legally adopted for the Extended Gaming Fund.

Each year, the Division submits to the Commission proposed budgets for the fiscal year commencing the following July 1. The budgets include 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 budgets may be modified due to roll-forward authorizations or other changes. The Commission must approve all long bill line item budget request changes. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (continued)

Total appropriations for the Gaming budget are as follows:

	Years Ended June 30, 2021	Years Ended June 30, 2020
Appropriations	$ 17,580,646	$ 17,630,913
Supplemental appropriations	126,759	353,130
Total appropriations	$ 17,707,405	$ 17,984,043

Total appropriations for the Sports Betting budget are as follows:

	Years Ended June 30, 2021	Years Ended June 30, 2020
Appropriations	$ 2,971,928	$ 1,739,015
Supplemental appropriations	-	-
Total appropriations	$ 2,971,928	$ 1,739,015

Accrued Payroll

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

NOTE 2 CASH AND EQUITY IN TREASURER'S POOL

The Division deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S.

The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2021 and 2020, the Division had cash on deposit with the State Treasurer of $101,726,699 and $68,757,453, respectively, which represented approximately 0.6% of the total $17,744.6 million and 0.7% of $9,633.8 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2021, the Pool's resources included $36.1 million of cash on hand and $17,708.5 million of investments.

On the basis of the Division's participation in the Pool, the Division reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. During the years ended June 30, 2021 and 2020, the Division's share of unrealized gain (loss) was $(1,456,213) and $1,596,433, respectively.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Annual Comprehensive Financial Report for the year ended June 30, 2021.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2021, and 2020, the Limited Gaming Fund had accounts receivable balances of $17,491,249 and $5,153,538, respectively. On June 30, 2021 and 2020, the Limited Gaming Fund had $17,487,238 and $5,149,894 of gaming taxes receivable, respectively, from 33 Colorado casinos each year. These receivables primarily represent June 2021 and 2020 gaming taxes, which were due on July 15, 2021 and 2020, and were subsequently collected by the Department of Revenue in July 2021 and 2020 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

As of June 30, 2021, and 2020, the Sports Betting Fund had accounts receivable balances of $1,186,899 and of $215,899 from 18 and 7 operators, respectively. These receivables primarily represent June 2021 sports betting taxes, which were due on July 15, 2021 and 2020 and were subsequently collected by the Department of Revenue in July 2021 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Division's capital assets are reported only in the statewide financial statements. In addition, these capital assets are depreciated over their estimated useful lives, but depreciation expense is also reported only in the statewide financial statements.

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair values on the date donated. The capitalization criteria for capital 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. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the buildings, and five to ten years for leasehold improvements, furniture, equipment, and software.

NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION (CONTINUED)

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			
	Land	Construction in Progress	Subtotal	Equipment and Software	Building	Subtotal	Total
Cost							
Balances, June 30, 2019	$ 536,138	$ -	$ 536,138	$ 513,368	$ 1,134,912	$ 1,648,280	$ 2,184,418
Additions	-	-	-	10,827	-	10,827	10,827
Disposals	-	-	-	(12,330)	-	(12,330)	(12,330)
Balances, June 30, 2020	536,138	-	536,138	511,865	1,134,912	1,646,777	2,182,915
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(4,720)	-	(4,720)	(4,720)
Balances, June 30, 2021	536,138	-	536,138	507,145	1,134,912	1,642,057	2,178,195
Accumulated Depreciation							
Balances, June 30, 2019	-	-	-	(360,384)	(364,827)	(725,211)	(725,211)
Additions	-	-	-	(79,521)	(31,601)	(111,122)	(111,122)
Disposals	-	-	-	12,330	-	12,330	12,330
Balances, June 30, 2020	-	-	-	(427,575)	(396,428)	(824,003)	(824,003)
Additions	-	-	-	(48,205)	(31,513)	(79,718)	(79,718)
Disposals	-	-	-	4,600	-	4,600	4,600
Balances, June 30, 2021	-	-	-	(471,180)	(427,941)	(899,121)	(899,121)
Total capital assets, net	$ 536,138	$ -	$ 536,138	$ 35,965	$ 706,971	$ 742,936	$ 1,279,074

NOTE 5 OTHER LIABILITIES

Included in liabilities are deposits and unearned revenue. Applicants applying for gaming and sports betting 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. Limited Gaming Fund deposits of $131,399 and $122,315 at June 30, 2021 and 2020, respectively, represent background investigation deposits. Also included are $4,975 for June 30, 2021 and June 30, 2020, which represent funds seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication. Sports Betting Fund deposits of $555,902 and $414,752 at June 30, 2021 and 2020, respectively, represent background investigation deposits.

