

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE,
STATE OF COLORADO**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
REPORT SUMMARY
YEAR ENDED JUNE 30, 2020**

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, 2020. 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020.
- 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 30, 2020, has been issued, which states that the financial statements of the Division as of and for the fiscal years ended June 30, 2020 and 2019, 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 30, 2020, 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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
DESCRIPTION OF COLORADO DIVISION OF GAMING
YEAR ENDED JUNE 30, 2020**

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 80 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 ten percent 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.



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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 5-21 and 55-60 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 30, 2020 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

Greenwood Village, Colorado
November 30, 2020

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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 fiscal year ended June 30, 2020. Please read it in conjunction with the Division's financial statements, which begin on page 22.

Financial Highlights

- Gaming Tax revenues were \$80,335,469 for the fiscal year ended June 30, 2020, compared to revenues of \$125,000,293 for the prior fiscal year ending June 30, 2019, which is a decrease of \$44,664,824 or 35.7%.
- A decrease in the Division's total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, decreased the total Gaming Distribution to \$66,228,387 compared to last fiscal year's total Gaming Distribution of \$111,782,407. These amounts represent both the Limited Gaming Distribution and the Extended Gaming Distribution for fiscal years 2020 and 2019, respectively.
- Sports Betting Tax revenues were \$311,697 for the fiscal year ended June 30, 2020. Due to the fact that Sports Betting began on May 1, 2020 in very limited fashion, there is no financial activity in the Sports Betting Fund for the fiscal year ended June 20, 2019, and the 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.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2020 and 2019. 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 Distribution, the beginning fund balances at July 1, 2019 and July 1, 2018, respectively, and the ending fund balances as of June 30, 2020 and 2019, 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.

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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Using this Report (Continued)

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 ten percent 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.

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2020 was \$67,820,064. This represents a decrease of \$45,460,951 compared to fiscal year 2019 excess of revenues over expenditures of \$113,281,015.

The fiscal year 2020 net increase in fair value of investments of \$1,596,433 and net increase \$1,710,918 in fiscal year 2019 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2020 and 2019, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). The adjusted gross proceeds of casinos decreased 26.5% in fiscal year 2020, as compared to fiscal year 2019. The overall decrease in reported AGP and tax collections was due primarily to the casinos closing from mid-March to mid-June due to the COVID-19 pandemic. In mid-June, the casinos were allowed to re-open with limited occupancy and slot machines only, because of social distancing policies required due to COVID-19. The gaming tax revenues earned by the Division for the fiscal years ending June 30, 2020 and 2019 were \$80,335,469 and \$125,000,293, respectively. This represents a decrease of \$44,664,824 and was due primarily to the COVID-19 related closure. For fiscal year 2020, the gaming tax rates remained the same as in fiscal year 2019 and 2018.

The Colorado Limited Gaming Control Commission assesses taxes based on adjusted gross proceeds. The tax rates for fiscal years 2020, 2019, and 2018 are below.

	Tax Rate for Fiscal Year		
	2020	2019	2018
AGP Range			
Charitable Events	3.00%	3.00%	3.00%
\$0 - \$2 Million	0.25%	0.25%	0.25%
\$2 - \$5 Million	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%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

	(Decrease) Amount	Percent Change	Explanation
Gaming Taxes	(44,664,824)	(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 in March 2020 and re-opened in June 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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Significant changes in revenue categories to fiscal year 2019 from fiscal year 2018 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Background Investigations	108,720	61.0%	There was \$62,683 more in labor and miscellaneous charges and \$46,037 more in travel during fiscal year 2019 based on the nature of the background investigations required to be performed during fiscal year 2019 compared to fiscal year 2018.
Interest Income	360,875	37.8%	The increase in fiscal year 2019 is due primarily to the increase in the average annualized rate of 2.22% as compared to the average annualized rate of 1.65% for fiscal year 2018.
Other Revenue	301,581	18389.1%	The increase in fiscal year 2019 is due primarily to the contract agreement with the Colorado Gaming Association for reimbursement of initial, associated costs of implementing the Rule 14 allowing casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate, and reimbursement of Managed IP Communications (MIPC) - Equature costs billed to the Division by the Department of Revenue in fiscal year 2018.
Changes in Fair Value of Investments	2,901,357	243.7%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2019 versus the net change in the fair value of the Division's investments during fiscal year 2018, which is based on the market values of the State Treasury Investments.

For fiscal year 2019, the excess of revenues over expenditures was \$113,281,015. This represents an increase of \$2,639,744, or 2.39%, compared to fiscal year 2018's excess of revenues over expenditures of \$110,641,271.

The net increase in fair value of investments of \$1,710,918, and net decrease of \$1,190,439 represents the change in fair value of the Division's investments during the fiscal years ended June 30, 2019 and 2018, respectively.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Expenditures

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 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 state wide 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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2019 were \$16,174,813. This is an increase of \$789,573 or 5.1%, as compared to fiscal year 2018 expenditures of \$15,385,240. The information below shows the changes in expenditures from fiscal year 2019 to fiscal year 2018 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	26,310	396.3%	In fiscal year 2019, six employees left the Division with accumulated leave balances higher than the amount paid out in the previous fiscal year.
Professional Services	272,372	217.5%	In fiscal year 2019, the increase was due primarily to the costs associated with programming of Gen-Tax; 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.
Police Supplies	18,391	84.9%	In fiscal year 2019, the increase was due primarily to the costs associated with additional uniform safety apparel and equipment for officers involved in gaming investigations and enforcement.
Telephone	22,920	34.1%	In fiscal year 2019, the increase was due to the leased equipment cost for the Managed IP Communications (MIPC) telephone upgrade.
Capital Outlay	(28,841)	(100.0)%	In fiscal year 2019, the decrease was due to no capital purchases by the Division.
Background Expenditures	45,783	147.6%	In fiscal year 2019, the increase was due to higher expenses related to international travel to Australia and Austria. Background investigation expenditures are reimbursed to the Division by the entity requiring the background investigation. The Background Investigation hourly rate increased to \$73 from \$69 in fiscal year 2018.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Assets, Liabilities, and Fund Balance

The year-end total fund balance reflects the overall financial position of the Division, which is \$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 is 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 is due primarily to the decrease in the fiscal year 2020 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 Expenses	15,194	21,742	(6,548)	(30.12)%
Total Assets	<u>74,142,084</u>	<u>116,171,404</u>	<u>(42,029,320)</u>	<u>(36.18)%</u>
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	<u>52,576,273</u>	<u>95,131,869</u>	<u>(42,555,596)</u>	<u>(44.73)%</u>
Fund Balance	<u>21,565,811</u>	<u>21,039,535</u>	<u>526,276</u>	<u>2.50%</u>
Total Liabilities and Fund Balance	<u>\$ 74,142,084</u>	<u>\$ 116,171,404</u>	<u>\$ (42,029,320)</u>	<u>(36.18)%</u>

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Assets, Liabilities, and Fund Balance (Continued)

The year-end total fund balance reflects the overall financial position of the Division, which was \$21,039,535 at June 30, 2019 compared to \$18,205,438 at June 30, 2018. Total assets of \$116,171,404 at June 30, 2018 increased \$1,854,722 or 1.6%, as compared to the prior year balance of \$114,316,682. The increase in total assets between fiscal year 2019 and fiscal year 2018 was due primarily to the increases in Cash and Equity in Treasurer's Pool.

