

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

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

YEARS ENDED JUNE 30, 2024 AND 2023

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

**REPORT SUMMARY
YEARS ENDED JUNE 30, 2024 AND 2023**

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Eide Bailly LLP to conduct the financial audits of the Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund (SBET), and Hold-Harmless Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division) for the Fiscal Years ended June 30, 2024 and 2023. These audits were 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. The purpose of the audits were to express opinions on the financial statements of the Division for the fiscal years ended June 30, 2024 and 2023.

Eide Bailly LLP conducted the audits for the fiscal years ended June 30, 2024 and 2023 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 the audits were:

- To express an opinion on the financial statements of the Division as of and for the fiscal years ended June 30, 2024 and 2023 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 years ended June 30, 2024 and 2023.
- To evaluate progress in implementing any prior audit recommendations.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

A summary of the finding and recommendation reported for the year ended June 30, 2023 is included on page 2.

SUMMARY OF AUDIT FINDINGS

There were no new recommendations as a result of the current year audit.

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

**DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
YEARS ENDED JUNE 30, 2024 AND 2023**

Recommendation Number	Recommendation Summary	Disposition
2023-001	The Division of Gaming should strengthen its internal control over its financial reporting to ensure that the financial statement classifications of all distribution payments are properly reported within the financial statements.	Recommendation fully implemented.

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

**DESCRIPTION OF THE COLORADO DIVISION OF GAMING
YEARS ENDED JUNE 30, 2024 AND 2023**

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

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

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

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

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

The Legislature passed in the 2022 Legislative Session, and the Governor signed HB 22-1402 on June 7, 2022. This bill established the Responsible Gaming Grant Program and the Responsible Gaming Grant Program Cash Fund. The grant program was created to promote responsible gaming and address problem gambling. The Limited Gaming Control Commission, in collaboration with the Behavioral Health Administration (BHA) must administer the program and award grants.

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund, and Hold-Harmless Fund of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Extended Gaming Fund, Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund, and Hold-Harmless Fund, as of June 30, 2024 and 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Relationship with the State of Colorado

As discussed in Note 1, the financial statements of the Division of Gaming of the Department of Revenue of the State of Colorado are intended to present the financial position and the changes in financial position of only that portion of the governmental funds of the Department of Revenue of the State of Colorado that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the Department of Revenue of the State of Colorado, as of June 30, 2024 and 2023, or the changes in its financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Description of Colorado Division of Gaming but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024 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 Division's internal control over financial reporting and compliance.



Denver, Colorado
December 4, 2024

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

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 years ended June 30, 2024, June 30, 2023 and June 30, 2022. Please read it in conjunction with the Division's financial statements.

Financial Highlights

- Gaming Tax revenues (described on page 13 in detail) were \$173,549,508 for the fiscal year ended June 30, 2024, compared to tax revenues of \$167,754,529 for the prior fiscal year ended June 30, 2023, which is an increase of \$5,794,979 or 3.45%.
- The Limited Gaming Distribution was \$114,567,750 in fiscal year 2024 compared to \$111,282,777 in fiscal year 2023, relating to an increase in the total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, for the Limited Gaming Fund. The Extended Gaming Distribution was \$46,434,925 in fiscal year 2024 compared to \$44,135,150 in fiscal year 2023. Due to the timing of the distributions, the Limited Gaming Distribution was recorded as an other financing use occurring within fiscal year 2024 whereas the Extended Gaming Distribution relating to fiscal year 2024 activity remained in restricted fund balance as of June 30, 2024.
- Sports Betting Tax revenues were \$30,440,341 for the fiscal year ended June 30, 2024, compared to tax revenues of \$25,613,575 for the fiscal year ended June 30, 2023, which is an increase of \$4,826,766 or 18.84%.
- An increase of Sports Betting total excess of revenues over expenditures, excluding the unrealized change in fair value of investments, increased the Sports Betting Fund Distribution to \$29,974,019 compared to last fiscal year's total Sports Betting Fund Distribution of \$25,437,773. Due to the timing of the distribution, the Sports Betting Fund Distribution relating to fiscal year 2024 activity remained in restricted fund balance as of June 30, 2024.
- Fiscal year 2024 was the second year Responsible Gaming grants were awarded. HB 22-1402 requires the transfer of \$2.5 million of the State Share of the Limited Gaming Distribution to this fund. In fiscal year 2024 there were 12 applicants for Responsible Gaming Grant awards. The Kindbridge research institute and the Problem Gambling Coalition of CO were granted 7 awards in various areas, such as problem gambling awareness, healthy and athlete wellbeing programs, as well as military problem gambling research. The Division awarded \$1,960,471 in Responsible Gaming Grant funds, as approved by the Gaming Commission.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2024 and 2023. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund, the Limited Gaming Fund, the Sports Betting Fund, the Hold-Harmless Fund, and the Responsible Gaming Grant Fund. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming and Sports Betting Distributions, the beginning fund balances at July 1, 2023 and July 1, 2022, respectively, and the ending fund balances as of June 30, 2024 and 2023, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

Using this Report (Continued)

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

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and approval of Proposition DD. In summation, House Bill 19-1327 and Proposition DD authorized the collection of a 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.

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

The Legislature passed HB 22-1402 during the 2022 Legislative Session, and the Governor signed it on June 7, 2022. This bill established the Responsible Gaming Grant Program and the Responsible Gaming Grant Program Cash Fund. The Division Controller worked with the Office of the State Controller to create the Responsible Gaming Grant Program Cash Fund in the state's financial system. The grant program was created to promote responsible gaming and address problem gambling. The Limited Gaming Control Commission, in collaboration with the Behavioral Health Administration (BHA) must administer the program and award grants.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Assets, Liabilities, and Fund Balance

The following compares fiscal year 2024 and fiscal year 2023 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2024	2023	Dollars	Percent
Cash and Temporary Cash Investments	\$169,212,492	\$161,086,924	\$ 8,125,568	5.04%
Gaming and Sports Betting taxes and other receivables	19,443,001	18,985,189	457,812	2.41%
Due from Limited Gaming Fund	2,500,000	2,500,000	-	0.00%
Prepaid expenses	38,008	45,722	(7,714)	(16.87%)
Total assets	<u>\$191,193,501</u>	<u>\$182,617,835</u>	<u>\$ 8,575,666</u>	4.70%
Accounts payable, wages, and accrued payroll payable	\$ 3,129,756	\$ 6,443,078	\$ (3,313,322)	(51.42%)
Due to other State agencies, other governments, and the State General Fund	112,067,750	108,782,777	3,284,973	3.02%
Due to Responsible Gaming Grant Fund	2,500,000	2,500,000	-	0.00%
Other liabilities	1,097,103	1,096,610	493	0.04%
Total liabilities	<u>118,794,609</u>	<u>118,822,465</u>	<u>(27,856)</u>	(0.02%)
Fund balance	<u>72,398,892</u>	<u>63,795,370</u>	<u>8,603,522</u>	13.49%
Total liabilities and fund balance	<u>\$191,193,501</u>	<u>\$182,617,835</u>	<u>\$ 8,575,666</u>	4.70%

The year-end total fund balance reflects the overall financial position of the Division, which is \$72,398,892 at June 30, 2024 compared to \$63,795,370 at June 30, 2023. Total assets of \$191,193,501 at June 30, 2024 increased \$8,575,666, or 4.70%, as compared to the prior year balance of \$182,617,835. The increase in total assets is due primarily to increases in cash and temporary investments. Cash increased primarily due to more taxes collected in the SBET fund.

The Division's total liabilities were \$118,794,609 at June 30, 2024 and \$118,822,465 at June 30, 2023. The \$27,856 decrease is due primarily to accounts payable. The accounts payable decrease includes \$1,825,853 of EPC (electronic promotional credit) credits at June 30, 2024 payable in the next fiscal year as compared to EPC at June 30, 2023 of \$5,169,211, and distributions to funds – see Note 7 for further discussion over distributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Assets, Liabilities, and Fund Balance (Continued)

The following compares fiscal year 2023 and fiscal year 2022 assets, liabilities, and fund balances.

	Fiscal Year		Increase/(Decrease)	
	2023	2022	Dollars	Percent
Cash and Temporary Cash Investments	\$161,086,924	\$141,888,634	\$ 19,198,290	13.53%
Gaming and Sports Betting taxes and other receivables Due from Limited Gaming Fund	18,985,189	16,455,449	2,529,740	15.37%
Prepaid expenses	2,500,000	-	2,500,000	100.00%
	45,722	49,848	(4,126)	(8.28%)
Total assets	<u>\$182,617,835</u>	<u>\$158,393,931</u>	<u>\$ 24,223,904</u>	15.29%
Accounts payable, wages, and accrued payroll payable	\$ 6,443,078	\$ 989,821	\$ 5,453,257	550.93%
Due to other State agencies, other governments, and the State General Fund	108,782,777	101,831,683	6,951,094	6.83%
Due to Responsible Gaming Grant Fund	2,500,000	-	2,500,000	100.00%
Other liabilities	1,096,610	1,141,876	(45,266)	(3.96%)
Total liabilities	<u>118,822,465</u>	<u>103,963,380</u>	<u>14,859,085</u>	14.29%
Fund balance	<u>63,795,370</u>	<u>54,430,551</u>	<u>9,364,819</u>	17.21%
Total liabilities and fund balance	<u>\$182,617,835</u>	<u>\$158,393,931</u>	<u>\$ 24,223,904</u>	15.29%

The year-end total fund balance reflects the overall financial position of the Division, which is \$63,795,370 at June 30, 2023 compared to \$54,430,551 at June 30, 2022. Total assets of \$182,617,835 at June 30, 2023 increased \$24,223,904, or 15.29%, as compared to the prior year balance of \$158,393,931. The increase in total assets is due primarily to increases in cash and temporary cash investments. Cash increase primarily due to more taxes collected in the SBET fund.

The Division's total liabilities were \$118,822,465 at June 30, 2023 and \$103,963,380 at June 30, 2022. The \$14,859,085 increase is primarily due to accounts payable and the fiscal year 2023 Limited Gaming Distribution. The increase included \$5,169,211 of EPC refunds included in accounts payable in the current year and increases in distributions from funds – see Note 7 for further discussion over distributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2024 and fiscal year 2023 revenues, expenditures, and changes in fund balance.

	Fiscal Year		Increase/(Decrease)	
	2024	2023	Dollars	Percent
REVENUES				
Gaming Taxes	\$ 173,549,508	\$ 167,754,529	\$ 5,794,979	3.45%
Sports Betting Taxes	30,440,341	25,613,575	4,826,766	18.84%
License and Application Fees	908,300	876,053	32,247	3.68%
Other Revenue	5,956,960	741,149	5,215,811	703.74%
Total Revenues	210,855,109	194,985,306	15,869,803	8.13%
EXPENDITURES				
Operating Expenditures	15,675,624	15,476,716	198,908	1.29%
Background Investigations	104,058	7,646	96,412	1260.95%
State Agency Services	6,213,286	5,359,174	854,112	15.94%
Debt Service/Principal/Interest	165,680	180,451	(14,771)	(8.19%)
Gaming Fund				
Distributions Paid or Accrued During the Fiscal Year	<u>39,069,786</u>	<u>39,242,894</u>	<u>(173,108)</u>	(0.44%)
Total Expenditures	61,228,434	60,266,881	961,553	1.60%
Excess of Revenues Over Expenditures	149,626,675	134,718,425	14,908,250	11.07%
Fund Balance – Beginning of Year	<u>63,795,371</u>	<u>56,930,551</u>	<u>6,864,820</u>	12.05%
Other Financing (Uses)	<u>(141,023,154)</u>	<u>(127,853,605)</u>	<u>(13,169,549)</u>	10.30%
FUND BALANCE – END OF YEAR	<u>\$ 72,398,892</u>	<u>\$ 63,795,371</u>	<u>\$ 8,603,521</u>	13.49%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

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

The following compares total fiscal year 2023 and fiscal year 2022 revenues, expenditures, and changes in fund balance. The transfer out to the general fund in fiscal year 2022 relates to the repayment of startup costs outlined in HB 19-1327.