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis. The fees for the second year of the license period are recorded as unearned revenue until the Division incurs the expense during the review period. As of June 30, 2021 and 2020, unearned license fees for Limited Gaming Fund were $262,161 and $231,616, respectively. As of June 30, 2021 and 2020 unearned licensee fees for Sports Betting Fund were $53,761 and $88,423, respectively.

NOTE 6 ACCRUED COMPENSATED ABSENCES

Pursuant to the provisions of GASB No. 34, accrued compensated absences are only reported in the statewide financial statements.

In 2021, the Division hired seven employees with the implementation of sports betting. These individuals transferred from other areas of the Department; therefore, their leave balances transferred with them. This contributed to the year over year increase in total accrued compensated absences. All permanent employees of the Division accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations. Annual leave and sick leave benefits consist of the following as of June 30, 2021:

	Annual Leave	Sick Leave	Total
Balances, June 30, 2019	$ 546,412	$ 72,254	$ 618,666
Increase	404,002	61,759	465,761
Decrease	(224,881)	(51,707)	(276,588)
Balances, June 30, 2020	725,533	82,306	807,839
Increase	404,750	60,105	464,855
Decrease	(374,075)	(42,730)	(416,805)
Balances, June 30, 2021	$ 756,208	$ 99,681	$ 855,889

NOTE 7 GAMING DISTRIBUTIONS

Limited Gaming Distribution

The COVID-19 pandemic caused the casinos to be closed from March 17th to mid-June in 2020. Gaming tax revenue had decreased almost 36% in fiscal year 2020 compared to fiscal year 2019. For fiscal year 2021, gaming tax revenue increased 50% compared to fiscal year 2020. HB 20-1399 was signed by the Governor on June 30, 2020. This modified the general fund transfer for fiscal years 2020 and 2021, as noted below. Instead, all of the 50% of the distribution will be transferred to the General Fund.

Under Section 44-30-701, C.R.S., as amended by HB 20-1399 for fiscal years 2020 and 2021, the balance remaining in the Limited Gaming Fund, at the end of the fiscal year, shall be transferred by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

- 50% transferred 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 these respective counties; and
- 10% to the cities of Cripple Creek, Central, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

Based on Section 44-30-702, C.R.S., this formula will be applied for the distribution until the fiscal year immediately following the fiscal year in which total limited gaming tax revenue collections have equaled or exceeded the amount of total limited gaming tax revenues collected in state fiscal year ended June 30, 2019.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2021 and 2020, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,267,873 and $2,765,627, respectively.

On August 25th, 2021, the Commission approved the limited gaming distribution of $89,379,616 for the fiscal year ended June 30, 2021 in accordance with Section 44-30-701, C.R.S. and House Bill 20-1399. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2021	2020
Distribution to other State agencies		
Colorado State Historical Fund	$ 25,026,293	$ 14,256,969
Total distributions to other State agencies	25,026,293	14,256,969
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk	8,937,961	5,091,775
Gilpin and Teller Counties	10,725,554	6,110,130
Total distributions to other governments	19,663,515	11,201,905
Distribution to the State General Fund	44,689,808	25,458,874
Total distributions	$ 89,379,616	$ 50,917,748

<u>Extended Gaming Distribution</u>

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 State's Public Community Colleges, Junior Colleges, and Local District Colleges;
- 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 and Black Hawk, in proportion to the tax revenues generated in the respective cities.

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

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 each 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 3% and adding that amount to the amount of limited gaming revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than 3%, 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 limited gaming tax revenues collected during the previous fiscal year.

2) 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.

3) 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.

The Limited Gaming Fund recipients will receive an annual adjustment of the lesser of 6%, or the actual percentage of annual growth or decline in extended gaming revenues. However, due to the pandemic, in accordance HB 20-1400, signed on June 30, 2020, the above calculations are overridden until the fiscal year immediately following the fiscal year in which the Division's limited gaming tax revenue received has equaled or exceeded the amount of limited gaming tax revenues collected in fiscal year ended June 30, 2019.