The Division's total liabilities were \$95,131,869 at June 30, 2019 and \$96,111,244 at June 30, 2018. The \$979,375 decrease was due primarily to the decrease in the fiscal year 2019 Limited Gaming Distribution.

The following compares fiscal year 2019 and fiscal year 2018 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2019	2018	Dollars	Percent
Cash and Equity in Treasurer's Pool	\$ 102,643,883	\$ 100,930,710	\$ 1,713,173	1.70%
Gaming Taxes and Other Receivables	13,505,779	13,369,520	136,259	1.02%
Prepaid Expenses	21,742	16,452	5,290	32.15%
Total Assets	<u>116,171,404</u>	<u>114,316,682</u>	<u>1,854,722</u>	<u>1.62%</u>
Accounts Payable, Wages, and Accrued Payroll Payable	753,732	721,842	31,890	4.42%
Due to Other State Agencies, Other Governments, and the State General Fund	93,850,620	94,879,391	(1,028,771)	(1.08)%
Other Liabilities	527,517	510,011	17,506	3.43%
Total Liabilities	<u>95,131,869</u>	<u>96,111,244</u>	<u>(979,375)</u>	<u>(1.02)%</u>
Fund Balance	<u>21,039,535</u>	<u>18,205,438</u>	<u>2,834,097</u>	<u>15.57%</u>
Total Liabilities and Fund Balance	<u>\$ 116,171,404</u>	<u>\$ 114,316,682</u>	<u>\$ 1,854,722</u>	<u>1.62%</u>

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2020 and fiscal year 2019 revenues, expenditures, and changes in fund 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	<u>84,890,625</u>	<u>129,455,828</u>	<u>(44,565,203)</u>	<u>(34.43)%</u>
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	<u>17,070,561</u>	<u>16,174,813</u>	<u>895,748</u>	<u>5.54%</u>
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	100.00%
Add: Insurance Recoveries	3,350	2,800	550	100.00%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	<u>(68,849,535)</u>	<u>(110,588,900)</u>	<u>41,739,365</u>	<u>(37.74)%</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 21,565,811</u></u>	<u><u>\$ 21,039,535</u></u>	<u><u>\$ 526,276</u></u>	<u>2.50%</u>

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

The following compares total fiscal year 2019 and fiscal year 2018 revenues, expenditures, and changes in fund balance.

	Fiscal Years		Increase/(Decrease)	
	2019	2018	Dollars	Percent
REVENUES				
Gaming Taxes	\$ 125,000,293	\$ 125,273,338	\$ (273,045)	(0.22)%
License and Application Fees	659,323	636,488	22,835	3.59%
Other Revenue	3,796,212	116,685	3,679,527	3153.38%
Total Revenues	129,455,828	126,026,511	3,429,317	2.72%
EXPENDITURES				
Operating Expenditures	10,012,286	9,161,193	851,093	9.29%
Background Investigations	76,800	31,017	45,783	147.61%
State Agency Services	6,085,727	6,193,030	(107,303)	(1.73)%
Total Expenditures	16,174,813	15,385,240	789,573	5.13%
Excess of Revenues Over Expenditures	113,281,015	110,641,271	2,639,744	2.39%
Fund Balance - Beginning of Year	18,205,438	15,863,424	2,342,014	14.76%
Add: Transfer in from the State General Fund	139,182	-	139,182	100.00%
Add: Insurance Recoveries	2,800	-	2,800	100.00%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	(110,588,900)	(108,299,257)	(2,289,643)	2.11%
FUND BALANCE - END OF YEAR	\$ 21,039,535	\$ 18,205,438	\$ 2,834,097	15.57%

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

In fiscal years 2020 and 2019, the Division had several vacant positions and hired 3 new employees with the implementation of the Sports Betting Fund in fiscal year 2020.

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 ten percent 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.

A pandemic of global proportion swept the nation and the State of Colorado in the later part of fiscal year 2020 causing economic recession and widespread social changes.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Distribution

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

At the end of each fiscal year, the Limited Gaming Fund reserves an amount equal to expenditures for the preceding two-month period and then distributes the remaining balance as part of the Limited Gaming Distribution. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund. The total distribution for the fiscal year ended June 30, 2020 was \$66,228,387, which includes \$15,310,639 for the Extended Gaming Fund distribution. See Note 7 for additional information on the distributions.

On August 27th, 2020, the Commission approved the extended gaming distribution of \$15,310,639 for the fiscal year ended June 30, 2020, in accordance with Section 44-30-702, C.R.S. These amounts are distributed in the year approved by the Commission.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	\$ 11,942,298	\$ 13,986,794
12% to Gilpin and Teller Counties, in Proportion to the Tax Revenues Generated in the Respective Counties	1,837,277	2,151,814
10% to the Cities of Cripple Creek, Central, and Black Hawk, in Proportion to the Tax Revenues Generated in the Respective Cities	<u>1,531,064</u>	<u>1,793,179</u>
Total Distribution Attributable to Extended Gaming	<u>\$ 15,310,639</u>	<u>\$ 17,931,787</u>