	Fiscal Year		Increase/(Decrease)	
	2023	2022	Dollars	Percent
REVENUES				
Gaming Taxes	\$ 167,754,529	\$ 162,004,358	\$ 5,750,171	3.55%
Sports Betting Taxes	25,613,575	12,445,448	13,168,127	105.81%
License and Application Fees	876,053	845,546	30,507	3.61%
Other Revenue	741,149	(4,780,476)	5,521,625	(115.50%)
Total Revenues	194,985,306	170,514,876	24,470,430	14.35%
EXPENDITURES				
Operating Expenditures	15,476,716	13,481,155	1,995,561	14.80%
Background Investigations	7,646	4,845	2,801	57.81%
State Agency Services	5,359,174	5,734,537	(375,363)	(6.55%)
Debt Service/Principal/Interest	180,451	148,054	32,397	21.88%
Gaming Fund Distributions Paid or Accrued During the Fiscal Year	39,242,894	27,911,082	11,331,812	40.60%
Total Expenditures	60,266,881	47,279,673	12,987,208	27.47%
Excess of Revenues Over Expenditures	134,718,425	123,235,203	11,483,222	9.32%
Issuance of Lease	-	1,734,280	(1,734,280)	100.00%
Less: Intergovernmental Transfers	(127,853,605)	(99,643,966)	(28,209,639)	28.31%
Fund Balance – Beginning of Year	56,930,551	29,105,034	27,825,517	95.60%
FUND BALANCE – END OF YEAR	\$ 63,795,371	\$ 54,430,551	\$ 9,364,820	17.21%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2024 was \$149,626,675. This represents an increase of \$14,908,250 compared to fiscal year 2023 excess of revenues over expenditures of \$134,718,425.

The fiscal year 2024 net decrease in fair value of investments of \$568,531 and net decrease of \$4,550,083 in fiscal year 2023 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2024 and 2023, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos followed by sports betting taxes. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). Sports betting taxes are imposed at the rate of 10.00% of net sports betting proceeds (NSBP). The adjusted gross proceeds of casinos increased 1.10% in fiscal year 2024, as compared to fiscal year 2023. Sports Betting taxes collected increased 18.84% as compared to fiscal year 2023. The combined Gaming and Sports Betting tax revenues earned by the Division for the fiscal years ending June 30, 2024 and 2023 were \$203,989,849 and \$193,368,104, respectively. This represents an increase of \$10,621,745 and was due primarily to the passage of Amendment 77. For fiscal year 2024, the Gaming tax rates remained the same as in fiscal year 2023 and 2022. The Sports Betting tax rate remained at 10.00% of NSBP.

The Colorado Limited Gaming Control Commission assesses Gaming taxes based on adjusted gross proceeds. The tax rates for fiscal years 2024, 2023, and 2022 are below.

	Tax Rate for Fiscal Year		
	2024	2023	2022
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, 2024 AND 2023**

Revenues (Continued)

Significant changes in revenue categories to fiscal year 2024 from fiscal year 2023 are explained below. Revenues with an * are included in the other revenue total on page 11.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	5,794,979	3.45%	The increase in fiscal year 2024 is primarily due to Amendment 77 effective 5/21/22; no betting limits and other games allowed.
Sports Betting Taxes	4,826,766	18.84%	The increase in fiscal year 2024 is due primarily to the year over year increase in Net Sports Betting Proceeds resulting from an ~16% increase in total wagers from the prior year.
Background Investigations*	162,349	79.90%	The increase in fiscal year 2024 is due primarily to the work performed on the backlog of pending accounts; background revenues vary based on scope and volume.
Fines*	(216,852)	(98.78%)	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income*	1,240,351	43.04%	The increase in fiscal year 2024 is due to the increase in the Average Daily Balance (ADB) in the State Treasury investments. The average annualized rate was 3.71% for fiscal year 2024 compared to 2.27% for fiscal year 2023.
Insurance Recoveries*	10,919	100.00%	The increase in fiscal year 2024 is due to reimbursement from State Risk Management for hail damage to the Cripple Creek office building.
Change in Fair Value of Investments*	3,981,552	87.51%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2024 versus the net change in the fair value of the Division's investments during fiscal year 2023, 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, 2024 AND 2023**

Revenues (Continued)

Significant changes in revenue categories to fiscal year 2023 from fiscal year 2022 are explained below. Revenues with an * are included in the other revenue total on page 12.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	5,750,171	3.55%	The increase in fiscal year 2023 is primarily due to Amendment 77 effective 5/21/22; no betting limits and other games allowed.
Sports Betting Taxes	13,168,127	105.81%	The increase in fiscal year 2023 is due primarily to the year over year increase in Net Sports Betting Proceeds.
Fines*	58,492	36.32%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income*	1,920,362	199.78%	The increase in fiscal year 2023 is due to the increase in the Average Daily Balance (ADB) in the State Treasury investments. The average annualized rate was 2.79% for fiscal year 2023 compared to 1.12% for fiscal year 2022.
Change in Fair Value of Investments*	3,654,990	44.55%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2023 versus the net change in the fair value of the Division's investments during fiscal year 2022, 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, 2024 AND 2023**

Expenditures

Total expenditures for the Division in fiscal year 2024 were \$61,228,434. This is an increase of \$961,553, or 1.60%, as compared to fiscal year 2023 expenditures of \$60,266,881. The information below shows the changes in expenditures from fiscal year 2024 to fiscal year 2023 with explanations provided for significant changes (excluding distributions which are discussed further in the distribution section below):

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries and Benefits	859,040	7.65%	In fiscal year 2024, there was a 5% across the board raise for all state employees. Health, Dental, Life increased by 9.5%, PERA direct distribution was \$22,059, there was an increase in staffing levels from fiscal year 2023 to fiscal year 2024.
Annual and Sick Leave Payout	43,066	57.81%	In fiscal year 2024, the increase was due to the retirements or resignations of seven long time employees and other employee turnover.
Professional Services	(109,946)	(27.04%)	In fiscal year 2024, the decrease was due primarily to the lower costs for the data automation project and updating of the Division procedures.
Travel	(40,057)	(38.80%)	In fiscal year 2024, the decrease was due to less travel by all groups within the Division.
Other Operating	(44,236)	(27.44%)	In fiscal year 2024, the decrease was due to decreased costs billed related to CORE - the state financial/accounting system.
Debt Service	(14,771)	(8.19%)	In fiscal year 2024, the decrease was due to lower lease costs. Lease principal is \$152,907 and the Lease Interest is \$12,773. The implementation of GASB 87 began fiscal year 2022.
Capital Outlay	(9,388)	(47.98%)	In fiscal year 2024 the decrease was due to the replacement of fingerprint machines in Central City and Cripple Creek offices; fiscal year 2023, replaced Lakewood fingerprint machine and all band portable radios in the outer offices.
Grants to Nongovernment Organizations	(519,583)	(20.95%)	In fiscal year 2024 the decrease was due to less grant distributions for the program to promote responsible gaming.
Background Expenditures	96,412	1260.95%	In fiscal year 2024, the increase was due to the work performed on the backlog of pending accounts and outsourced investigations; background expenditures vary based on scope and volume.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2023 were \$60,266,881. This is an increase of \$12,987,208 or 27.47%, as compared to fiscal year 2022 expenditures of \$47,279,673. The information below shows the changes in expenditures from fiscal year 2023 to fiscal year 2022 with explanations provided for significant changes (excluding distributions which are discussed further in the distribution section below):

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries and Benefits	883,556	8.54%	In fiscal year 2023, there was a 3% across the board raise for all state employees. Health, Dental, Life increased by 3.4%, PERA direct distribution was \$98,941, there was no change in staffing levels from fiscal year 2022 to fiscal year 2023.
Annual and Sick Leave Payout	25,588	52.31%	In fiscal year 2023, the increase was due to the retirement of three long time employees and other employee turnover.
Professional Services	204,278	100.96%	In fiscal year 2023, the increase was due primarily to investigator training and technical writing and updating of the Division's procedures, policies, and rules.
Travel	29,943	40.85%	In fiscal year 2023, the increase was due to a post pandemic opening of opportunities for training and conferencing to benefit the Division which was recognized by the Division Director.
Other Operating	51,686	47.20%	In fiscal year 2023, the increase was due increased payments for CORE Operations, Risk Management, and Workers Comp. costs.
Debt Service	32,397	21.88%	In fiscal year 2023, the increase is due to the higher lease payments; Lease principal is \$164,387 and the Lease Interest is \$16,064.
Grants to Nongovernment Organizations	2,480,054	100.00%	In fiscal year 2023 the increase was due to the creation of the grant program to promote responsible gaming per HB22-1402.
Background Expenditures	2,801	57.81%	In fiscal year 2023, the increase was due primarily to the work performed on the backlog of pending accounts; background expenditures vary based on scope and volume.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

Between fiscal years 2024 and 2023 staffing changes throughout the Division were as follows:

<u>FY24</u>	<u>Filled FTE</u>	<u>FY23</u>	<u>Filled FTE</u>
Gaming	76	Gaming	76
Sports Betting	23	Sports Betting	21

Economy

The Division continues to see year-over-year increases in Limited Gaming AGP and Gaming Taxes of 1.10% and 1.41%, respectively, in fiscal year 2024 as compared to fiscal year 2023. Due to the large increases in fiscal year 2022, changes were made to the Limited Gaming and Extended Limited Gaming fund distributions (see SB 22-216 discussion below).

Sunset Review

The Gaming Act that established the Division of Gaming was scheduled for repeal on September 1, 2021. As required by the Department of Regulatory Agencies (DORA) and in accordance with 24-34-104 C.R.S., the Division was subject to a Sunset Review to determine whether the currently prescribed gaming regulations should be continued for the protection of the public and to evaluate the performance of the Division. The Review resulted in findings and recommendations being submitted to the Office of Legislative Legal Services recommending that the Division continue and resulted in HB 22-1412, which was passed and signed by the governor on June 7, 2022. The Division began implementing this legislation in fiscal year 2022-2023, with changes including changing the minimum age of a casino employee to 18 years of age; designating the Department of Revenue's Hearings Division to conduct hearings under the "Fantasy Contests Act;" repealing the requirement that internationally based internet sports betting personnel submits to a fingerprint-based criminal history record check, and subjecting payments of sports betting winnings to the "Gambling Payment Intercept Act."

Responsible Gaming

The Legislature passed HB 22-1402 during the 2022 Legislative Session, and the Governor signed it on June 7, 2022. This bill establishes a Self-Exclusion Program, along with the Responsible Gaming Grant Program (discussed below). The bill requires the Division of Gaming to operate a self-exclusion program that allows individuals to voluntarily request to be excluded from gaming activities. Some people wish to self-exclude themselves from gambling. Under the directives and guidance of the Commission and the aforementioned legislation, the Division sought out vendors to develop a system for self-exclusion. There is now a system in place where individuals can self-exclude themselves from gambling. The process is ongoing, and the financial impact to the Division cannot yet be determined.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Responsible Gaming (Continued)

The Division expects continued growth in gaming revenues, which could result in an increase in costs for responsible gaming awareness for both the industry and the Division.

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

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

- 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges,
- 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and
- 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.

In the 2022 Legislative Session, the Legislature passed, and the governor signed, SB 22-216 on June 7, 2022. This Senate Bill establishes the State Historical Society Strategic Initiative Fund and requires the transfer of \$3 million of the State Share of the Limited Gaming revenues to this fund; resets the base portion of the State Share of the Local Government Limited Gaming Impact Fund; modifies how Limited Gaming tax revenues are allocated between the Limited Gaming and Extended Gaming funds by:

- Establishing a temporary process to modify the allocation in the years following a significant decline in limited gaming tax revenues.

The Legislature passed in the 2022 Legislative Session, and the governor signed HB 22-1402 on June 7, 2022. This bill established the Responsible Gaming Grant Program and the Responsible Gaming Grant Program Cash Fund and required the transfer of \$2.5 million of the State Share of the Limited Gaming revenues to this fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Distribution (Continued)

In fiscal year 2024 there were 12 applicants requesting \$4.4 million from the Responsible Gambling Grant Fund. At the February 2024 Colorado Gaming Control Commission meeting, the Commissioners approved 7 grant applications in the amount of \$1,960,471.