On August 25, 2021, the Commission approved the extended gaming distribution of $17,647,531 for the fiscal year ended June 30, 2021, in accordance with Section 44-30-702, C.R.S. The amounts necessary for the extended gaming distribution were transferred to the Extended Gaming Fund after each fiscal year end. The distribution to the extended gaming recipients is as follows:

	Year Ended June 30,	
	2021	2020
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	$ 13,765,074	$ 11,942,298
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties	2,117,704	1,837,277
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities	1,764,753	1,531,064
Total transfer for distribution attributable to extended gaming	$ 17,647,531	$ 15,310,639

NOTE 8 SPORTS BETTING DISTRIBUTION

Pursuant to Section 44-30-1509, C.R.S., the revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs, and after paying all ongoing expenses related to administering Section 44-30-1509, C.R.S., are directed to specific public purposes: the Wagering Revenue Recipients Hold-Harmless Fund, gambling addiction services, and the Colorado Water Plan.

At the end of fiscal year 2021, the available balance to be distributed from the Sports Betting Fund was $8,614,229. The Division will distribute the preceding balance in fiscal year 2022 after commission's approval as follows:

- First, transfer an amount to the general fund to repay any appropriation made from the general fund for the commission's and division's startup cost, including initial licensing and rule-making related to sports betting. This was completed in fiscal year 2021.

- Second, pay all ongoing expenses related to administering Section 44-30-1501, C.R.S. When making distributions from the Sports Betting Fund, the state treasurer may withhold an amount reasonably anticipated to be sufficient to pay the expenses until the next annual distribution.

- Third, transfer an amount equal to 6% of the full fiscal year sports betting tax revenues to the Wagering Revenue Recipients Hold-harmless Fund.

- Fourth, transfer $130,000 annually to the Office of Behavioral Health in the Department of Human Services.

- Fifth, transfer all remaining unexpended and unencumbered money in the fund to the Water Plan Implementation Cash Fund.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Lakewood Office

In February 2020, the Department of Revenue entered into a lease agreement with a third party to lease office space at 1687 Cole Boulevard, Lakewood, Colorado. The Division of Gaming will share in this obligation. The lease payments began in August 2021. The initial term of the lease is ten years and expires September 30, 2030. The calculations of the Division's below lease payments take into account the increase per square foot of .75 cents every year in May, along with the tax deductions, since the State is excluded from sales tax.

Year Ended June 30,		
2022	$	161,221
2023		180,801
2024		185,800
2025		190,799
2026		195,798
2027 - 2031		888,173
Total	$	1,802,592

Sunset Review

Under Section 44-30-206 C.R.S., the Division is subject to a "sunset" law, which provides that the Division's existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. During fiscal year 2013, a sunset review was completed, the law was amended, and the sunset date was extended to September 1, 2022. The Division's existence will continue after September 1, 2022, only through the passage of a bill by the General Assembly.

NOTE 10 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

The Division participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan

Plan Description

Eligible employees of the Division are provided with pensions through the SDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2020

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions Provisions as of June 30, 2020

Eligible employees of the Division and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employee contribution (all employees other than State Troopers)	8.75 %	10.00 %	10.00 %
State Troopers	10.75 %	12.00 %	12.00 %

**Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The employer contribution requirements for all employees other than State Troopers are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer Contribution Rate	10.40 %	10.90 %	10.90 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.38 %	9.88 %	9.88 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411	5.00 %	5.00 %	5.00 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411	5.00 %	5.00 %	5.00 %
Defined Contribution Supplement as Specified in in C.R.S. § 24-51-415	- %	- %	0.05 %
Total Employer Contribution Rate to the SDTF	19.38 %	19.88 %	19.93 %

**Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer Contribution Rate	13.10 %	13.60 %	13.60 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	12.08 %	12.58 %	12.58 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411	5.00 %	5.00 %	5.00 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411	5.00 %	5.00 %	5.00 %
Defined Contribution Supplement as Specified in in C.R.S. § 24-51-415	- %	- %	0.05 %
Total Employer Contribution Rate to the SDTF	22.08 %	22.58 %	22.63 %

**Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Division were $1,277,435 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Division's financial statements are only the governmental fund special revenue fund and do not report any pension liability, pension expense (other than current year contributions), or deferred inflows or deferred outflows of resources related to pensions. The following disclosure amounts are for informational purposes only.