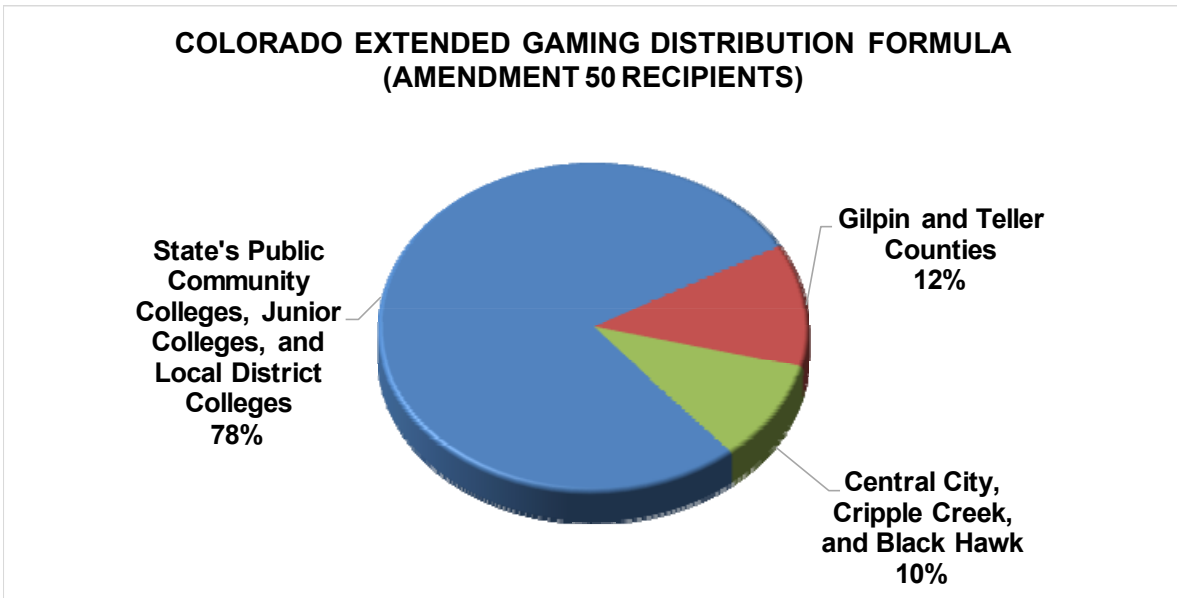
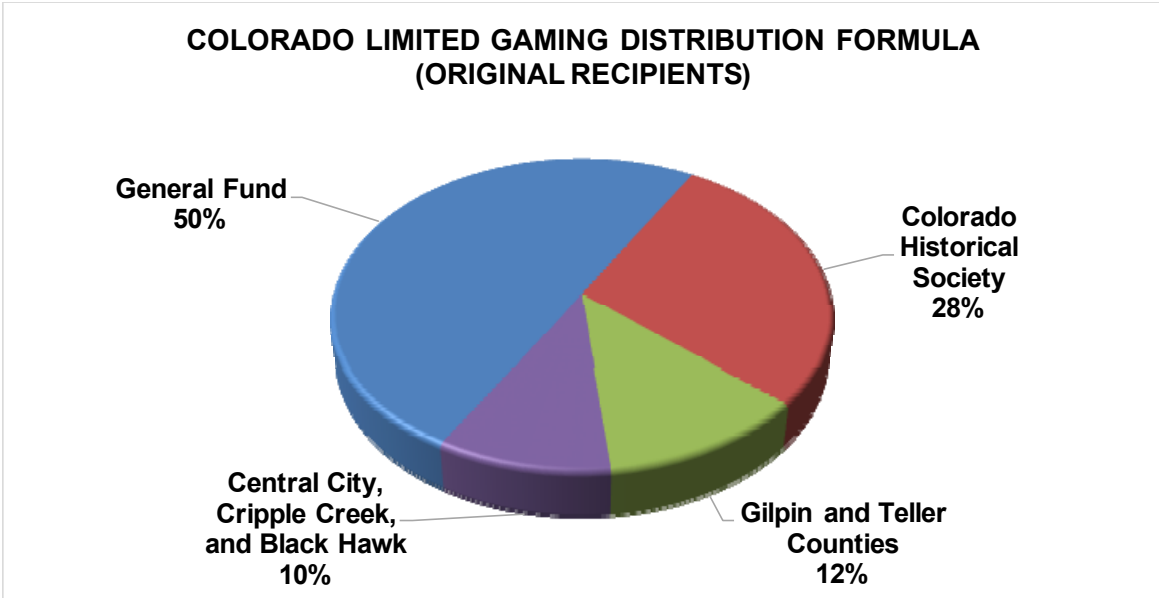
Limited Gaming Distribution

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 2022-2023, 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.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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 2020.



**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Distribution (Continued)

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

	For the Years Ended		Difference	Percent Difference
	June 30,			
	2020	2019		
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	<u>\$ 66,228,387</u>	<u>\$ 111,782,407</u>	<u>\$ (45,554,020)</u>	(40.8)%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Distribution (Continued)

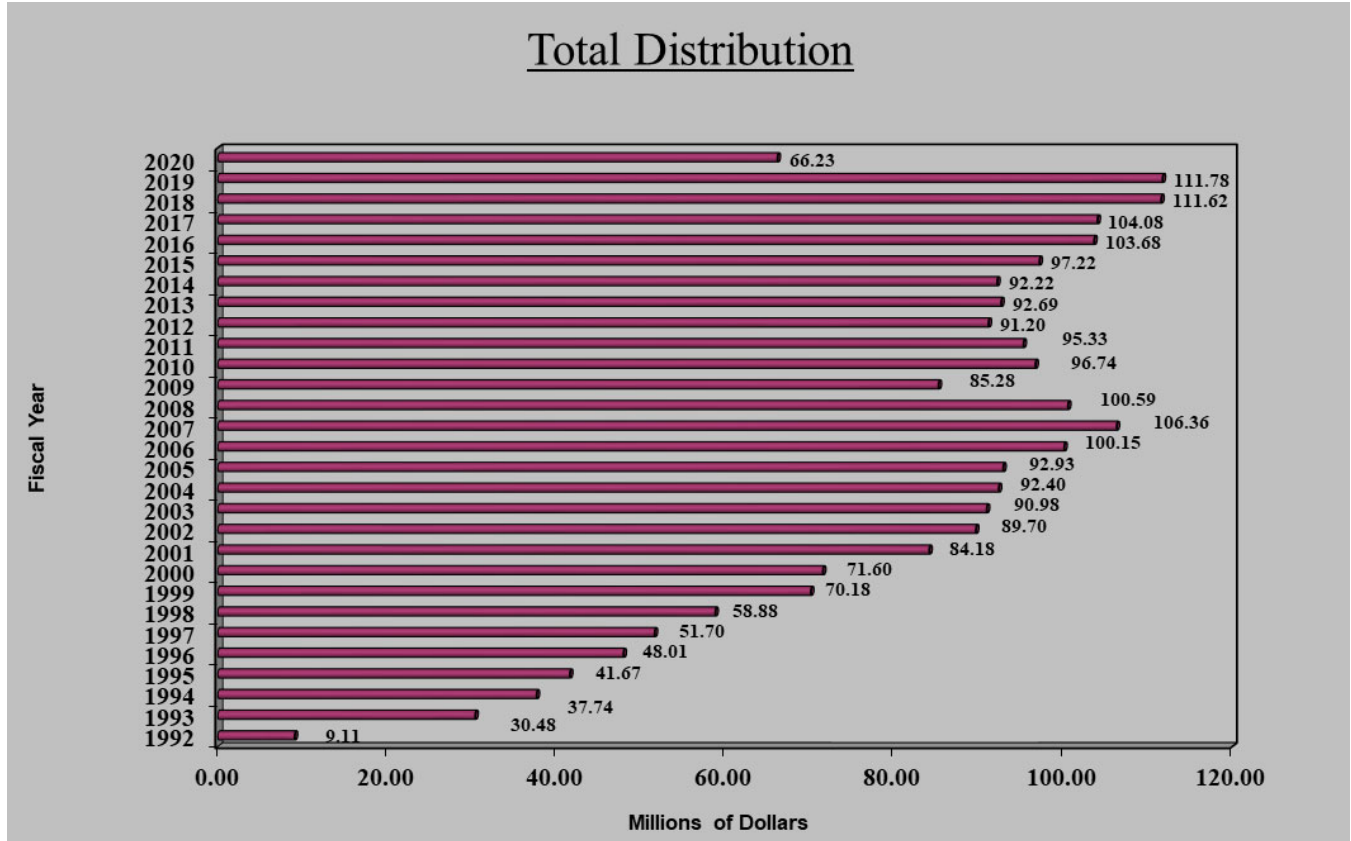
The total distribution for the fiscal year ended June 30, 2019 was \$111,782,407.