At the end of each fiscal year, the Division distributes the balance remaining in the Limited Gaming Fund after reserving an amount equal to expenditures for the preceding two-month period. The Limited Gaming Fund also transfers amounts due to the Extended Gaming Fund.

The total distribution for the fiscal year ended June 30, 2024 was \$161,002,675, which includes \$46,434,925 for the Extended Gaming Fund distribution.

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

	June 30,	
	2024	2023
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 36,219,241	\$ 34,425,417
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	5,572,191	5,296,218
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	4,643,493	4,413,515
Total distribution attributable to Extended Gaming	\$ 46,434,925	\$ 44,135,150

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

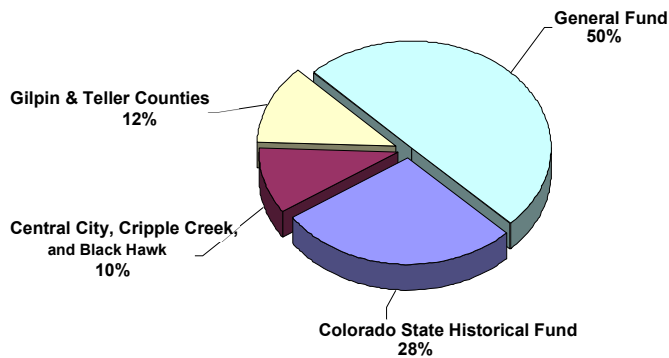
Limited Gaming Distribution

In accordance with Section 44-30-701, C.R.S. and amended by Senate Bills 13-133, 18-191, and 22-216, 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. Gaming tax revenue has increased almost 4.54% in fiscal year 2024 compared to fiscal year 2023.

- 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 City, and Black Hawk, in proportion to the gaming revenues generated in these respective cities.

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 2024.

Colorado Limited Gaming Distribution Formula
(Original Recipients)

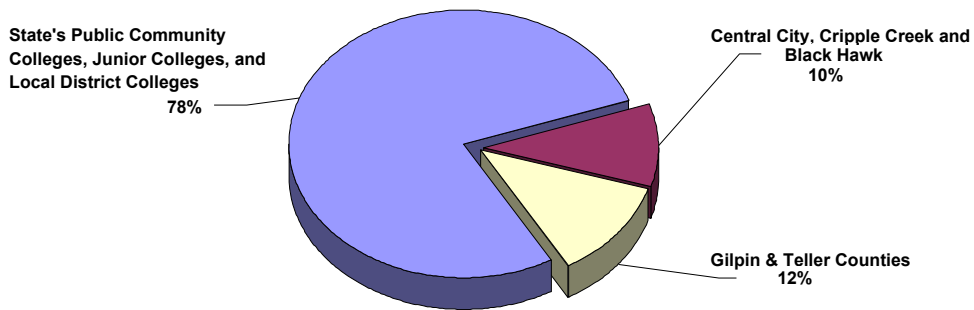


DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023

Gaming Distribution (Continued)

Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Gaming Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2024 was \$161,002,675.

The table below compares the amounts distributed to the various recipients for fiscal years 2024 and 2023.

	For the Years Ended June 30,		Difference	Percent Difference
	2024	2023		
Colorado State Historical Fund	\$ 32,078,970	\$ 31,159,178	\$ 919,792	2.95%
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	6,048,921	6,394,987	(346,066)	(5.41%)
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.00%
Total payments to other State agencies	<u>63,227,891</u>	<u>62,654,165</u>	<u>573,726</u>	0.92%
City of Black Hawk	8,837,756	8,574,338	263,418	3.07%
City of Central	831,762	856,877	(25,115)	(2.93%)
City of Cripple Creek	1,787,257	1,697,062	90,195	5.31%
Gilpin County	11,603,422	11,317,459	285,963	2.53%
Teller County	2,144,708	2,036,475	108,233	5.31%
Total payments due to other governments	<u>25,204,905</u>	<u>24,482,211</u>	<u>722,694</u>	2.95%
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000	-	0.00%
Due to the State General Fund	<u>23,634,954</u>	<u>21,646,401</u>	<u>1,988,553</u>	9.19%
Due to the Limited Gaming recipients	114,567,750	111,282,777	3,284,973	2.95%
Due to the Extended Gaming recipients	<u>46,434,925</u>	<u>44,135,150</u>	<u>2,299,775</u>	5.21%
Total distribution	<u>\$161,002,675</u>	<u>\$ 155,417,927</u>	<u>\$ 5,584,748</u>	3.59%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Gaming Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2023 was \$155,417,927.

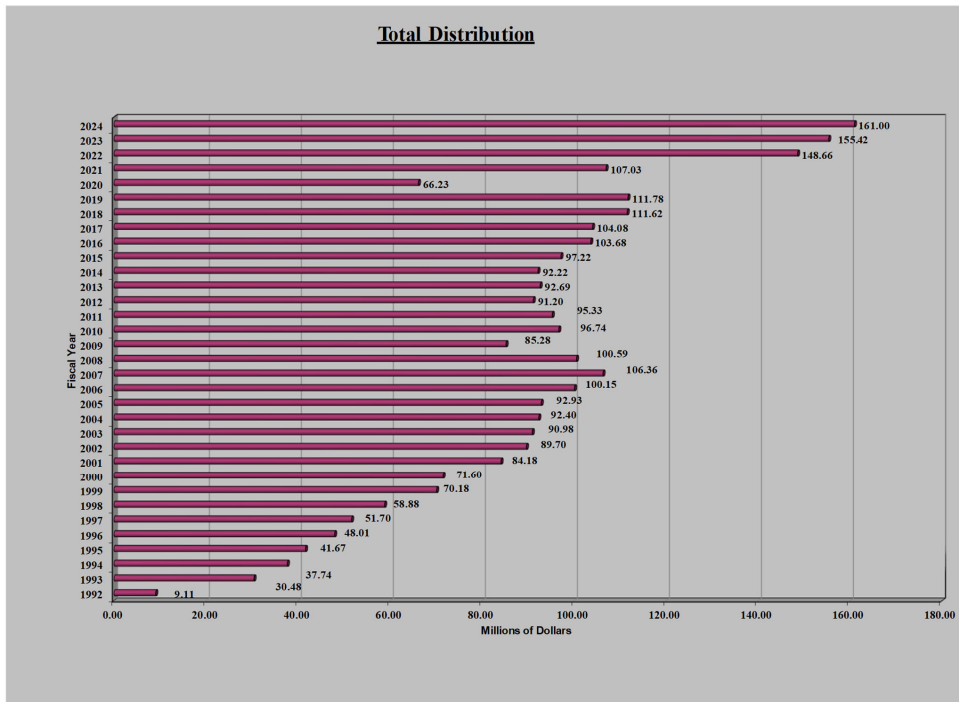
The table below compares the amounts distributed to the various recipients for fiscal years 2023 and 2022.

	For the Years Ended		Difference	Percent Difference
	2023	2022		
Colorado State Historical Fund	\$ 31,159,178	\$ 28,512,871	\$ 2,646,307	9.28%
Historical Society Strategic Initiatives Fund	-	3,000,000	(3,000,000)	(100.00%)
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	6,394,987	6,330,444	64,543	1.02%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.00%
Total payments to other State agencies	<u>62,654,165</u>	<u>62,943,315</u>	<u>(289,150)</u>	<u>(0.46%)</u>
City of Black Hawk	8,574,338	7,714,768	859,570	11.14%
City of Central	856,877	817,708	39,169	4.79%
City of Cripple Creek	1,697,062	1,650,692	46,370	2.81%
Gilpin County	11,317,459	10,238,972	1,078,487	10.53%
Teller County	2,036,475	1,980,830	55,645	2.81%
Total payments due to other governments	<u>24,482,211</u>	<u>22,402,970</u>	<u>2,079,241</u>	<u>9.28%</u>
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000	-	0.00%
Due to the State General Fund	21,646,401	13,985,398	7,661,003	54.78%
Due to the Limited Gaming recipients	111,282,777	101,831,683	9,451,094	9.28%
Due to the Extended Gaming recipients	<u>44,135,150</u>	<u>46,823,932</u>	<u>(2,688,782)</u>	<u>(5.74%)</u>
Total distribution	<u>\$155,417,927</u>	<u>\$ 148,655,615</u>	<u>\$ 6,762,312</u>	<u>4.55%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Gaming Distribution (Continued)



Sports Betting Distribution

Pursuant to Section 44-30-1509, 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 C.R.S. 44-30 Part 15, are directed to specific public purposes: the Wagering Revenue Recipients Hold-Harmless Fund, gambling addiction services, and the Colorado Water Plan.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Sports Betting Distribution (Continued)

At the end of fiscal year ending June 30, 2024 the available balance to be distributed from the Sports Betting Fund was \$29,974,019. The table below compares the amounts available to be distributed to the various recipients for fiscal years 2024 (to be distributed during fiscal year 2025) and 2023 (distributed during fiscal year 2024).

	Year Ended June 30,	
	2024	2023
6% to the Wagering Revenue Recipients Hold Harmless Fund from the Sports Betting Fund distribution	\$ 1,740,000	\$ 1,536,814
Transfer to the Office of Behavioral Health in the Department of Human Services	-	130,000
Transfer to the Water Plan Implementation Cash Fund	28,234,019	23,770,959
 Total Transfer for Distribution Attributable to Sports Betting	\$ 29,974,019	\$ 25,437,773

In the 2022 Legislative Session, the Legislature passed, and the governor signed HB 22-1402 on June 7, 2022. This bill established the Responsible Gaming Grant Program Cash Fund. Section 3 of this bill requires that on December 31, 2022, and on December 31 each year thereafter, any money credited to the Wagering Revenue Recipients Hold-Harmless Fund and not distributed within 2 years after being credited to the Hold-Harmless Fund be transferred, as authorized by the gaming commission, to the Responsible Gaming Grant Program Cash Fund. This bill also modifies the amount of free bets that may be deducted from net sports betting proceeds after January 1, 2023.

Gaming Budget

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming, the Sports Betting, and the Responsible Gaming Grant Funds. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2024:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Limited Gaming

Gaming	Beginning Budget	Supplemental Changes	Annual Revised Budget
Operating Expenditures, Line Item	\$ 976,906	\$ 700,000	\$ 1,676,906
Indirects (EDO Personal Services)	\$ 18,031	\$ 11,969	\$ 30,000

The budgeted expenditures approved at the beginning of the year were \$18,768,562, including the PERA Direct Distribution of \$15,619. The final approved budget for fiscal year 2024 was \$19,730,278. The Operating Expenditure increase was primarily due to the outsourced services for background investigations. The Indirect costs increased due to the additional FTE in the Specialized Business Group. Total actual expenditures were \$16,522,590, not including the Responsible Gaming Grants, resulting in excess appropriations, or a savings of \$3,207,688 for fiscal year 2024.

Sports Betting

The approved budgeted expenditures were \$4,605,332. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2024: Total actual expenditures were \$3,601,529 resulting in excess appropriations, or a savings of \$1,003,803 for fiscal year 2024.

Sports Betting	Beginning Budget	Supplemental Changes	Annual Revised Budget
Operating Expenditures, Line Item	\$ 269,290	\$ 50,000	\$ 319,290
Indirects (EDO Personal Services)	\$ 5,409	\$ 2,591	\$ 8,000

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2025 budget request was prepared according to statewide standards and guidelines issued by the Governor's Office of State Planning and Budgeting (OSPB). The Division has also incorporated into the request a statewide figure setting policy adopted by the Joint Budget Committee (JBC) for fiscal year 2025. 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 State Patrol and the 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 2025 budget request totaled \$27,471,280, which included \$22,441,259 for the Division and \$5,030,021 for the Other Agencies. This represented a total increase of 13.25%, excluding the Other Agencies' request.