The net pension liability for the SDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The Division proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2021, the Division's proportionate share of the net pension liability is $17,855,151. At December 31, 2020, the Division proportion was 0.188250297%, which was an increase of 0.006005188% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Division's share of pension expense was ($5,397,391). At June 30, 2021 the Division's share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 441,251	$ -
Changes of Assumptions or Other Inputs	1,212,396	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,654,473
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	708,141	-
Contributions Subsequent to the Measurement Date	660,218	-
Total	$ 3,022,006	$ 3,654,473

$660,218 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	$ 380,133
2023	142,376
2024	(1,242,476)
2025	(572,718)

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.17%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)[1]	1.25% Compounded Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial Cost Method	Entry Age
Price Inflation	2.30%
Real Wage Growth	0.70%
Wage Inflation	3.00%
Salary Increases, Including Wage Inflation	
Members Other Than State Troopers	3.30 - 10.90%
State Troopers	3.20 - 12.40%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)[1]	1.25% Compounded Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019. Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global Equity	54.00 %	5.60 %
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives [1]	6.00	4.70
Total	100.00 %	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	$ 23,622,890	$ 17,855,151	$ 13,012,331

Pension plan fiduciary net position. Detailed information about the SDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11 OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Employees of the State of Colorado that were hired on or after January 1, 2006, and employees of certain community colleges that were hired on or after January 1, 2008, which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). Pursuant to C.R.S. § 24-51-1501(4), the PERA DC Plan eligibility was extended to certain new classified employees at State Colleges and Universities beginning on January 1, 2019. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's Annual Report as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Division are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2020 through June 30, 2021 are summarized in the tables below:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employee Contribution Rates:		
Employee contribution (all employees other than State Troopers	10.00%	10.00%
State Troopers	12.00%	12.00%
Employer Contribution Rates:		
On behalf of all employees other than State Troopers)	10.15%	10.15%
State Troopers	12.85%	12.85%

Additionally, the employers are required to contribute AED and SAED to the SDTF as follows:

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Amortization Equalization Disbursement (AED) as Specified in C.R.S. Section 24-51-411 [1]	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S., Section 24-51-411 [1]	5.00%	5.00%
Automatic Adjustment Provision (AAP), as Specified in C.R.S. Section 24-51-413 [1]	0.50%	0.50%
Defined Contribution Statutory Contribution as Specified in C.R.S. Section 24-51-1505 [1]	0.25%	0.25%
Defined Contribution Statutory Contribution as Specified in C.R.S. Section 24-51-415	0.00%	0.05%
Total Employer Contribution Rate to the SDTF [1]	10.75%	10.80%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

OPEB

The Division participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description

Eligible employees of the Division are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERA Care program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Division were $65,542 for the year ended June 30, 2021.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Division's financial statements are only the governmental fund special revenue fund and do not report any OPEB liability, OPEB expense (other than current year contributions), or deferred inflows or deferred outflows of resources related to OPEB. The following disclosure amounts are for informational purposes only.

At June 30, 2021, the Division's proportionate share of the net OPEB liability is $593,191. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Division proportion of the net OPEB liability was based on Division contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Division proportion was 0.062426423%, which was an increase of 0.0026647227% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Division's share OPEB expense of ($87,992). At June 30, 2021, the Division's share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,574	$ 130,412
Changes of Assumptions or Other Inputs	4,432	36,374
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	24,238
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	34,141	34,775
Contributions Subsequent to the Measurement Date	33,874	-
Total	$ 74,021	$ 225,799

$33,874 shown as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2022	$ (50,098)
2023	(46,707)
2024	(44,066)
2025	(34,429)
2026	(9,760)
Thereafter	(592)

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
PERA Benefit Structure:	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums	3.50% for 2020, gradually increasing to 4.50% in 2029
DPS Benefit Structure:	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	N/A
Medicare Part A Premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

	Initial Costs for Members Without Medicare Part A		
Medicare Plan	**Monthly Cost**	**Monthly Premium**	**Monthly Cost Adjusted to Age 65**
Medicare Advantage/Self-Insured Prescription	$ 588	$ 227	$ 550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is $458 (actual dollars) per month. All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Price Inflation	2.30%	2.30%	2.30%	2.30%
Real Wage Growth	0.70%	0.70%	0.70%	0.70%
Wage Inflation	3.00%	3.00%	3.00%	3.00%
Salary Increases, Including Wage Inflation:				
Members Other Than State Troopers	3.30% - 10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A