The table below compares the amounts distributed to the various recipients for fiscal years 2019 and 2018.

	For the Years Ended		Difference	Percent Difference
	June 30,			
	2019	2018		
Colorado State Historical Fund	\$ 26,278,174	\$ 26,566,229	\$ (288,055)	(1.1)%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.0%
Local Government Limited Gaming Impact Fund	5,398,346	5,443,865	(45,519)	(0.8)%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.0%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.0%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.0%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.0%
Total Payments to Other State agencies	<u>56,776,520</u>	<u>57,110,094</u>	<u>(333,574)</u>	(0.6)%
City of Black Hawk	6,916,791	7,090,337	(173,546)	(2.4)%
City of Central	891,581	852,017	39,564	4.6%
City of Cripple Creek	1,576,690	1,545,585	31,105	2.0%
Gilpin County	9,370,046	9,530,825	(160,779)	(1.7)%
Teller County	1,892,028	1,854,702	37,326	2.0%
Total Payment Due to Other Governments	<u>20,647,136</u>	<u>20,873,466</u>	<u>(226,330)</u>	(1.1)%
Due to the State General Fund	<u>16,426,964</u>	<u>16,895,831</u>	<u>(468,867)</u>	(2.8)%
Due to the Limited Gaming Recipients	93,850,620	94,879,391	(1,028,771)	(1.1)%
Due to the Extended Gaming Recipients	<u>17,931,787</u>	<u>16,738,280</u>	<u>1,193,507</u>	7.1%
Total Distribution	<u><u>\$ 111,782,407</u></u>	<u><u>\$ 111,617,671</u></u>	<u><u>\$ 164,736</u></u>	0.1%

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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.

Due to the fact that Sports Betting only began on May 1, 2020, in very limited fashion, the Sports Betting revenues collected by the Division during fiscal year 2020 are not sufficient to make the transfers described in Section 44-30-1509, C.R.S.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Budget

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming Fund. 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 2020 for the Limited Gaming Fund:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Personal Services	\$ 9,273,601	\$ (5,129)	\$ 9,268,472
Operating Expenditures	582,649	327,500	910,149
Workers Compensation	58,117	2,137	60,254
Leased Space	328,620	5,945	334,565
Information Technology	76,275	17,548	93,823
Indirect Costs - Department of Revenue	973,540	5,129	978,669

The budgeted expenditures approved at the beginning of the year were \$17,630,913. The amendments to the budget resulted in a net increase of \$353,130. As a result, the final approved budget for fiscal year 2020 was \$17,984,043. Total actual expenditures were \$15,980,471 resulting in excess appropriations, or a savings of \$2,003,572 for fiscal year 2020.

Sports Betting

The approved budgeted expenditures were \$1,739,015. There were no amendments to the budget. Total actual expenditures were \$1,090,090 resulting in excess appropriations, or a savings of \$648,925 for fiscal year 2020.

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2021 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting ("OSP"). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee ("JBC") for fiscal year 2021. 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 2021 budget request totaled \$17,700,236, which included \$12,741,896 for the Division and \$4,958,340 for the Other Agencies. This was an overall decrease of 1.93%.

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 2020; therefore, no refunds were issued for fiscal year 2020.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Assumptions that were made when preparing the revenue projection for fiscal year 2021 included the continuation of current tax structure, tax rates, and continuation of license and application fees. In addition, 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 2020.

The Division's fiscal year 2021 revenue estimates total \$97.8 million, a \$12.9 million increase over fiscal year 2020 actual revenue.

During the 28 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 effect of COVID-19 on the Colorado Casino industry is unknown. Currently, the casinos are only allowed to operate with slot machines; no table games. They also must ensure they comply with social distancing and limited occupancy requirements. Due to social distancing and limited occupancy, most casinos have either removed a portion of slot machines or turned them off.

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: www.colorado.gov/enforcement/gaming.

**DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO
BALANCE SHEETS
JUNE 30, 2020 AND 2019**

	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
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:				
Prepays	-	15,194	-	15,194
Restricted for:				
Required Reserve	476,221	4,295,353	1,468,404	6,239,978
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
BALANCE SHEETS
JUNE 30, 2020 AND 2019**

FY 2019

	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
ASSETS:				
Cash and Equity in Treasurer's Pool	\$ 18,015,755	\$ 84,628,128	\$ -	\$ 102,643,883
Accounts Receivable				
Gaming Taxes	-	13,499,598	-	13,499,598
Sports Betting Taxes	-	-	-	-
Fines Receivable	-	261	-	261
Miscellaneous	-	5,920	-	5,920
Prepaid Expenditures	-	21,742	-	21,742
Total Assets	<u>\$ 18,015,755</u>	<u>\$ 98,155,649</u>	<u>\$ -</u>	<u>\$ 116,171,404</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES				
Accounts Payable	\$ -	\$ 57,954	\$ -	\$ 57,954
Accrued Payroll Payable	-	684,520	-	684,520
Wages & Salaries Payable	-	11,258	-	11,258
Due to Other State Agencies	-	56,776,520	-	56,776,520
Due to Other Governments	-	20,647,136	-	20,647,136
Due to the State's General Fund	-	16,426,964	-	16,426,964
Background and Other Deposits	-	211,390	-	211,390
Unearned Revenue	-	316,127	-	316,127
Total Liabilities	<u>-</u>	<u>95,131,869</u>	<u>-</u>	<u>95,131,869</u>
FUND BALANCE:				
Nonspendable:				
Prepays	-	21,742	-	21,742
Restricted for:				
Required Reserve	83,969	3,002,038	-	3,086,007
Extended Gaming Recipients	17,931,786	-	-	17,931,786
Total Fund Balance	<u>18,015,755</u>	<u>3,023,780</u>	<u>-</u>	<u>21,039,535</u>
Total Liabilities and Fund Balance	<u>\$ 18,015,755</u>	<u>\$ 98,155,649</u>	<u>\$ -</u>	<u>\$ 116,171,404</u>