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. Further amendments to the Rule were made in July of 2021; the base year for calculating free play tax rate adjustment eligibility was reset to June 30, 2022 and the extension of free play tax rate adjustment were extended after the end of fiscal year 2024-2025, upon conditions. Credits were issued in July of 2024 for fiscal year 2024 and can be utilized no later than the end of the current fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023**

Economy and Next Year's Budget (Continued)

In fiscal year 2023, Gaming Tax revenues not including interest, were \$172,923,715, whereas, in fiscal year 2024, Gaming Tax revenues were \$175,368,309, resulting in a 1.41% growth. To meet or exceed the 3.5% compounded growth rate, Gaming Tax revenues in fiscal year 2024 would need to exceed \$173,542,456, which they did. As a result of the Gaming Tax revenue growth, there is \$1,825,853 available for the tax rate adjustment consideration.

Assumptions that were made when preparing the revenue projection for fiscal year 2025 included the continuation of current tax structure, tax rates, and continuation of license and application fees. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2024.

The Division's fiscal year 2025 budgeted revenue estimates total \$212.2 million, a \$758,877 decrease from fiscal year from 2024 actual revenue, excluding Sports Betting Operations fees. The change in fair market value of investments is not included in this calculation.

Gaming Central City office relocation: Due to the poor conditions, extreme cost of needed repairs or remodeling of the existing Central City office, the Division is moving to 100 Richman Street, Black Hawk, CO which is anticipated to occur during fiscal year 2025. The Division has requested the approval of additional budget appropriation in the amount of \$495,500 which includes \$322,950 for tenant improvements at 100 Richman St. These improvements will be required before the Division's operation can be relocated. These improvements are necessary and beneficial to ensure a clean, safe, and professional environment for Division employees and customers. Additionally, the sale of the existing office building at 142 Lawrence Street, Central City should happen reasonably soon after the Division vacates the building. Proceeds from the sale could be used to offset the tenant improvement costs at 100 Richman Street.

During the 32 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. The gaming industry was severely impacted by the COVID closures and shutdowns in 2020-21, and there was uncertainty to how long it would take to recover. The successful economic recovery has exceeded expectations. The recovery in Colorado has been a direct result of regulators and the industry working closely together as a critical partnership between government and business. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

Contacting the Division of Gaming's Financial Management

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

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

**BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	FY 2024					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
ASSETS						
Cash and Temporary Cash Investments	\$ 43,194,873	\$ 1,018,506	\$ 95,965,820	\$ 26,801,929	\$ 2,231,364	\$ 169,212,492
Accounts Receivable						
Gaming Taxes	-	-	17,619,897	-	-	17,619,897
Sports Betting Taxes	-	-	-	1,818,279	-	1,818,279
Due from Limited Gaming Fund	-	2,500,000	-	-	-	2,500,000
Fines Receivable	-	-	1,086	391	-	1,477
Miscellaneous	-	-	3,138	210	-	3,348
Prepaid Expenses	-	1,602	30,237	6,169	-	38,008
Total Assets	\$ 43,194,873	\$ 3,520,108	\$ 113,620,178	\$ 28,626,978	\$ 2,231,364	\$ 191,193,501
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ -	\$ 2,989	\$ 2,128,304	\$ 39,232	\$ -	\$ 2,170,525
Accrued Payroll Payable	-	10,044	730,611	185,240	-	925,895
Wages & Salaries Payable	-	-	33,167	169	-	33,336
Due to Other State Agencies	-	-	63,227,891	-	-	63,227,891
Due to Responsible Gaming Grant Fund	-	-	2,500,000	-	-	2,500,000
Due to Other Governments	-	-	25,204,905	-	-	25,204,905
Due to the State's General Fund	-	-	23,634,954	-	-	23,634,954
Background and Other Deposits	-	-	366,969	362,847	-	729,816
Unearned Revenue	-	-	294,907	72,380	-	367,287
Total Liabilities	-	13,033	118,121,708	659,868	-	118,794,609
FUND BALANCE						
Nonspendable:						
Prepays	-	1,602	30,237	6,169	-	38,008
Restricted for:						
Required Reserve	-	-	2,675,899	-	-	2,675,899
Extended Gaming Recipients	46,434,925	-	-	-	-	46,434,925
Responsible Gaming	-	3,582,157	-	-	-	3,582,157
Sports Betting Distribution	-	-	-	29,974,019	-	29,974,019
Hold-Harmless Recipients	-	-	-	-	2,398,739	2,398,739
Unassigned:	(3,240,052)	(76,684)	(7,207,666)	(2,013,078)	(167,375)	(12,704,855)
Total Fund Balance	43,194,873	3,507,075	(4,501,530)	27,967,110	2,231,364	72,398,892
TOTAL LIABILITIES AND FUND BALANCE	\$ 43,194,873	\$ 3,520,108	\$ 113,620,178	\$ 28,626,978	\$ 2,231,364	\$ 191,193,501

See accompanying Notes to Financial Statements.

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

**BALANCE SHEETS (CONTINUED)
JUNE 30, 2024 AND 2023**

	FY 2023					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
ASSETS						
Cash and Temporary Cash Investments	\$ 41,044,945	\$ 354,005	\$ 95,312,881	\$ 23,193,014	\$ 1,182,080	161,086,925
Accounts Receivable						
Gaming Taxes	-	-	17,747,924	-	-	17,747,924
Sports Betting Taxes	-	-	-	1,232,909	-	1,232,909
Due from Limited Gaming Fund	-	2,500,000	-	-	-	2,500,000
Fines Receivable	-	-	1,054	84	-	1,138
Miscellaneous	-	-	2,678	540	-	3,218
Prepaid Expenses	-	-	29,366	16,356	-	45,722
Total Assets	\$ 41,044,945	\$ 2,854,005	\$ 113,093,903	\$ 24,442,903	\$ 1,182,080	\$ 182,617,836
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ -	\$ 330,000	\$ 5,225,993	\$ 12,026	\$ -	\$ 5,568,019
Accrued Payroll Payable	-	-	653,242	184,900	-	838,142
Wages & Salaries Payable	-	-	34,728	2,189	-	36,917
Due to Other State Agencies	-	-	62,654,165	-	-	62,654,165
Due to Responsible Gaming Grant Fund	-	-	2,500,000	-	-	2,500,000
Due to Other Governments	-	-	24,482,211	-	-	24,482,211
Due to the State's General Fund	-	-	21,646,401	-	-	21,646,401
Background and Other Deposits	-	-	275,387	467,064	-	742,451
Unearned Revenue	-	-	281,868	72,291	-	354,159
Total Liabilities	-	330,000	117,753,995	738,470	-	118,822,465
FUND BALANCE						
Nonspendable:						
Prepays	-	-	29,366	16,356	-	45,722
Restricted for:						
Required Reserve	-	-	2,491,316	-	-	2,491,316
Extended Gaming Recipients	44,135,150	-	-	-	-	44,135,150
Responsible Gaming	-	2,550,658	-	-	-	2,550,658
Sports Betting Distribution	-	-	-	25,437,773	-	25,437,773
Hold-Harmless Recipients	-	-	-	-	1,271,076	1,271,076
Unassigned:	(3,090,205)	(26,653)	(7,180,774)	(1,749,696)	(88,996)	(12,136,324)
Total Fund Balance	41,044,945	2,524,005	(4,660,092)	23,704,433	1,182,080	63,795,371
TOTAL LIABILITIES AND FUND BALANCE	\$ 41,044,945	\$ 2,854,005	\$ 113,093,903	\$ 24,442,903	\$ 1,182,080	\$ 182,617,836

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, 2024 AND 2023**

	FY 2024					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
REVENUES						
Gaming Taxes	\$ -	\$ -	173,549,508	\$ -	\$ -	\$ 173,549,508
Sports Betting Taxes	-	-	-	30,440,341	-	30,440,341
License and Application Fees	-	-	713,260	195,040	-	908,300
Sports Betting Operations Fees	-	-	-	2,024,100	-	2,024,100
Background Investigations	-	-	215,197	150,342	-	365,539
Fines	-	-	2,520	168	-	2,688
Interest Income	171,525	78,076	3,037,678	754,286	80,402	4,121,967
Net (Decrease) in the Fair Value of Investments	(149,847)	(50,031)	(26,892)	(263,383)	(78,378)	(568,531)
Other Revenue	-	-	10,112	1,085	-	11,197
TOTAL REVENUES	21,678	28,045	177,501,383	33,301,979	2,024	210,855,109
EXPENDITURES						
Salaries and Benefits	-	61,827	9,167,245	2,865,076	-	12,094,148
Annual and Sick Leave Payouts	-	-	69,563	48,003	-	117,566
Professional Services	-	-	191,309	105,360	-	296,669
Travel	-	3,905	44,707	14,580	-	63,192
Automobiles	-	-	195,150	20,183	-	215,333
Printing	-	754	17,280	3,959	-	21,993
Police Supplies	-	-	49,942	3,141	-	53,083
Computer Services & Name Searches	-	-	93,413	17,113	-	110,526
Materials, Supplies, and Services	-	7,266	420,779	62,620	-	490,665
Postage	-	12	3,769	68	-	3,849
Telephone	-	274	80,641	13,936	-	94,851
Utilities	-	-	26,140	-	-	26,140
Other Operating Expenditures	-	20	92,355	24,583	-	116,958
Capital Outlay	-	-	10,180	-	-	10,180
State Agency Services	-	-	5,845,213	368,073	-	6,213,286
Background Expenditures	-	-	82,652	21,406	-	104,058
Grants to Nongovernmental Organizations	-	1,960,471	-	-	-	1,960,471
Debt Service	-	-	-	-	-	-
Lease - Principal	-	-	122,056	30,851	-	152,907
Lease - Interest	-	-	10,196	2,577	-	12,773
Lim. Gam. Distrib. to Cities and Counties	-	-	25,204,905	-	-	25,204,905
FY23 Ext. Gaming Dist. to Cities & Counties	9,709,733	-	-	-	-	9,709,733
FY23 Ext. Gam. Dist. Aims/Co. Mtn. Colleges	4,155,148	-	-	-	-	4,155,148
TOTAL EXPENDITURES	13,864,881	2,034,529	41,727,495	3,601,529	-	61,228,434
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,843,203)	(2,006,484)	135,773,888	29,700,450	2,024	149,626,675
OTHER FINANCING SOURCES / (USES)						
Insurance Recoveries	\$ -	\$ -	\$ 10,919	\$ -	\$ -	\$ 10,919
Transfer to Responsible Gaming Grant Fund	-	-	(2,500,000)	-	(489,554)	(2,989,554)
Transfer to other State agencies and Funds	(30,270,269)	-	(86,862,845)	(23,900,959)	-	(141,034,073)
Transfer to Hold-Harmless Fund	-	-	-	(1,536,814)	-	(1,536,814)
Transfer from Hold-Harmless Fund	-	489,554	-	-	-	489,554
Transfer from Sports Betting Fund	-	-	-	-	1,536,814	1,536,814
Transfer to Extended Gaming Fund	-	-	(46,263,400)	-	-	(46,263,400)
Transfer from Limited Gaming Fund	46,263,400	2,500,000	-	-	-	48,763,400
Total Other Financing Sources (Uses)	15,993,131	2,989,554	(135,615,326)	(25,437,773)	1,047,260	(141,023,154)
NET CHANGE IN FUND BALANCE	2,149,928	983,070	158,562	4,262,677	1,049,284	8,603,521
Fund Balance - Beginning of Year	41,044,945	2,524,005	(4,660,092)	23,704,433	1,182,080	63,795,371
FUND BALANCE - END OF YEAR	\$ 43,194,873	\$ 3,507,075	\$ (4,501,530)	\$ 27,967,110	\$ 2,231,364	\$ 72,398,892