[1] C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25%.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis. The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40% per year to 2.30% per year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50% per year to 3.00% per year.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global Equity	54.00 %	5.60 %
Fixed Income	23.00	1.30
Private Equity	8.50	7.10
Real Estate	8.50	4.40
Alternatives [1]	6.00	4.70
Total	100.00 %	

[1] The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Sensitivity of the Division Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	$ 577,860	$ 593,191	$ 611,040

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	$ 679,512	$ 593,191	$ 519,438

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's fiduciary net position is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 RISK MANAGEMENT

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

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

NOTE 14 RELATED-PARTY TRANSACTIONS

The Division, as an agency of the State of Colorado, paid fees to the State for auditing, investigative, and legal services, and other direct and indirect expenses incurred. Interagency charges for the Limited Gaming Fund consist of the following:

	For the Years Ended	
	2021	2020
State agency services:		
Colorado State Patrol	$ 3,231,481	$ 3,415,107
Colorado Bureau of Investigation	888,241	1,038,715
Colorado Division of Fire Prevention and Control	197,009	209,754
Indirect costs (Colorado Department of Revenue)	811,887	903,467
Legal Services (Colorado Department of Law)	246,440	231,742
Office of the State Auditor	13,603	32,813
Department of Regulatory Agencies	1,500	-
Office of Information Technology Purchased Services	763,094	388,006
Total payments to State agencies	$ 6,153,255	$ 6,219,604

Interagency charges for the Sports Betting Fund consist of the following:

	For the Years Ended	
	2021	2020
State agency services:		
Office of the State Auditor	$ 29,010	$ -
Indirect costs (Colorado Department of Revenue)	116,959	10,838
Department of Regulatory Agencies	1,500	-
Office of Information Technology Purchased Services	148,072	-
Legal Services (Colorado Department of Law)	142,388	142,388
Total payments to State agencies	$ 437,929	$ 153,226

NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	June 30,	
	2021	2020
State agencies:		
Colorado State Historical Society	$ 25,026,293	$ 14,256,969
Total liabilities to State agencies	25,026,293	14,256,969
Other governments:		
City of Black Hawk	6,497,004	3,716,996
City of Central	841,062	485,246
City of Cripple Creek	1,599,895	889,533
Gilpin County	8,805,680	5,042,690
Teller County	1,919,874	1,067,440
Total liabilities to other governments	19,663,515	11,201,905
State General Fund	44,689,808	25,458,874
Total liabilities to State agencies, State General Fund, and other governments	$ 89,379,616	$ 50,917,748

Total related party liabilities of $89,379,616 and $50,917,748 at June 30, 2021 and June 30, 2020, respectively, are solely related to the fiscal year 2021 and fiscal year 2020 limited gaming distributions.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
LIMITED GAMING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
For the Year to Date June 30, 2021

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Gaming Taxes	$ 96,280,198	$ -	$ 96,280,198	$ 120,480,425	$ 24,200,227
License and Application Fees	672,515	-	672,515	621,988	(50,527)
Background Investigations	238,140	-	238,140	119,441	(118,699)
Fines and Fees	-	-	-	1,764	1,764
Interest Revenue	678,833	-	678,833	520,248	(158,585)
Other Revenue	-	-	-	181	181
Total Revenues	97,869,686	-	97,869,686	121,744,047	23,874,361
EXPENDITURES:					
Personal Services	8,896,360	-	8,896,360	8,161,612	734,748
Operating Expenditures	557,523	-	557,523	425,753	131,770
Workers Compensation	42,373	-	42,373	42,373	-
Risk Management	14,839	-	14,839	14,839	-
Licensure Activities	166,279	-	166,279	89,474	76,805
Leased Space	408,347	(74,847)	333,500	67,140	266,360
Vehicle Lease Payments - Fixed	72,642	7,000	79,642	79,642	-
Vehicle Lease Payments - Variable	96,639	-	96,639	61,806	34,833
Utilities	23,425	4,000	27,425	24,311	3,114
Legal Services	246,440	-	246,440	246,440	-
CORE Operations	86,618	-	86,618	86,618	-
Payments to Office of Information Technology	763,094	-	763,094	763,094	-
Information Technology	93,823	(17,548)	76,275	46,284	29,991
Indirect Costs - Department of Revenue	899,596	208,154	1,107,750	811,887	295,863
Other State Agency Services	4,958,340	-	4,958,340	4,316,731	641,609
Division Expenditures	17,326,338	126,759	17,453,097	15,238,004	2,215,093
Background Expenditures	254,308	-	254,308	2,893	251,415
Total Expenditures	17,580,646	126,759	17,707,405	15,240,897	2,466,508
EXCESS OF REVENUES OVER EXPENDITURES	$ 80,289,040	$ (126,759)	$ 80,162,281	$ 106,503,150	$ 26,340,869