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, 2020 AND 2019**

	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	<u>433,144</u>	<u>83,451,384</u>	<u>1,006,097</u>	<u>84,890,625</u>
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 & 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	<u>-</u>	<u>15,980,471</u>	<u>1,090,090</u>	<u>17,070,561</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>433,144</u>	<u>67,470,913</u>	<u>(83,993)</u>	<u>67,820,064</u>
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
Insurance Recoveries	-	3,350	-	3,350
Total Other Financing Sources (Uses)	<u>(2,662,039)</u>	<u>(66,184,146)</u>	<u>1,552,397</u>	<u>(67,293,788)</u>
NET CHANGE IN FUND BALANCE	<u>(2,228,895)</u>	<u>1,286,767</u>	<u>1,468,404</u>	<u>526,276</u>
Fund Balance - Beginning of Year	<u>18,015,755</u>	<u>3,023,780</u>	<u>-</u>	<u>21,039,535</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,786,860</u>	<u>\$ 4,310,547</u>	<u>\$ 1,468,404</u>	<u>\$ 21,565,811</u>

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, 2020 AND 2019**

	FY 2019			
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	TOTAL GAMING FUNDS
REVENUES:				
Gaming Taxes	\$ -	\$ 125,000,293	\$ -	\$ 125,000,293
Sports Betting Taxes	-	-	-	-
License and Application Fees	-	659,323	-	659,323
Sports Betting Operations Fees	-	-	-	-
Background Investigations	-	287,014	-	287,014
Fines	-	179,468	-	179,468
Interest Income	31,563	1,284,028	-	1,315,591
Net Increase/(Decrease) in the Fair Value of Investments	285,678	1,425,240	-	1,710,918
Other Revenue	-	303,221	-	303,221
Total Revenues	<u>317,241</u>	<u>129,138,587</u>	<u>-</u>	<u>129,455,828</u>
EXPENDITURES:				
Salaries and Benefits	-	8,348,261	-	8,348,261
Annual and Sick Leave Payouts	-	32,949	-	32,949
Professional Services	-	397,612	-	397,612
Travel	-	61,396	-	61,396
Automobiles	-	164,591	-	164,591
Printing	-	20,572	-	20,572
Police Supplies	-	40,056	-	40,056
Computer Services & Name Searches	-	70,680	-	70,680
Materials, Supplies, and Services	-	358,672	-	358,672
Postage	-	5,804	-	5,804
Telephone	-	90,231	-	90,231
Utilities	-	24,991	-	24,991
Other Operating Expenditures	-	76,301	-	76,301
Leased Space	-	320,170	-	320,170
Capital Outlay	-	-	-	-
State Agency Services	-	6,085,727	-	6,085,727
Background Expenditures	-	76,800	-	76,800
Total Expenditures	<u>-</u>	<u>16,174,813</u>	<u>-</u>	<u>16,174,813</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>317,241</u>	<u>112,963,774</u>	<u>-</u>	<u>113,281,015</u>
OTHER FINANCING SOURCES (USES)				
Limited Gaming Distribution	-	(93,850,620)	-	(93,850,620)
Extended Gaming Distribution	(16,738,280)	-	-	(16,738,280)
Transferred to Extended Gaming Fund	-	(17,900,224)	-	(17,900,224)
Transfer from Limited Gaming Fund	17,900,224	-	-	17,900,224
Transfer in from the State General Fund	-	139,182	-	139,182
Insurance Recoveries	-	2,800	-	2,800
Total Other Financing Sources (Uses)	<u>1,161,944</u>	<u>(111,608,862)</u>	<u>-</u>	<u>(110,446,918)</u>
NET CHANGE IN FUND BALANCE	1,479,185	1,354,912	-	2,834,097
Fund Balance - Beginning of Year	<u>16,536,570</u>	<u>1,668,868</u>	<u>-</u>	<u>18,205,438</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,015,755</u>	<u>\$ 3,023,780</u>	<u>\$ -</u>	<u>\$ 21,039,535</u>

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 allows 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 ten percent 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 was created pursuant to House Bill 19-1327 and Proposition DD.

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 is included in Note 4, Note 6, and Note 10, respectively.

Governmental Funds

Special Revenue Funds

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Actual compare actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2020 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

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.

Total appropriations for the Limited Gaming budget are as follows:

	Years Ended June 30,	
	2020	2019
Appropriations	\$ 17,630,913	\$ 17,000,698
Supplemental appropriations	353,130	695,950
Total appropriations	<u>\$ 17,984,043</u>	<u>\$ 17,696,648</u>

Total appropriations for the Sports Betting budget are as follows:

	Years Ended June 30,	
	2020	2019
Appropriations	\$ 1,739,015	\$ -
Supplemental appropriations	-	-
Total appropriations	<u>\$ 1,739,015</u>	<u>\$ -</u>

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, the Division had cash on deposit with the State Treasurer of \$68,757,453 and \$102,643,883, respectively, which represented approximately 0.7% of the total \$9,633.8 million and 1.1% of \$9,096.5 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2020, the Pool's resources included \$16.0 million of cash on hand and \$9,617.8 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, 2020 and 2019, the Division's share of unrealized gain (loss) was \$1,596,433 and \$1,710,918, respectively.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

NOTE 3 ACCOUNTS RECEIVABLE

As of June 30, 2020 and 2019, the Limited Gaming Fund had accounts receivable balances of \$5,153,538 and \$13,505,779, respectively. On June 30, 2020 and 2019, the Limited Gaming Fund had \$5,149,894 and \$13,499,598 of gaming taxes receivable, respectively, from 33 Colorado casinos each year. These receivables primarily represent June 2020 and 2019 gaming taxes, which were due on July 15, 2020 and 2019, and were subsequently collected by the Department of Revenue in July 2020 and 2019 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, 2020, the Sports Betting Fund had accounts receivable balance of \$215,899 which includes \$215,153 of sports betting taxes receivable from 7 operators. These receivables primarily represent June 2020 sports betting taxes, which were due on July 15, 2020 and were subsequently collected by the Department of Revenue in July 2020 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 acquisition 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.