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, 2024 AND 2023**

	FY 2023					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
REVENUES						
Gaming Taxes	\$ -	\$ -	167,754,529	\$ -	\$ -	\$ 167,754,529
Sports Betting Taxes	-	-	-	25,613,575	-	25,613,575
License and Application Fees	-	-	700,483	175,570	-	876,053
Sports Betting Operations Fees	-	-	-	1,985,500	-	1,985,500
Background Investigations	-	-	102,006	101,184	-	203,190
Fines	-	-	4,788	214,752	-	219,540
Interest Income	96,971	50,474	2,263,103	439,884	31,184	2,881,616
Net (Decrease) in the Fair Value of Investments	(714,339)	(26,653)	(2,639,868)	(1,105,250)	(63,973)	(4,550,083)
Other Revenue	-	-	937	449	-	1,386
TOTAL REVENUES	(617,368)	23,821	168,185,978	27,425,664	(32,789)	194,985,306
EXPENDITURES						
Salaries and Benefits	-	19,762	8,812,756	2,402,590	-	11,235,108
Annual and Sick Leave Payouts	-	-	70,705	3,795	-	74,500
Professional Services	-	-	230,051	176,564	-	406,615
Travel	-	-	81,491	21,758	-	103,249
Automobiles	-	-	210,661	24,668	-	235,329
Printing	-	-	18,577	2,321	-	20,898
Police Supplies	-	-	53,730	6,965	-	60,695
Computer Services & Name Searches	-	-	81,611	27,891	-	109,502
Materials, Supplies, and Services	-	-	370,136	73,885	-	444,021
Postage	-	-	2,281	266	-	2,547
Telephone	-	-	79,100	13,556	-	92,656
Utilities	-	-	30,780	-	-	30,780
Other Operating Expenditures	-	-	129,977	31,217	-	161,194
Capital Outlay	-	-	19,568	-	-	19,568
State Agency Services	-	-	5,088,743	270,431	-	5,359,174
Background Expenditures	-	-	5,381	2,265	-	7,646
Grants to Nongovernmental Organizations	-	2,480,054	-	-	-	2,480,054
Debt Service	-	-	-	-	-	-
Lease - Principal	-	-	131,510	32,877	-	164,387
Lease - Interest	-	-	12,851	3,213	-	16,064
Lim. Gam. Distrib. to Cities and Counties	-	-	24,482,211	-	-	24,482,211
FY22 Ext. Gaming Dist. to Cities & Counties	10,301,265	-	-	-	-	10,301,265
FY22 Ext. Gam. Dist. Aims/Co. Mtn. Colleges	4,459,418	-	-	-	-	4,459,418
TOTAL EXPENDITURES	14,760,683	2,499,816	39,912,120	3,094,262	-	60,266,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,378,051)	(2,475,995)	128,273,858	24,331,402	(32,789)	134,718,425
OTHER FINANCING SOURCES / (USES)						
Transfer to other State agencies and Funds	\$ (32,063,249)	\$ -	\$ (86,800,566)	\$ (11,489,790)	\$ -	\$ (130,353,605)
Transfer to Hold-Harmless Fund	-	-	-	(746,727)	-	(746,727)
Transfer from Sports Betting Fund	-	-	-	-	746,727	746,727
Transfer to Extended Gaming Fund	-	-	(44,038,179)	-	-	(44,038,179)
Transfer from Limited Gaming Fund	44,038,179	2,500,000	-	-	-	46,538,179
Total Other Financing Sources (Uses)	11,974,930	2,500,000	(130,838,745)	(12,236,517)	746,727	(127,853,605)
NET CHANGE IN FUND BALANCE	(3,403,121)	24,005	(2,564,887)	12,094,885	713,938	6,864,820
Fund Balance - Beginning of Year	44,448,066	2,500,000	(2,095,205)	11,609,548	468,142	56,930,551
FUND BALANCE - END OF YEAR	\$ 41,044,945	\$ 2,524,005	\$ (4,660,092)	\$ 23,704,433	\$ 1,182,080	\$ 63,795,371

See accompanying Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 C.R.S. 44-30 Section 15, are directed to specific public purposes. The Sports Betting Fund and Hold-Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD.

On May 1, 2021, Amendment 77 took effect. It replaced the single bet limit of up to \$100 with unlimited maximum single bets and delegated authority to the city councils of Central City, Black Hawk and Cripple Creek to authorize the approval of additional games, provided by the Colorado Limited Gaming Control Commission. Statewide voters from the state of Colorado approved Amendment 77 at the November 3, 2020 general election.

The Legislature passed in the 2022 Legislative Session, and the governor signed HB 22-1402 on June 7, 2022. This bill established the Responsible Gaming Grant Program and the Responsible Gaming Grant Program Cash Fund and required the transfer of \$2.5 million of the State Share of the Limited Gaming Distribution to this fund.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

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 is included in Note 4 and long-term liabilities is included in both Note 6 and Note 10.

Governmental Fund

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, 44-30-702, and 44-30-1509, C.R.S.

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

Basis of Accounting

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Division adopted this standard during the fiscal year starting July 1, 2021. As stated previously, capital assets, including the intangible right-to-use lease asset, and long-term liabilities are not recorded in the Special Revenue Funds.

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This standard provides guidance on how to account for these arrangements emphasizing the importance of recognizing these contracts as right-to-use assets and corresponding liabilities. It requires government entities to assess and recognize their SBITAs in their financial statements based on the length of the subscription period and the nature of the underlying service. GASB 96 also outlines the necessary disclosures for these arrangements, including information related to the terms, conditions, and risks involved. The Division adopted this standard during the fiscal year starting July 1, 2022. We completed an in-depth analysis of GASB 96 and there was no impact to the Division's financial statements as a result of this adoption.

Budgets

The Schedules of Budget to Actual compare actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2023 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets (continued)

Total appropriations for the Limited Gaming budget are as follows:

	Years Ended June 30,	
	2024	2023
Appropriations	\$ 18,768,562	\$ 17,493,914
Supplemental appropriations	961,716	(132,100)
Total appropriations	\$ 19,730,278	\$ 17,361,814

Total appropriations for the Sports Betting budget are as follows:

	Years Ended June 30,	
	2024	2023
Appropriations	\$ 4,489,819	\$ 4,000,010
Supplemental appropriations	115,513	75,147
Total appropriations	\$ 4,605,332	\$ 4,075,157

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 Temporary Cash Investments

The Division deposits cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2024 and 2023, the Division had cash on deposit with the State Treasurer of \$169,212,492 and \$161,086,924, respectively, which represented approximately 0.9% of the total \$18,095.0 million and 0.8% of \$18,810.9 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2024, the Pool's resources included \$38.5 million of cash on hand and \$18,056.6 million of investments.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 2 – Cash and Temporary Cash Investments (continued)

On the basis of the Division's participation in the Pool, the Division reports as 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.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2024.

Note 3 - Accounts Receivable

As of June 30, 2024, and 2023, the Limited Gaming Fund had accounts receivable balances of \$17,624,121 and \$17,751,656, respectively. On June 30, 2024 and 2023, the Limited Gaming Fund had \$17,619,897 and \$17,747,924 of gaming taxes receivable, respectively, from 33 Colorado casinos each year. These receivables primarily represent June 2024 and 2023 gaming taxes, which were due on July 15, 2024 and on July 17, 2023, and were subsequently collected by the Department of Revenue in July 2024 and 2023 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

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 or credit when gaming tax revenues increase at or above a specific growth rate. Further amendments to the Rule were made in July of 2021; the base year for calculating free play tax rate adjustment eligibility was reset to June 30, 2022 and the extension of free play tax rate adjustment were extended after the end of fiscal year 2025, upon conditions. Tax credits were issued in July of 2024 for fiscal year 2024 and can be utilized no later than the end of the current fiscal year.

In fiscal year 2024, Gaming Tax revenues not including interest were \$175,368,309, whereas, in fiscal year 2023, Gaming Tax revenues were \$172,923,715, resulting in a 1.41% growth. To meet or exceed the 3.5% compounded growth rate, Gaming Tax revenues in fiscal year 2024 would need to exceed \$173,542,456, which they did. As a result of the Gaming Tax revenue growth, there is \$1,825,853 available for tax rate adjustment consideration.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 3 - Accounts Receivable (continued)

As of June 30, 2024, and 2023, the Sports Betting Fund had accounts receivable balances of \$1,818,880 and \$1,233,533, respectively. On June 30, 2024 and 2023, the Sports Betting Fund had \$1,818,279 and \$1,232,909 of sports betting taxes receivable from 14 and 8 operators, respectively. These receivables primarily represent June 2024 and 2023 sports betting taxes, which were due on July 15, 2024 and July 17, 2023 and were subsequently collected by the Department of Revenue in July 2024 and 2023 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

Note 4 - Changes in Capital Assets and Accumulated Depreciation

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

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their acquisition value 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 4 - Changes in Capital Assets and Accumulated Depreciation (continued)

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

	Capital Assets Not Being Depreciated		Capital Assets Being Depreciated			Total
	Land	Equipment & Software	Building	Leased		
				Building	Subtotal	
Cost						
Balances, June 30, 2022	\$ 536,138	\$ 502,319	\$ 1,134,912	\$ 1,734,279	\$ 3,371,510	\$ 3,907,648
Additions	-	19,568	-	-	19,568	19,568
Disposals	-	(30,071)	-	-	(30,071)	(30,071)
Balances, June 30, 2023	536,138	491,816	1,134,912	1,734,279	3,361,007	3,897,145
Additions	-	10,180	-	14,437	24,617	24,617
Disposals	-	(16,595)	-	-	(16,595)	(16,595)
Balances, June 30, 2024	536,138	485,401	1,134,912	1,748,716	3,369,029	3,905,167
Accumulated Depreciation or Amortization						
Balances, June 30, 2022	-	(458,756)	(459,498)	(173,428)	(1,091,682)	(1,091,682)
Additions	-	(14,155)	(31,557)	(189,194)	(234,906)	(234,906)
Disposals	-	28,308	-	-	28,308	28,308
Balances, June 30, 2023	-	(444,603)	(491,055)	(362,622)	(1,298,280)	(1,298,280)
Additions	-	(10,817)	(31,600)	(204,529)	(246,946)	(246,946)
Disposals	-	14,224	-	-	14,224	14,224
Balances, June 30, 2024	-	(441,196)	(522,655)	(567,151)	(1,531,002)	(1,531,002)
Total capital assets, net	\$ 536,138	\$ 44,205	\$ 612,257	\$ 1,181,565	\$ 1,838,027	\$ 2,374,165

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 \$361,994 and \$270,412 at June 30, 2024 and 2023, respectively, represent background investigation deposits. Also included are \$4,975 for June 30, 2024 and June 30, 2023, which represent funds seized during criminal investigations or from gaming patrons and are pending court order releases or adjudication. Sports Betting Fund deposits of \$362,847 and \$467,064 at June 30, 2024 and 2023, respectively, represent background investigation deposits.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, unearned license fees for the Limited Gaming Fund were \$294,907 and \$281,868, respectively. As of June 30, 2024 and 2023 unearned licensee fees for the Sports Betting Fund, including Fantasy Sports, were \$72,380 and \$72,291, respectively.

The Division collects annual fees for Sports Betting Operations, due July 31. If these fees are received by the Division before the new fiscal year begins, these fees are recorded as unearned revenue in the Sports Betting Fund until the following fiscal year. As of June 30, 2024 and 2023, there were no unearned Sports Betting Operations fees in the Sports Betting Fund.

Note 6 – Long Term Liabilities

Pursuant to the provisions of GASB No. 34, long term liabilities are only reported in the statewide financial statements. Long term liabilities consist of the following as of June 30, 2024:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Leased Building</u>	<u>Total</u>
Balances, June 30, 2022	\$ 827,903	\$ 113,128	\$ 1,600,839	\$ 2,541,870
Increase	508,078	65,822	-	573,900
Decrease	<u>(481,932)</u>	<u>(63,195)</u>	<u>(163,470)</u>	<u>(708,597)</u>
Balances, June 30, 2023	854,049	115,755	1,437,369	2,407,173
Increase	552,910	77,905	-	630,815
Decrease	<u>(478,593)</u>	<u>(61,929)</u>	<u>(172,881)</u>	<u>(713,403)</u>
Balances, June 30, 2024	<u>\$ 928,366</u>	<u>\$ 131,731</u>	<u>\$ 1,264,488</u>	<u>\$ 2,324,585</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 6 – Long Term Liabilities (continued)

Accrued Compensated Absences

In 2023, the Division continued hiring additional employees to support sports betting regulation. 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.