Reconciliation of Budget Revenues and Expenditures to the Statements of Revenues Expenditures, and Changes in Fund Balance

Net increase in the fair value of investments	(1,083,686)
EXCESS OF REVENUES OVER EXPENDITURES	$ 105,419,464

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

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
SPORTS BETTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
For the Year to Date June 30, 2021

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Sports Betting Taxes	$ 1,700,000	$ -	$ 1,700,000	$ 8,146,362	$ 6,446,362
License and Application Fees	18,750	-	18,750	205,570	186,820
Sports Betting Operations Fees	2,261,577	-	2,261,577	2,075,300	(186,277)
Background Investigations	589,468	-	589,468	115,431	(474,037)
Fines	-	-	-	336	336
Interest Revenue	-	-	-	61,077	61,077
TOTAL REVENUES	4,569,795	-	4,569,795	10,604,076	6,034,281
EXPENDITURES:					
Personal Services	2,219,640	-	2,219,640	1,365,667	853,973
Operating Expenditures	110,197	-	110,197	67,505	42,692
Workers Compensation	8,222	-	8,222	8,222	-
Risk Management	3,241	-	3,241	3,241	-
Licensure Activities	23,735	-	23,735	16,892	6,843
Leased Space	102,087	-	102,087	-	102,087
Vehicle Lease Payments - Fixed	34,650	-	34,650	3,181	31,469
Legal Services	142,388	-	142,388	142,388	-
CORE Operations	16,807	-	16,807	16,807	-
Payments to Office of Information Technology	148,072	-	148,072	148,072	-
Indirect Costs - Department of Revenue	127,287	-	127,287	116,959	10,328
Division Expenditures	2,936,326	-	2,936,326	1,888,934	1,047,392
Non Personal Services					
Background Expenditures	35,602	-	35,602	6,447	29,155
TOTAL EXPENDITURES	2,971,928	-	2,971,928	1,895,381	1,076,547
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ 1,597,867	$ -	$ 1,597,867	$ 8,708,695	$ 4,957,734

Reconciliation of Budget Revenues and Expenditures to the Statements of Revenues Expenditures, and Changes in Fund Balance

	Actual Amounts
Net increase in the fair value of investments	(4,291)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ 8,704,404

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years

Fiscal Year	2021	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date	December 31,2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Division's proportion (percentage) of the collective net pension liability	0.188250297%	0.182245109%	0.177328323%	0.183309939%	0.191842059%	0.191372585%	0.192446020%	0.198318858%
Division's proportionate share of the collective pension liability	17,855,151	17,684,708	20,177,610	36,699,165	35,237,801	20,153,510	18,102,462	17,666,186
Covered payroll	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598	5,319,912	4,965,164	4,904,861
Division's proportionate share of the net pension liability as a percentage of its covered payroll	289.30%	306.77%	355.05%	697.09%	644.72%	378.83%	364.59%	360.18%
Plan fiduciary net position as a percentage of the total pension liability	65.30%	62.24%	55.11%	43.20%	42.60%	56.10%	59.80%	61.10%

* The amounts presented for each fiscal year were determined as of December 31. Information earlier than fiscal year 2014 was not available.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions **	$ 1,277,435	$ 1,315,020	$ 1,198,503	$ 998,250	$ 980,190	$ 947,398	$ 888,726	$ 819,042	$ 738,518
Contributions in relation to the statutorily required contribution	1,277,435	1,315,020	1,198,503	998,250	980,190	947,398	888,726	819,042	738,518
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered payroll	19.90%	21.71%	21.64%	19.13%	18.68%	17.78%	17.25%	16.47%	15.41%

* The amounts presented for each fiscal year were determined as of June 30. Amounts earlier than 2013 were not available.