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

	Capital Assets Not Being Depreciated			Capital Assets Being Depreciated			Total
	Land	Construction in Progress	Subtotal	Equipment and Software	Building	Subtotal	
Cost							
Balances, June 30, 2018	\$ 536,138	\$ -	\$ 536,138	\$ 513,368	\$ 1,134,912	\$ 1,648,280	\$ 2,184,418
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
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
Accumulated Depreciation							
Balances, June 30, 2018	-	-	-	(280,442)	(333,270)	(613,712)	(613,712)
Additions	-	-	-	(79,942)	(31,557)	(111,499)	(111,499)
Disposals	-	-	-	-	-	-	-
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)
Total capital assets, net	\$ 536,138	\$ -	\$ 536,138	\$ 84,290	\$ 738,484	\$ 822,774	\$ 1,358,912

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 \$122,315 and \$206,415 at June 30, 2020 and 2019, respectively, represent background investigation deposits. Also included are \$4,975 for June 30, 2020 and June 30, 2019, which represent funds seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication. Sports Betting Fund deposits of \$414,752 at June 30, 2020, represent background investigation deposits.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 OTHER LIABILITIES (CONTINUED)

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, 2020 and 2019, unearned license fees for Limited Gaming Fund were \$231,616 and \$316,127, respectively. As of June 30, 2020 unearned licensee fees for Sports Betting Fund were \$88,423.

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 2020, the Division hired three 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, 2020:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Total</u>
Balances, June 30, 2018	\$ 526,347	\$ 65,462	\$ 591,809
Increase	356,956	54,848	411,804
Decrease	<u>(336,891)</u>	<u>(48,056)</u>	<u>(384,947)</u>
Balances, June 30, 2019	546,412	72,254	618,666
Increase	404,002	61,759	465,761
Decrease	<u>(224,881)</u>	<u>(51,707)</u>	<u>(276,588)</u>
Balances, June 30, 2020	<u>\$ 725,533</u>	<u>\$ 82,306</u>	<u>\$ 807,839</u>

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 decreased almost 36% from fiscal year 2019. HB 20-1399 was signed by the Governor on June 30, 2020.

Under Section 44-30-701, C.R.S., 50% of the distribution of gaming taxes is transferred to the General Fund which includes \$15,000,000 to the Colorado Travel and Tourism Promotion Fund, \$5,500,000 to the Advanced Industries Acceleration Cash Fund, \$5,398,246 to the Local Government Limited Gaming Impact Fund, \$2,100,000 to the Innovative Higher Education Research Fund, \$2,000,000 to the Creative Industries Cash Fund, and \$500,000 to the Colorado Office of Film, Television, and Media Operational Account Cash Fund. HB 20-1399 suspended the six state agency general fund transfers listed above for fiscal year 2020 and fiscal year 2021. Instead, 50% of the distribution was transferred and remained in the General Fund.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

In accordance with 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, is to be transferred by the State Treasurer to the recipients of limited gaming revenues according to 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.

Due to the passage of SB18-191, a change was implemented to the amount of the limited gaming distribution to the Local Government Limited Gaming Impact Fund (LGLGIF) beginning in fiscal year 2018. The LGLGIF will be given \$5,000,000, annually increased by an amount equal to the percentage increase of the share distributed to the State General Fund, plus the amount of the projected annual direct and indirect costs to administer the Local Government Limited Gaming Impact Grant Program for the upcoming fiscal year. If the state share does not increase from the previous fiscal year, then the State Treasurer shall transfer an amount equal to the previous fiscal year's transfer, plus the amount of the projected annual direct and indirect costs to administer the Local Government Limited Gaming Impact Grant Program for the upcoming fiscal year.

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2020 and 2019, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,765,627 and \$2,629,136, respectively.

On August 27th, 2020, the Commission approved the limited gaming distribution of \$50,917,748 for the fiscal year ended June 30, 2020 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,	
	2020	2019
Distribution to other State agencies		
Colorado State Historical Fund	\$ 14,256,969	\$ 26,278,174
Local Government Limited Gaming Impact Fund	-	5,398,346
Colorado Travel and Tourism Promotion Fund	-	15,000,000
Colorado Office of Film, Television, and Media Operational Account Cash Fund	-	500,000
Advanced Industries Acceleration Cash Fund	-	5,500,000
Creative Industries Cash Fund	-	2,000,000
Innovative Higher Education Research Fund	-	2,100,000
Total distributions to other State agencies	14,256,969	56,776,520
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk	5,091,775	9,385,062
Gilpin and Teller Counties	6,110,130	11,262,074
Total distributions to other governments	11,201,905	20,647,136
Distribution to the State General Fund	25,458,874	16,426,964
Total distributions	\$ 50,917,748	\$ 93,850,620

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

Extended Gaming Distribution

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

- 78% to the 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.

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

- 1) "Extended gaming" means subsection (7) of section 9 of article XVIII of the State constitution as approved by statewide voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central and Cripple Creek;
- 2) "Extended gaming revenues" mean the "limited gaming tax revenues attributable to extended limited gaming" as defined by Section 44-30-702(4)(d), C.R.S.; and
- 3) "Limited gaming revenues" mean the gaming tax revenues attributable to the operation of limited gaming prior to extended gaming.

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

- 1) After the end of 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)

The original or 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. For fiscal year 2020, the actual annual decrease is 35.7%. The annual adjustment amount attributable to the 35.7% decrease for fiscal year 2020 is \$(4,636,882).

On August 27th, 2020, the Commission approved the extended gaming distribution of \$15,310,639 for the fiscal year ended June 30, 2020, in accordance with Section 44-30-702, C.R.S. These amounts were transferred to the Extended Gaming Fund at each fiscal year end as follows:

	Year Ended June 30,	
	2020	2019
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	\$ 11,942,298	\$ 13,986,794
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties	1,837,277	2,151,814
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities	1,531,064	1,793,179
Total transfer for distribution attributable to extended gaming	\$ 15,310,639	\$ 17,931,787

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.

Due to the fact that sports betting only began on May 1, 2020, in very limited fashion, the sports betting revenues collected by the Division during fiscal year 2020 are not sufficient to make the transfers described in Section 44-30-1509, C.R.S. The Division will be distributing the sports betting revenues in the fiscal year to come 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 44-30-1501, et seq., 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 six percent of the full fiscal year sports betting tax revenues to the Wagering Revenue Recipients Hold-harmless Fund.
- Fourth, transfer one hundred thirty thousand dollars annually to the Office of Behavioral Health in the Department of Human Services.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 SPORTS BETTING DISTRIBUTION (CONTINUED)

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

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 Wagering Revenue Recipients Hold-Harmless Fund, gambling addiction services, and the Colorado Water Plan.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Golden Office

In May 2010, the Division entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. The lease began in September 2010 with an initial term of ten years. On June 16, 2020 the Division of Gaming entered into a holdover status effective July 1, 2020 pursuant to the lease agreement from May 2010. The lease agreement was effectively extended on a month-to-month basis after expiration of the original lease term.

<u>Year Ended June 30,</u>	
2021	\$ 54,769
Total	<u>\$ 54,769</u>

In June 2020, the Department of Revenue, Enforcement Business Group, entered into a lease agreement with a third party to lease office space at 17301 W. Colfax Avenue, Golden, Colorado. The Division of Gaming will share in this obligation. The lease is scheduled to begin in October 2020 with an initial term of ten years.