Lakewood Office Lease

In February 2020, the Department of Revenue entered into a lease agreement with a third party to lease office space at 1687 Cole Boulevard, Lakewood, Colorado. The initial term of the lease is ten years and expires September 30, 2030. The Division of Gaming will share in this obligation and the Division's lease payments began in August 2021.

At the conclusion of the first lease year and every year after, through the duration of the lease contract, the Department of Revenue shall pay to the landlord the Department of Revenue's proportionate share of operating expenses in excess of base year operating expenses, referred to as "Additional Rent". The additional rent coupled with the tax credit adjustment may create variable payments not included in the lease liability. During fiscal years 2024 and 2023, the Division made \$0 in variable payments related to the Lakewood Office lease.

The table below shows the future principal and interest payments required for the Lakewood office lease.

Future Lease Principal and Interest Payments

	<u>Interest</u>	<u>Principal</u>
Fiscal year 2025	\$ 12,290	\$ 180,247
Fiscal year 2026	10,359	187,654
Fiscal year 2027	8,348	195,140
Fiscal year 2028	6,275	202,688
Fiscal year 2029	4,090	210,348
Fiscal year 2030 to 2031	1,938	274,093
Total Lakewood Office Lease	<u>\$ 43,300</u>	<u>\$ 1,250,170</u>

Note 7 - Gaming Distributions

Limited Gaming Distribution

In June 2022, Senate Bill 22-216 (SB 22-216) and House Bill 22-1402 (HB 22-1402) were approved. These bills added two more recipients, the Historical Society Strategic Initiatives Fund for fiscal year 2022 and the Responsible Gaming Grant Program Cash Fund. In addition, in fiscal year 2022, SB 22-216 changed the calculation for how much is given to the Local Government Limited Gaming Impact Fund and modified part of the allocation calculation between the Limited Gaming recipients and the Extended Gaming recipients. These changes are now included in Sections 44-30-701 and 44-30-702, C.R.S.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

In accordance with 44-30-701, C.R.S., 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.

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, 2024 and 2023, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,675,899 and \$2,491,316, respectively.

On August 22nd, 2024, the Commission approved the limited gaming distribution of \$114,567,750 for the fiscal year ended June 30, 2024 in accordance with Section 44-30-701, C.R.S. The limited gaming distributions are summarized as follows:

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

	Year Ended June 30,	
	2024	2023
Distribution to other State agencies		
Colorado State Historical Fund	\$ 32,078,970	\$ 31,159,178
Local Government Limited Gaming Impact Fund	6,048,921	6,394,987
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	500,000
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000
Creative Industries Cash Fund	2,000,000	2,000,000
Innovative Higher Education Research Fund	2,100,000	2,100,000
 Total distributions to other State agencies	 63,227,891	 62,654,165
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk Gilpin and Teller Counties	11,456,775	11,128,278
	13,748,130	13,353,933
 Total distributions to other governments	 25,204,905	 24,482,211
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000
Distribution to the State General Fund	23,634,954	21,646,401
 Total distributions	 \$ 114,567,750	 \$ 111,282,777

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 City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution (continued)

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

- 1) "Extended gaming" means subsection (7) of section 9 of article XVIII of the State constitution as approved by State's voters on November 4, 2008, and subsequently approved by voters in the cities of Black Hawk, Central City, and Cripple Creek;
- 2) "Extended gaming revenues" mean the "limited gaming tax revenues attributable to extended limited gaming" as defined by Section 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 44-30-702, C.R.S. 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%, 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 in total gaming tax revenues. For any year in which limited gaming revenues decrease, 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 decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of limited gaming tax revenues collected during the previous fiscal year.
2. After the end of each fiscal year ending June 30, the Commission shall determine extended gaming revenues by subtracting the amount of limited gaming revenues from the amount of total gaming tax revenues collected during the fiscal year.
3. After the end of each fiscal year ending June 30, the Commission shall determine extended gaming expenses by multiplying the total of all expenses of the Commission and other State agencies for the fiscal year by the percentage of total limited gaming revenues attributable to extended gaming revenues.

The 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution (continued)

On August 22nd, 2024, the Commission approved the extended gaming distribution of \$46,434,925 for the fiscal year ended June 30, 2024, in accordance with Section 44-30-702, C.R.S. These amounts were transferred to the Extended Gaming Fund after each fiscal year end as follows:

	<u>2024</u>	<u>2023</u>
Distributions to Extended Gaming Recipients		
· 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	\$ 36,219,241	\$ 34,425,417
· 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	5,572,191	5,296,218
· 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	4,643,493	4,413,515
Total distribution attributable to extended gaming	<u>\$ 46,434,925</u>	<u>\$ 44,135,150</u>

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 44-30 Section 15, C.R.S., are directed to specific public purposes: the Wagering Revenue Recipients Hold-Harmless Fund, gambling addiction services, and the Colorado Water Plan.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 8 – Sports Betting Distribution (continued)

During the fiscal year ended June 30, 2024, \$25,437,773 was distributed in accordance with the funds available to be distributed as of June 30, 2023.

At the end of fiscal year ending June 30, 2024, the available balance to be distributed from the Sports Betting Fund was \$29,974,019. The Division will distribute the preceding balance in fiscal year 2025 after Commission approval as follows:

- First, pay all ongoing expenses related to administering 44-30 Section 15, 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.
- Second, transfer an amount equal to six percent of the full fiscal year sports betting tax revenues, or six percent of twenty-nine million dollars, whichever is less, to the Wagering Revenue Recipients Hold-Harmless Fund.
- Third, transfer all remaining unexpended and unencumbered money in the fund that is subject to distribution to the water plan implementation cash fund.

Note 9 - Commitments and Contingencies

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 2022, a sunset review was completed, the law was amended, and the sunset date was extended to September 1, 2033. The Division’s existence will continue after September 1, 2033, 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, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions

The Division participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

General Information About the Pension Plan

Plan Description

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

Benefits Provided as of December 31, 2022

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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

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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. For Safety Officers whose disability is caused by an on- the-job injury, the five-year service requirement is waived and they are immediately eligible to apply for disability benefits. 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**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

Contributions provisions as of June 30, 2024: Eligible employees of the Division and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 1, 2023 through June 30, 2024 are summarized in the table below:

	<u>January 1, 2023 Through December 31, 2023</u>	<u>January 1, 2024 Through June 30, 2024</u>
Employee contribution (all employees other than Safety Officers)	11.00%	11.00%
Safety Officers	13.00%	13.00%

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

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

	<u>January 1, 2023 Through December 31, 2023</u>	<u>January 1, 2024 Through June 30, 2024</u>
Employer contribution rate	11.40%	11.40%
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%)
Amount apportioned to the SDTF	10.38%	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.17%	0.21%
Total employer contribution rate to the SDTF	20.55%	20.59%

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

The employer contribution requirements for Safety Officers are summarized in the table below:

	January 1, 2023 Through December 31, 2023	January 1, 2024 Through June 30, 2024
Employer contribution rate	14.10%	14.10%
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%)
Amount apportioned to the SDTF	13.08%	13.08%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.17%	0.21%
Total employer contribution rate to the SDTF	23.25%	23.29%

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the *Division of Gaming* is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the *Division of Gaming* were \$1,789,930 for the year ended June 30, 2024.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million direct distribution 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 SDTPF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. §§ 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225 million plus an additional amount of \$380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to \$35 million. Additionally, the newly added C.R.S. § 24-51-414(9) provided compensatory payment of \$14.561 million for 2023 only.

Commented [PERA1]: This disclosure requirement is applicable to PERA-affiliated employers who determine that a nonemployer contributing entity is legally responsible for making contributions to the State Division Trust Fund and meets the definition of a special funding situation for their financial reporting purposes.

Some PERA-Affiliated Employers of the SDTF are considered part of the State of Colorado's Financial Reporting Entity and others are outside of the State's Financial Reporting Entity.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 net pension liability for the SDTF was measured as of December 31, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TPL to December 31, 2023. The Division of Gaming proportion of the net pension liability was based on Division of Gaming contributions to the SDTF for the calendar year 2023 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, 2024, the Division of Gaming reported a liability of \$21,198,089 for its proportionate share of the net pension liability.

At December 31, 2023, the Division of Gaming proportion was .20961%, which was a decrease of .00425% from its proportion measured as of December 31, 2022. For the year ended June 30, 2024, the Division of Gaming recognized pension expense of \$1,789,930 for support from the State as a nonemployer contributing entity. At June 30, 2024 the Division of Gaming reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 346,505	\$ 112,561
Changes of Assumptions or other Inputs	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,539,615	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	447,407	244,695
Contributions Subsequent to the Measurement Date	916,870	-
Total	\$ 3,250,397	\$ 357,256

Commented [RP2]: This disclosure and table are not needed for State of Colorado stand-alone financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

\$916,870 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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>
2025	\$ 417,563
2026	682,534
2027	1,294,306
2028	(418,133)
2029	-
Thereafter	-

Actuarial Assumptions

The TPL in the December 31, 2022, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

<u>Actual Cost Method</u>	<u>Entry Age</u>
Price Inflation	2.30%
Real Wage Growth	0.70%
Wage Inflation	3.00%
Salary Increases, Including Wage Inflation:	
Members Other than Safety Officers	3.30%-10.90%
Safety Officers	3.20%-12.40%
Long-Term Investment Rate of Return, Net of Pension	
Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to 1/1/07 and	
DPS Benefit Structure (Compounded Annually)	1.00%
PERA Benefit Structure Hired After 12/31/06	Financed by the AIR

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

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

Pre-retirement mortality assumptions for members other than Safety Officers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2022, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

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

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

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

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, 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 FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.

As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, 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.

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

**DIVISION OF GAMING
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 10 – Defined Benefit Pension Plan (continued)

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 27,705,882	\$ 21,198,089	\$ 15,725,921

Pension Plan Fiduciary Net Position

Detailed information about the SDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 11 – Other Retirement Plans

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, 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 ACFR as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Division are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2023 through June 30, 2024 are summarized in the tables below:

	January 1, 2023 Through December 31, 2023	January 1, 2024 Through June 30, 2024
<i>Employee Contribution Rates:</i>		
All employees other than Safety Officers	11.00%	11.00%
Safety Officers	13.00%	13.00%
<i>Employer Contribution Rates:</i>		
On behalf of all employees other than Safety Officers	10.15%	10.15%
Safety Officers	12.85%	12.85%

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

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DEPARTMENT OF REVENUE, STATE OF COLORADO**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 11 – Other Retirement Plans (continued)

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts, as follows:

	January 1, 2023 Through December 31, 2023	January 1, 2024 Through June 30, 2024
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413	1.00%	1.00%
Additional statutory contribution as specified in C.R.S. § 24-51-401 and § 24-51-1505	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.17%	0.21%
Total employer contribution rate to the SDTF	11.42%	11.46%

“Contribution 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% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 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. Participating employees in the PERA DC Plan contributed \$0 and the Division recognized pension expense and a liability of \$0 and \$0, respectively, for the PERA DC Plan.

Note 12 – Other Post Employment Benefits

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB

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

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERA Care program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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.

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

PERA Benefit Structure

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

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**NOTES TO FINANCIAL STATEMENTS
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Note 12 – Other Post Employment Benefits (continued)

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Division of Gaming is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Division of Gaming were \$82,493 for the year ended June 30, 2024.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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

At June 30, 2024, the Division of Gaming reported a liability of \$495,474 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The Division of Gaming proportion of the net OPEB liability was based on Division of Gaming contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the Division of Gaming proportion was 0.06942, which was a decrease of 0.00021 from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the Division of Gaming recognized OPEB expense of \$40,309. At June 30, 2024, the Division of Gaming reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ -	\$ 101,552
Changes of Assumptions or other Inputs	5,826	52,537
Net Difference between Projected and Actual		
Earnings on OPED Plan Investments	15,324	-
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate		
Share of Contributions	71,277	2,760
Contributions Subsequent to the Measurement Date	<u>43,018</u>	<u>-</u>
Total	<u>\$ 135,445</u>	<u>\$ 156,849</u>

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**NOTES TO FINANCIAL STATEMENTS
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Note 12 – Other Post Employment Benefits (continued)

\$43,018 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. 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>
2025	\$ (39,293)
2026	(12,345)
2027	2,633
2028	(9,981)
2029	(3,767)
2030	(1,669)
Thereafter	-

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

Actuarial Assumptions

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial Cost Method			Entry Age	
Price Inflation			2.30%	
Real Wage Growth			0.70%	
Wage Inflation			3.00%	
Salary Increases, Including Wage Inflation				
Members other than Safety Officers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
Safety Officers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
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				
Service-based Premium Subsidy			0.00%	
PERACare Medicare Plans			7% in 2023, gradually decreasing to 4.50% in 2033	
Medicare Part A Premiums			3.50% for 2023, gradually increasing to 4.50% in 2035	
DPS benefit structure				
Service-based Premium Subsidy			0.00%	
PERACare Medicare Plans			N/A	
Medicare Part A Premiums			N/A	

¹ UnitedHealthcare MAPD PPO plans are 0% for 2023.