** The amounts presented for fiscal years 2020 and 2019 include the portion applicable to the Division of the direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis based on Senate Bill 18-200. The direct distribution provision was suspended for fiscal year 2021 under House Bill 20-1379.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY
Last 10 Fiscal Years

Fiscal Year	2021	2020	2019	2018	2017
Plan Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Division's proportion (percentage) of the collective net OPEB liability	0.062426423%	0.059761700%	0.059227966%	0.010347596%	0.009566987%
Division's proportionate share of the collective OPEB liability	593,191	671,720	805,821	806,020	851,584
Covered-employee payroll	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598
Division's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	9.61%	11.65%	14.18%	15.31%	15.58%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31.

Information earlier than 2017 was not available.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OTHER POSTEMPLOYMENT BENEFIT (OPEB)
CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	$ 65,542	$ 61,790	$ 56,482	$ 53,226	$ 53,524	$ 54,363	$ 52,558	$ 50,724	$ 48,876
Contributions in relation to the statutorily required contribution	65,542	61,790	56,482	53,226	53,524	54,363	52,558	50,724	48,876
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered-employee payroll	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a percentage of covered-employee payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2013 was not available.

NOTE 1 NET PENSION LIABILITY – CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- Price inflation was changed from 2.40% to 2.30%.
- Real Wage Growth was changed from 1.10% to 0.70%.
- Wage Inflation was changed from 3.50% to 3.00%.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Salary Increase, Including Wage Inflation was changed from a range of 3.50% - 9.17% to 3.30% - 10.90% for Members other than State Troopers. The range for State Troopers was changed from 3.50% - 9.17% to 3.20% - 12.40%.
- Pre-retirement mortality assumptions for Members other than State Troopers were changed to be based upon the PubG-2010 Employee Table with generational projection using scale MP-2019 rather than the RP-2014 Healthy Annuitant Mortality Table.
- Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Changes in assumptions or other input effective for the December 31, 2019 measurement period are as follows:

- The assumption used to value the annual increase (AI) cap benefit provision was changed from 1.50% to 1.25%.

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:

- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:

- The discount rate was lowered from 5.26% to 4.72%.

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.

- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

There were no changes in terms or assumptions for the December 31, 2014 measurement period for pension compared to the prior year.

Changes in assumptions or other input effective for the December 31, 2013 measurement period are as follows:

- The investment return assumption was lowered from 8.00% to 7.50%
- The price inflation assumption was lowered from 3.50% to 2.80%
- The wage inflation assumption was lowered from 4.25% to 3.90%

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS – CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS

Changes in assumptions or other input effective for the December 31, 2020 measurement period are as follows:

- Price inflation was changed from 2.40% to 2.30%.
- Real Wage Growth was changed from 1.10% to 0.70%.
- Wage Inflation was changed from 3.50% to 3.00%.
- Salary Increase, Including Wage Inflation was changed from a range of 3.50% - 9.17% for all Members other than State Troopers to 3.30% - 10.90% for State Division members, 3.40% - 11.00% for School Division members, 3.20% - 11.30% for Local Government Division members, and 2.80% - 5.30% for Judicial Division members. The range for State Troopers was changed from 3.50% - 9.17% to 3.20% - 12.40%.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.
- Pre-retirement mortality assumptions for Members other than State Troopers were changed to be based upon the PubG-2010 Employee Table with generational projection using scale MP-2019 rather than the RP-2014 Healthy Annuitant Mortality Table.
- Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS – CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS (CONTINUED)

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

There were no changes in assumptions or other inputs effective for the December 31, 2019 measurement period for OPEB.

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

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

Members of the Legislative Audit Committee and Colorado Limited Gaming Control Commission
Division of Gaming, Department of Revenue, State of Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 18, 2021

CliftonLarsonAllen LLP
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REQUIRED AUDITOR COMMUNICATIONS TO THE LEGISLATIVE AUDIT COMMITTEE AND COLORADO LIMITED GAMING CONTROL COMMISSION

Members of the Legislative Audit Committee and Colorado Limited Gaming Control Commission
Division of Gaming, Department of Revenue, State of Colorado

We have audited the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 18, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or require substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the RSI to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the RSI is appropriate and complete in relation to our audit of the financial statements. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Restriction on Use

This communication is intended solely for the use of Members of the Legislative Audit Committee, Colorado Limited Gaming Control Commission, and management of Division of Gaming, Department of Revenue, State of Colorado and is not intended to be, and should not be, used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a public document.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 18, 2021