<u>Year Ended June 30,</u>	
2021	\$ 4,292
2022	177,272
2023	356,770
2024	367,581
2025	378,393
2026 - 2030	2,054,132
2031	110,815
Total	<u>\$ 3,449,255</u>

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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 fund 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. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

Plan Description

Eligible employees of the Division are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the 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 comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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 percent 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
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JUNE 30, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

As of December 31, 2019, 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, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent 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 percent 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
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NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Eligible employees and the Division are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8.75 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020	State Troopers	
			January 1, 2019 Through June 30, 2019	July 1, 2019 Through June 30, 2020
Employer Contribution Rate	10.15 %	10.40 %	10.15 %	10.40 %
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)%	(1.02)%
Amount Apportioned to the SDTF	9.13 %	9.38 %	9.13 %	9.38 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411	4.50 %	4.50 %	4.50 %	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411	5.50 %	5.50 %	5.50 %	5.50 %
Total Employer Contribution Rate to the SDTF	19.13 %	19.38 %	19.13 %	19.38 %

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. § 24-51-413, the State is required to contribute \$225 million 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. \$141,010 of the direct distribution payment is allocated to the Division.

Subsequent to the SDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 the Division was \$1,315,020 for the fiscal year ended June 30, 2020, including the allocation of the direct distribution payment.

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DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 outflows 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2019 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, 2020, the Division's proportionate share of the net pension liability is \$17,684,708. At December 31, 2019, the Division's proportion was 0.1822451087%, which was an increase of 0.0049167854% from its proportion of 0.1773283233% measured as of December 31, 2018.

For the fiscal year ended June 30, 2020, the Division's share of pension expense was (\$4,537,086). At June 30, 2020, the Division's share of deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 660,739	\$ -
Changes of Assumptions or Other Inputs	-	5,072,355
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,905,318
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	492,957	316,393
Contributions Subsequent to the Measurement Date	600,287	-
Total	<u>\$ 1,753,983</u>	<u>\$ 7,294,066</u>

\$600,287 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 fiscal year ended June 30, 2021.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (5,234,697)
2022	(182,492)
2023	(74,782)
2024	(648,399)

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DEPARTMENT OF REVENUE, STATE OF COLORADO
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NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2018 actuarial valuation used 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 For 2019, the annual increase was 0.00%

Healthy mortality assumptions for active members reflect 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 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods 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.

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DEPARTMENT OF REVENUE, STATE OF COLORADO
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NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, 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 by the investment consultant 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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	<u><u>100.00 %</u></u>	

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 rate of return assumption of 7.25%.

**DIVISION OF GAMING
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NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. 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 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members
- 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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.
- 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 fiduciary net position, 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 fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position 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 percent 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one 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	\$ 22,756,300	\$ 17,684,708	\$ 13,397,520

Pension Plan Fiduciary Net Position: Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11 OTHER RETIREMENT PLANS

Voluntary Investment Program

Plan Description

Employees of the Division that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions. For the fiscal year ended June 30, 2020, Division employees who are program members contributed \$83,439.

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NOTE 11 OTHER RETIREMENT PLANS (CONTINUED)

Defined Contribution Retirement Plan (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). 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 comprehensive annual financial report as referred to above.

Funding Policy

All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.75 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.40 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.75 percent of their PERA-includable salary and the State of Colorado is required to contribute 13.10 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	July 1, 2019 Through June 30, 2020
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%
Total Employer Contribution Rate for AED and SAED	10.00%

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

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NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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 and additions to/deductions from the fiduciary net position 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 PERACare 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 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.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. 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.

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NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 basis for 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 percent 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 basis for 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 percent 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 \$61,790 for the fiscal year ended June 30, 2020.

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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, or deferred inflows or outflows related to OPEB. The following disclosure amounts are for informational purposes only.

At June 30, 2020, the Division's proportionate share of the net OPEB liability is \$671,720. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The Division's proportion of the net OPEB liability was based on the Division's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Division's proportion was 0.0597616999%, which was an increase of 0.0005337343% from its proportion measured as of December 31, 2018.

For the fiscal year ended June 30, 2020, the Division's share of OPEB expense was \$2,746. At June 30, 2020, the Division's share of deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,229	\$ 112,874
Changes of Assumptions or Other Inputs	5,573	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	11,212
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	5,973	48,650
Contributions Subsequent to the Measurement Date	31,594	-
Total	\$ 45,369	\$ 172,736

\$31,594 reported as deferred outflows of resources related to OPEB resulting from Division contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (36,525)
2022	(36,524)
2023	(33,278)
2024	(30,449)
2025	(20,942)
Thereafter	(1,243)

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DEPARTMENT OF REVENUE, STATE OF COLORADO
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NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following 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	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums	3.50% for 2019, 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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

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NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<u>Medicare Plan</u>	<u>Cost for Members Without Medicare Part A</u>	
Self-Funded Medicare Supplement Plans	\$	562
Kaiser Permanente Medicare Advantage HMO		571

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.

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, 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 that were used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
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%

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are 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 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement 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 percent factor applied to rates for ages less than 80, a 108 percent 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 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement 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 percent factor applied to rates for ages less than 80, a 113 percent 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 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following economic and demographic assumptions were updated and used in the measurement of the obligations 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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 by the investment consultant 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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	<u><u>100.00 %</u></u>	

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 rate of return assumption of 7.25 percent.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Division's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Division's proportionate share of the net OPEB liability, as well as what the Division's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
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	\$ 655,764	\$ 671,720	\$ 690,159

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. 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, 2019, 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 3.50%.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 HCTF's fiduciary net position 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 percent 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. There was no change in the discount rate from the prior measurement date.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the Division's proportionate share of the net OPEB liability, as well as what the Division's 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 discount rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of the Net OPEB Liability	\$ 759,515	\$ 671,720	\$ 596,638

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 RISK MANAGEMENT

The Division participates in the State's 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.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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 consist of the following:

	For the Years Ended	
	2020	2019
State agency services:		
Colorado State Patrol	\$ 3,415,107	\$ 3,155,129
Colorado Bureau of Investigation	1,038,715	1,045,357
Colorado Division of Fire Prevention and Control	209,754	199,073
Indirect costs (Colorado Department of Revenue)	903,467	906,594
Legal Services (Colorado Department of Law)	231,742	169,913
Office of the State Auditor	32,813	32,427
Office of Information Technology Purchased Services	388,006	577,234
Total payments to State agencies	<u>\$ 6,219,604</u>	<u>\$ 6,085,727</u>

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

	For the Years Ended	
	2020	2019
State agency services:		
Indirect costs (Colorado Department of Revenue)	\$ 10,838	\$ -
Legal Services (Colorado Department of Law)	142,388	-
Total payments to State agencies	<u>\$ 153,226</u>	<u>\$ -</u>