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**NOTES TO FINANCIAL STATEMENTS
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Note 12 – Other Post Employment Benefits (continued)

Each year the per capita health care costs are developed by plan option; currently based on 2023 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase	Annual Increase
	(Male)	(Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 1,692	\$ 1,406	\$ 579	\$ 481	\$ 1,913	\$ 1,589
70	\$ 1,901	\$ 1,573	\$ 650	\$ 538	\$ 2,149	\$ 1,778
75	\$ 2,100	\$ 1,653	\$ 718	\$ 566	\$ 2,374	\$ 1,869

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,469	\$5,373	\$4,198	\$3,487	\$6,719	\$5,581
70	\$7,266	\$6,011	\$4,715	\$3,900	\$7,546	\$6,243
75	\$8,026	\$6,319	\$5,208	\$4,101	\$8,336	\$6,563

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**NOTES TO FINANCIAL STATEMENTS
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Note 12 – Other Post Employment Benefits (continued)

The 2023 Medicare Part A premium is \$506 per month.

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2022, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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

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

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

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2022, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums.

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

The actuarial assumptions used in the December 31, 2022, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 to five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate ¹	5.75%	6.75%	7.75%
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	\$ 585,217	\$ 495,474	\$ 418,699

¹ For the January 1, 2024, plan year

Discount Rate

- The discount rate used to measure the TOL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:
- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2023, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 12 – Other Post Employment Benefits (continued)

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 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 OPEB Liability	\$ 481,253	\$ 495,474	\$ 510,943

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 13 – Risk Management

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 14 - Related-Party Transactions

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

	<u>For the Years Ended</u>	
	<u>2024</u>	<u>2023</u>
State agency services:		
Colorado State Patrol	\$ 3,709,170	\$ 3,471,372
Colorado Division of Fire Prevention and Control	222,066	219,772
Indirect costs (Colorado Department of Revenue)	1,211,732	995,014
Legal Services (Colorado Department of Law)	248,326	231,586
Office of the State Auditor	25,800	21,130
Office of Information Technology Purchased Services	<u>428,119</u>	<u>149,869</u>
Total payments to State agencies	<u>\$ 5,845,213</u>	<u>\$ 5,088,743</u>

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

	<u>For the Years Ended</u>	
	<u>2024</u>	<u>2023</u>
State agency services:		
Office of the State Auditor	\$ 25,800	\$ 21,130
Indirect costs (Colorado Department of Revenue)	156,060	123,599
Office of Information Technology Purchased Services	59,999	43,983
Legal Services (Colorado Department of Law)	<u>126,214</u>	<u>81,719</u>
Total payments to State agencies	<u>\$ 368,073</u>	<u>\$ 270,431</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 14 - Related-Party Transactions (continued)

The Limited Gaming Fund had liabilities to other State agencies, the Responsible Gaming Grant Program Cash Fund (RGGPCF), the State's General Fund, and other governments as follows:

	June 30,	
	2024	2023
State agencies:		
History Colorado	\$ 32,078,970	\$ 31,159,178
Colorado Department of Local Affairs	6,048,921	6,394,987
Colorado Office of Economic Development	23,000,000	23,000,000
Colorado Department of Higher Education	2,100,000	2,100,000
Total liabilities to State agencies	63,227,891	62,654,165
Other governments:		
City of Black Hawk	8,837,756	8,574,338
City of Central City	831,762	856,877
City of Cripple Creek	1,787,257	1,697,062
Gilpin County	11,603,422	11,317,459
Teller County	2,144,708	2,036,475
Total liabilities to other governments	25,204,905	24,482,211
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000
State General Fund	23,634,954	21,646,401
Total liabilities to State agencies, State General Fund, RGGPCF, and other governments	\$ 114,567,750	\$ 111,282,777

Total related party liabilities of \$114,567,750 and \$111,282,777 at June 30, 2024 and June 30, 2023, respectively, are solely related to the fiscal year 2024 and fiscal year 2023 limited gaming distributions.

Note 15 – Subsequent Events

House Bill 24-1436, introduced on April 1st, 2024 and approved May 20th, 2024, referred a ballot issue to the voters at the November 2024 statewide election to allow the state to keep and spend all sports betting tax revenue, including tax revenue in excess of the \$29 million fiscal year estimate included in the 2019 ballot question. If the majority of electors voting in November 2024 voted for (Yes) the ballot issue, all sports betting tax revenue in excess of \$29 million annually would be transferred to the Water Plan Implementation Cash Fund. If the majority of electors voting in November 2024 voted against (No) the ballot issue, any tax revenue collected in excess of \$29 million annually would be refunded to the licensed sports betting operations that paid the sports betting tax.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 15 – Subsequent Events (continued)

On November 5th, 2024, the majority of electors voted yes on Amendment JJ, which was referred from House Bill 24-1436. The approval allows the state to keep and spend all revenue from the existing tax on the net proceeds of licensed sports betting, including revenue in excess of the \$29 million fiscal year estimate included in the 2019 ballot question. All sports betting tax revenue in excess of \$29 million annually will be transferred to the water plan implementation cash fund.

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

**REQUIRED SUPPLEMENTARY INFORMATION
LIMITED GAMING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (Non-GAAP Budgetary Basis)
YEAR TO DATE JUNE 30, 2024**

	BEGINNING BUDGET *	SUPPLEMENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	YEAR-TO-DATE ACTUAL	(UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:						
Gaming Taxes	\$ 176,107,387	\$ -	\$ 176,107,387	\$ 173,549,508	\$ (2,557,879)	98.55%
License and Application Fees	708,150	-	708,150	713,260	5,110	100.72%
Background Investigations	164,551	-	164,551	215,197	50,646	130.78%
Fines and Fees	-	-	-	2,520	2,520	100.00%
Interest Revenue	1,214,507	-	1,214,507	3,037,678	1,823,171	250.12%
Other Revenue	-	-	-	10,112	10,112	100.00%
TOTAL REVENUES	178,194,595	-	178,194,595	177,528,275	(666,320)	99.63%
OTHER FINANCING SOURCES / USES:						
Insurance Recoveries	-	-	-	-	-	100.00%
TOTAL REVENUES & OTHER FIN. SOURCES	178,194,595	-	178,194,595	177,528,275	(655,401)	99.63%
EXPENDITURES:						
Personal Services	10,585,076	187,543	10,772,619	9,426,579	(1,346,040)	87.50%
Operating Expenditures	781,525	-	781,525	600,125	(181,400)	76.79%
Workers Compensation	24,802	2,536	27,338	27,338	-	100.00%
Risk Management	37,185	3,803	40,988	40,988	-	100.00%
Licensure Activities	126,998	-	126,998	100,061	(26,937)	78.79%
Leased Space	155,000	163,873	318,873	132,252	(186,621)	41.47%
Vehicle Lease Payments - Fixed	162,350	(23,849)	138,501	112,921	(25,580)	81.53%
Vehicle Lease Payments - Variable	84,000	(16,800)	67,200	67,200	-	100.00%
Utilities	28,925	-	28,925	26,140	(2,785)	90.37%
Legal Services	266,191	(17,865)	248,326	248,326	-	100.00%
CORE Operations	40,946	4,188	45,134	45,134	-	100.00%
Payments to Office of Information Technology	559,130	(12,971)	546,159	428,119	(118,040)	78.39%
IT Division - MIPC Phones & ISD	51,269	1,619	52,888	41,787	(11,101)	79.01%
IT Accessibility	60,361	(60,361)	-	-	-	0.00%
Indirect Costs - Department of Revenue	1,216,306	30,000	1,246,306	1,211,732	(34,574)	97.23%
State Agency Services	4,520,115	-	4,520,115	3,931,236	(588,879)	86.97%
Division Expenditures	18,700,179	261,716	18,961,895	16,439,938	(2,521,957)	86.70%
Non Personal Services Background Expenditures	68,383	700,000	768,383	82,652	(685,731)	10.76%
TOTAL EXPENDITURES	18,768,562	961,716	19,730,278	16,522,590	(3,207,688)	83.74%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 159,426,033	N/A	\$ 158,464,317	\$ 161,005,685	\$ 2,552,287	101.61%
Reconciliation to GAAP Excess of Revenues Over Expenditures:						
Less Net (Decrease) in the Fair Value of Investments				(26,892)		
Less Distributions				(25,204,905)		
GAAP Excess of Revenues over Expenditures				\$135,773,888		

* Represents original information given to the Commission in April of 2023.
The percent of the fiscal year elapsed through June 30, 2024 is 100%.

** Amount includes Long Bill items and Supplemental Appropriations.

See accompanying Notes to Required Supplementary Information.

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

**REQUIRED SUPPLEMENTARY INFORMATION
SPORTS BETTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (Non-GAAP Budgetary Basis)
YEAR TO DATE JUNE 30, 2024**

	BEGINNING BUDGET *	SUPPLEMENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	100.0% OF BUDGETED AMOUNT	YEAR-TO-DATE ACTUAL	(UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:							
Sports Betting Taxes	\$ 22,446,763	\$ -	\$ 22,446,763	\$ 22,446,763	\$ 30,440,341	\$ 7,993,578	135.61%
License and Application Fees	168,358	-	168,358	168,358	195,040	26,682	115.85%
Sports Betting Operations Fees	2,786,422	-	2,786,422	2,786,422	2,024,100	(762,322)	72.64%
Background Investigations	121,927	-	121,927	121,927	150,342	28,415	123.30%
Fines and Fees	-	-	-	-	168	168	100.00%
Interest Revenue	176,305	-	176,305	176,305	754,286	577,981	427.83%
Other Revenue	-	-	-	-	1,085	1,085	100.00%
TOTAL REVENUES	25,699,775	-	25,699,775	25,699,775	33,965,362	7,865,587	130.61%
EXPENDITURES:							
Personal Services	3,685,483	105,127	3,790,610	3,790,610	3,036,550	(754,060)	80.11%
Operating Expenditures	175,038	-	175,038	175,038	98,682	(76,356)	56.38%
Workers Compensation	6,200	1,489	7,689	7,689	7,689	-	100.00%
Risk Management	9,296	2,232	11,528	11,528	11,528	-	100.00%
Licensure Activities	37,701	-	37,701	37,701	17,138	(20,563)	45.46%
Leased Space	39,000	18,156	57,156	57,156	33,428	(23,728)	58.49%
Vehicle Lease Payments - Fixed	15,046	10,136	25,182	25,182	13,634	(11,548)	54.14%
Vehicle Lease Payments - Variable	22,000	(5,200)	16,800	16,800	6,507	(10,293)	38.73%
Legal Services	75,741	50,473	126,214	126,214	126,214	-	100.00%
CORE Operations	10,236	2,458	12,694	12,694	12,694	-	100.00%
Payments to Office of Information Technology	186,377	(112,268)	74,109	74,109	59,999	(14,110)	80.96%
IT Accessibility	15,090	(15,090)	-	-	-	-	N/A
Indirect Costs - Department of Revenue	156,060	8,000	164,060	164,060	156,060	(8,000)	95.12%
Division Expenditures	4,433,268	65,513	4,498,781	4,498,781	3,580,123	(918,658)	79.58%
Non Personal Services Background Expenditures	56,551	50,000	106,551	106,551	21,406	(85,145)	20.09%
TOTAL EXPENDITURES	4,489,819	115,513	4,605,332	4,605,332	3,601,529	(833,513)	78.20%
EXCESS OF REVENUES OVER EXPENDITURES	\$ 21,209,956	N/A	\$ 21,094,443	\$ 21,094,443	\$ 29,963,833	\$ 8,869,390	142.05%
Reconciliation to GAAP Excess of Revenues Over Expenditures:							
Less Net (Decrease) in the Fair Value of Investments					(263,383)		
GAAP Excess of Revenues over Expenditures					\$ 29,700,450		

* Represents original information given to the Commission in April of 2023.