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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,	
	<u>2020</u>	<u>2019</u>
State agencies:		
Colorado State Historical Society	\$ 14,256,969	\$ 26,278,174
Colorado Department of Local Affairs	-	5,398,346
Colorado Office of Economic Development	-	23,000,000
Colorado Department of Higher Education	-	2,100,000
Total liabilities to State agencies	<u>14,256,969</u>	<u>56,776,520</u>
Other governments:		
City of Black Hawk	3,716,996	6,916,791
City of Central	485,246	891,581
City of Cripple Creek	889,533	1,576,690
Gilpin County	5,042,690	9,370,046
Teller County	1,067,440	1,892,028
Total liabilities to other governments	<u>11,201,905</u>	<u>20,647,136</u>
State General Fund	<u>25,458,874</u>	<u>16,426,964</u>
Total liabilities to State agencies, State General Fund, and other governments	<u>\$ 50,917,748</u>	<u>\$ 93,850,620</u>

Total related party liabilities of \$50,917,748 and \$93,850,620 at June 30, 2020 and June 30, 2019, respectively, are solely related to the fiscal year 2020 and fiscal year 2019 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, 2020**

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Gaming Taxes	\$ 129,119,082	\$ -	\$ 129,119,082	\$ 80,335,469	\$ (48,783,613)
License and Application Fees	654,547	-	654,547	598,129	(56,418)
Background Investigations	270,060	-	270,060	226,273	(43,787)
Fines and Fees	-	-	-	14,136	14,136
Interest Revenue	604,345	-	604,345	1,126,012	521,667
Other Revenue	-	-	-	1,089	1,089
TOTAL REVENUES	<u>130,648,034</u>	<u>-</u>	<u>130,648,034</u>	<u>82,301,108</u>	<u>(48,346,926)</u>
EXPENDITURES:					
Personal Services	9,273,601	(5,129)	9,268,472	8,468,922	799,550
Operating Expenditures	582,649	327,500	910,149	532,783	377,366
Workers Compensation	58,117	2,137	60,254	60,254	-
Risk Management	19,178	-	19,178	19,178	-
Licensure Activities	181,497	-	181,497	84,521	96,976
Leased Space	328,620	5,945	334,565	334,545	20
Vehicle Lease Payments - Fixed	84,782	-	84,782	54,424	30,358
Vehicle Lease Payments - Variable	96,639	-	96,639	74,088	22,551
Utilities	23,425	-	23,425	23,425	-
Legal Services	231,742	-	231,742	231,742	-
CORE Operations	57,696	-	57,696	57,696	-
Payments to Office of Information Technology	388,006	-	388,006	388,006	-
Information Technology	76,275	17,548	93,823	53,443	40,380
Indirect Costs - Department of Revenue	973,540	5,129	978,669	903,467	75,202
State Agency Services	4,991,182	-	4,991,182	4,663,576	327,606
Division Expenditures	<u>17,366,949</u>	<u>353,130</u>	<u>17,720,079</u>	<u>15,950,070</u>	<u>1,770,009</u>
Background Expenditures	263,964	-	263,964	30,401	233,563
TOTAL EXPENDITURES	<u>17,630,913</u>	<u>353,130</u>	<u>17,984,043</u>	<u>15,980,471</u>	<u>2,003,572</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 113,017,121</u>	<u>\$ (353,130)</u>	<u>\$ 112,663,991</u>	<u>\$ 66,320,637</u>	<u>\$ (46,343,354)</u>

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

Net increase in the fair value of investments

1,150,276

**EXCESS OF REVENUES
OVER EXPENDITURES**

\$ 67,470,913

* 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, 2020**

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES:					
Sports Betting Taxes	\$ 20,000	\$ -	\$ 20,000	\$ 311,697	\$ 291,697
License and Application Fees	107,244	-	107,244	117,059	9,815
Sports Betting Operations Fees	1,545,180	-	1,545,180	390,500	(1,154,680)
Background Investigations	86,591	-	86,591	117,232	30,641
Interest Revenue	13,329	-	13,329	15,705	2,376
TOTAL REVENUES	<u>1,772,344</u>	<u>-</u>	<u>1,772,344</u>	<u>952,193</u>	<u>(820,151)</u>
EXPENDITURES:					
Personal Services	882,345	-	882,345	796,628	85,717
Operating Expenditures	154,132	-	154,132	41,864	112,268
Licensure Activities	33,000	-	33,000	6,372	26,628
Vehicle Lease Payments - Fixed	34,650	-	34,650	-	34,650
Legal Services	142,388	-	142,388	142,388	-
Tax Admin - Maintenance and Support	443,500	-	443,500	94,556	348,944
Division Expenditures	<u>1,690,015</u>	<u>-</u>	<u>1,690,015</u>	<u>1,081,808</u>	<u>608,207</u>
Non Personal Services					
Background Expenditures	<u>49,000</u>	<u>-</u>	<u>49,000</u>	<u>8,282</u>	<u>40,718</u>
TOTAL EXPENDITURES	<u>1,739,015</u>	<u>-</u>	<u>1,739,015</u>	<u>1,090,090</u>	<u>648,925</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 33,329</u>	<u>\$ -</u>	<u>\$ 33,329</u>	<u>\$ (137,897)</u>	<u>\$ (1,469,076)</u>

**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	<u>53,904</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (83,993)</u>

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

**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	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date	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	0.182245109%	0.177328323%	0.183309939%	0.191842059%	0.191372585%	0.192446020%	0.198318858%
Division's proportionate share of the collective pension liability	17,684,708	20,177,610	36,699,165	35,237,801	20,153,510	18,102,462	17,666,186
Covered payroll	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	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	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**

	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions **	\$ 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	1,315,020	1,198,503	998,250	980,190	947,398	888,726	819,042	738,518
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	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	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.

**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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Division's proportion (percentage) of the collective net OPEB liability	0.059761700%	0.059227966%	0.010347596%	0.009566987%
Division's proportionate share of the collective OPEB liability	671,720	805,821	806,020	851,584
Covered-employee payroll	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	11.65%	14.18%	15.31%	15.58%
Plan fiduciary net position as a percentage of the total OPEB liability	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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 61,790	\$ 56,482	\$ 53,226	\$ 53,524	\$ 54,363	\$ 52,558	\$ 50,724	\$ 48,876
Contributions in relation to the statutorily required contribution	<u>61,790</u>	<u>56,482</u>	<u>53,226</u>	<u>53,524</u>	<u>54,363</u>	<u>52,558</u>	<u>50,724</u>	<u>48,876</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	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%

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

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Last 10 Fiscal Years**

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

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%

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Last 10 Fiscal Years**

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

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.