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

See accompanying Notes to Required Supplementary Information.

**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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Plan Measurement Date Ending December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Division's Proportion (Percentage) of the Collective Net Pension Liability	0.2096103%	0.2138573%	0.1939654%	0.1882503%	0.1822451%	0.1773283%	0.1833310%	0.1918421%	0.1913726%	0.1924460%
Division's Proportionate Share of the Collective Pension Liability	\$ 21,198,089	\$ 23,251,797	\$ 14,305,021	\$ 17,855,151	\$ 17,684,708	\$ 20,177,610	\$ 36,699,165	\$ 35,237,801	\$ 20,153,510	\$ 18,102,462
Covered Payroll	8,426,287	7,772,813	6,441,231	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598	5,319,912	4,965,164
Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	251.57%	299.14%	222.09%	289.29%	306.77%	355.05%	697.09%	644.72%	378.83%	364.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.37%	60.63%	73.05%	65.34%	62.24%	55.11%	43.20%	42.60%	56.10%	59.80%

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

See accompanying Notes to Required Supplementary Information.

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contributions *	\$ 1,653,354	\$ 1,500,367	\$ 1,459,011	\$ 1,277,435	\$ 1,315,020	\$ 1,198,503	\$ 998,250	\$ 980,190	\$ 947,398	\$ 888,726
Contributions in Relation to the Statutorily Required Contribution	1,653,354	1,500,367	1,459,011	1,277,435	1,315,020	1,198,503	998,250	980,190	947,398	888,726
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	8,045,518	7,416,545	7,320,678	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738
Contribution as a Percentage of Covered Payroll	20.55%	20.23%	19.93%	19.90%	21.71%	21.64%	19.13%	18.68%	17.78%	17.25%

* The amounts presented for fiscal years 2022, 2020, and 2019 include the portion applicable to the Division of the direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis based on Senate Bill 18-200. The direct distribution provision was suspended for fiscal year 2021 under House Bill 20-1379.

The amounts presented for each fiscal year were determined as of June 30.

See accompanying Notes to Required Supplementary Information.

**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**

Fiscal Year	2024	2023	2022	2021	2020	2019	2018	2017
Plan Measurement Date Ending December 31,	2023	2022	2021	2020	2019	2018	2017	2016
Division's Proportion (Percentage) of the Collective Net OPEB Liability	0.069420800%	0.069631997%	0.062996164%	0.062426423%	0.059761700%	0.059227966%	0.010347596%	0.009566987%
Division's Proportionate Share of the Collective OPEB Liability	\$ 495,474	\$ 568,531	\$ 543,219	\$ 593,191	\$ 671,720	\$ 805,821	\$ 806,020	\$ 851,584
Covered Payroll	8,426,287	7,772,813	6,441,231	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598
Division's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	5.88%	7.31%	8.43%	9.61%	11.65%	14.18%	15.31%	15.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.16%	3857.00%	39.40%	32.78%	24.49%	17.03%	17.53%	17.53%

The amounts presented for each fiscal year were determined as of December 31. Information earlier than 2017 was not available.

See accompanying Notes to Required Supplementary Information.

**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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 78,248	\$ 72,073	\$ 74,671	\$ 65,542	\$ 61,790	\$ 56,482	\$ 53,226	\$ 53,524	\$ 54,363	\$ 52,558
Contributions in Relation to the Statutorily Required Contribution	<u>78,248</u>	<u>72,073</u>	<u>74,671</u>	<u>65,542</u>	<u>61,790</u>	<u>56,482</u>	<u>53,226</u>	<u>53,524</u>	<u>54,363</u>	<u>52,558</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	8,045,518	7,416,545	7,320,678	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738
Contribution as a Percentage of Covered Payroll	0.97%	0.97%	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.

See accompanying Notes to Required Supplementary Information.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 1 - Net Pension Liability

2023 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2022:

- Senate Bill 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225,000 direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill 20-1379, but not fully repaid through the provisions within House Bill 22-1029. Pursuant to Senate Bill 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in Section 24-51-116 C.R.S., plus \$10,000 from the General Fund, totaling \$14,561.
- Senate Bill 12-163, enacted and effective June 6, 2023, a wildlife officer and a parks and recreation officer employed by the Division of Parks and Wildlife in the Department of Natural Resources, is classified as a "State Trooper" for the purposes of determining their service retirement eligibility.
- As of the December 31, 2023 measurement date, the total pension liability recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

2022 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2021:

- House Bill 22-1029, effective upon enactment, required the State Treasurer to issue, in addition to the regularly scheduled \$225,000 direct distribution, a warrant to PERA in the amount of \$380,000 with reductions to future direct distributions. The July 1, 2023 direct distribution will be reduced by \$190,000 to \$35,000. The July 1, 2024 direct distribution will not be reduced from \$225,000 due to a negative investment return in 2022.

2021 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2020

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision assessment, statutorily recognized July, 2021, and effective July 1, 2022
 - Member contribution rates increase by 0.50 percent.
 - Employer contribution rates increase by 0.50 percent.
 - Annual increase cap is lowered from 1.25 percent per year to 1.00 percent per year.
- The assumption used to value the automatic increase cap benefit provision was changed from 1.25 percent to 1.00 percent.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 1 - Net Pension Liability (continued)

2020 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2019

- House Bill 20-1379 enacted on June 29, 2020, suspended the \$225,000 direct distribution payable on July 1, 2020 for the State's Fiscal Year 2021.
- Senate Bills 18-200 and 20-057 enacted in 2018 and 2020, respectively, expanded the definition of "State Trooper" under Colorado law as follows:
 - Beginning July 1, 2020, new or existing employees of the Division of Fire Prevention and Control in the Department of Public Safety classified as firefighter I through firefighter VII; and
 - New members hired on or after January 1, 2020 as a corrections officer classified as I through IV by a State Division employer.
- The price inflation assumption was lowered from 2.40 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than Safety Officers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for Safety Officers was changed to the PubS-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than Safety Officers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for Safety Officers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than Safety Officers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The disability mortality assumption for Safety Officers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 1 - Net Pension Liability (continued)

2019 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2018

- Senate Bill 18-200 was enacted on June 4, 2018, which included the adoption of the automatic adjustment provision. The following changes reflect the anticipated adjustments resulting from the 2018 automatic adjustment provision, statutorily recognized July 1, 2019, and effective July 1, 2020:
 - Member contribution rates increased by 0.50 percent.
 - Employer contribution rates increased by 0.50 percent.
 - Annual increase cap is lowered from 1.50 percent per year to 1.25 percent per year.
- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

2018 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2017

- The following changes were made to the plan provision as part of Senate Bill 18-20:
 - Member contribution rates increased by 0.75 percent effective July 1, 2020, and an additional 0.50 percent effective July 1, 2021.
 - An annual direct distribution of \$225,000 from the State of Colorado, recognized as a nonemployer contributing entity, is distributed between the State, School, Judicial, and DPS Divisions.
 - Annual increase cap is lowered from 2.00 percent per year to 1.50 percent per year.
 - Initial annual increase waiting period is extended from one year after retirement to three years after retirement.
 - Annual increase payments are suspended for 2018 and 2019.
 - The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020 increases from three to five years for the State, School, and DPS Divisions and increases from one to three years for the Judicial Division.
- The single equivalent interest rate (SEIR) for the State Division was increased from 4.72 percent to 7.25 percent to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the fiduciary net position (FNP), thereby eliminating the need to apply the municipal bond index rate.

2017 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2016

- The SEIR for the State Division was lowered from 5.26 percent to 4.72 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR for the State and Judicial Divisions changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 1 - Net Pension Liability (continued)

2016 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2015

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State Division was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the State Division was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86 percent on the measurement date.

2015 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2014

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18-month AI timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

There were no changes to the 2014 Plan Provisions, Assumptions, or Other Inputs Since 2013.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 2 - Other Postemployment Benefits

There were no changes to the 2023 Plan Provisions, Assumptions, or Other Inputs Since 2022.

There were no changes to the 2022 Plan Provisions, Assumptions, or Other Inputs Since 2021.

There were no changes to the 2021 Plan Provisions, Assumptions, or Other Inputs Since 2020.

2020 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for State Troopers was changes to the PubS-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
 - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes to the 2019 Plan Provisions, Assumptions, or Other Inputs Since 2018.

There were no changes to the 2018 Plan Provisions, Assumptions, or Other Inputs Since 2017.

There were no changes to the 2017 Plan Provisions, Assumptions, or Other Inputs Since 2016.

**DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS**

Note 2 - Other Postemployment Benefits (continued)

2016 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2015

- The Entry Age actuarial cost method allocation basis was changed from a level dollar amount to a level percentage of pay.
- The investment rate of return assumption decreased, the price inflation assumption decreased, and the wage inflation assumption decreased by 0.25 percent, 0.40 percent, and 0.4 percent, respectively.
- Mortality tables related to the mortality assumption for active members, post-retirement mortality assumption for healthy lives, mortality assumption for disabled retirees were changed.
- Various other assumptions related to assumed rates, wage inflation, PERACare, initial per capita health care costs, health care cost trends, election rates, assumed age differences between future retirees and their participating spouses, and utilization rates changed.

2015 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2014

- Methodology changes included rates of morbidity and the timing of the normal cost and unfunded actuarial accrued liability payment calculations.
- Changes to actuarial assumptions included PERACare enrollee percentages, initial per capita health care costs, and health care cost trend rates for Medicare Part A premiums.

2014 Changes in Plan Provisions, Assumptions, or Other Inputs Since 2013

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are not expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect the change in costs for the 2015 plan year.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

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

We have audited, 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, the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, Responsible Gaming Grant Fund, Sports Betting Fund, and Hold-Harmless Fund, special revenue funds of the Division of Gaming (Department of Revenue) (the Division), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated December 4, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

The Division's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Division's response to the findings identified in our audit and described in the accompanying Auditor's Findings and Recommendations section of this report. The Division's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Denver, Colorado
December 4, 2024

**Required Auditor Communications to the Legislative Audit Committee and
Colorado Limited Gaming Control Commission**

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

We have audited the accompanying financial statements of the Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund, and Hold-Harmless Fund of the Division of Gaming, Department of Revenue, State of Colorado (the Division) as of and for the years ended June 30, 2024 and 2023, and have issued our report thereon dated December 4, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 10, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Division solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Division's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Division's financial statements relate to:

The disclosures of Distributions of Net Proceeds in Note 7 (Gaming Distributions) and Note 8 (Sports Betting Distribution), as these disclosure presents information regarding performance of the Division's commitment to funding beneficiaries throughout the State of Colorado.

The disclosure of Pension Plans in Note 10, which presents the Division's deferred inflows and outflows of resources related to the defined benefit pension plan, as well as summarizes actuarial assumptions used in determining the Division's estimated total pension liability.

The disclosure of Other Postemployment Benefits and Life Insurance in Note 12, which presents the Division's deferred inflows and outflows of resources related to other postemployment benefits, as well as summarizes actuarial assumptions used in determining Division's estimated total other postemployment benefits liability.

The disclosure of Related Party Transactions in Note 14, which discloses the nature of the Division's relationship with the State of Colorado and interdepartmental fees paid as a result of this relationship.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Division's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We have made the following modification to our auditor's report, related to the Division's relationship with the State of Colorado:

As discussed in Note 1 –Summary of Significant Accounting Policies, 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.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December 4, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Division, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Division's auditors.

Restriction on Use

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

Eide Bailly LLP

Denver, Colorado
December 4, 2024