

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

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

**YEARS ENDED JUNE 30, 2022 AND 2021**



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**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
REPORT SUMMARY  
YEARS ENDED JUNE 30, 2022 AND 2021**

**AUTHORITY AND PURPOSE/SCOPE OF AUDIT**

The Office of the State Auditor, State of Colorado, engaged CliftonLarsonAllen, LLP to conduct the financial audit of the Limited Gaming Fund, Extended Limited Gaming Fund (Extended Gaming Fund), Sports Betting Fund, 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, 2022 and June 30, 2021. This audit was performed under authority of Section 44-30-703, C.R.S., which requires the State Auditor to conduct an annual audit of the Limited Gaming Fund and Section 2-3-103, C.R.S. which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of the state government. The purpose of the audit was to express opinions on the financial statements of the Division for the fiscal years ended June 30, 2022 and 2021.

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

The purposes and scope of this audit were:

- To express opinions on the financial statements of the Division as of and for the fiscal years ended June 30, 2022 and 2021, including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.
- To review the Division's compliance with rules and regulations governing the expenditure of State funds for the fiscal year ended June 30, 2022.
- To evaluate progress in implementing any prior audit recommendations.

**SUMMARY OF MAJOR AUDIT FINDINGS**

An independent auditors' report on the financial statements of the Division, dated November 30, 2022, has been issued, which states that the financial statements of the Division as of and for the fiscal years ended June 30, 2022 and 2021, are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated November 30, 2022, has also been issued, which states that the results of the Contract Auditors' tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

**RECOMMENDATION LOCATOR**

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

**SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS**

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

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
DESCRIPTION OF COLORADO DIVISION OF GAMING  
YEAR ENDED JUNE 30, 2022**

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.



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audits of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal years ended June 30, 2022 and 2021, and the 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, 2022, 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 Limited Gaming Fund, Extended Limited Gaming Fund, and Sports Betting Fund, as of June 30, 2022 and 2021, and the Hold Harmless Fund as of June 30, 2022, of the Division, 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. 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.

#### *Emphasis of Matters*

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, 2022 and 2021, or the changes in its financial position, for the year 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.

As discussed in Note 1 to the financial statements the Division adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions were 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 Legislative Audit Committee member listing, the Report Summary, and 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 November 30, 2022 **December 8, 2022**, 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 30, 2022

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the Division) provides an overview of financial activities for the years ended June 30, 2022 and 2021. Please read it in conjunction with the Division's financial statements, which begin on page 28.

**Financial Highlights**

- Gaming Tax revenues (described on page 11 in detail) were \$162,004,358 for the fiscal year ended June 30, 2022, compared to revenues of \$120,480,425 for the prior fiscal year ending June 30, 2021, which is an increase of \$41,523,933 or 34.47%.
- The Limited Gaming Distribution was \$101,831,683 in fiscal year 2022 compared to \$89,379,616 in fiscal year 2021, 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 \$46,823,932 in fiscal year 2022 compared to \$17,647,531 in fiscal year 2021. Due to the timing of the distributions, the Limited Gaming Distribution was recorded as other financing use occurring within fiscal year 2022 whereas the Extended Gaming Distribution relating to fiscal year 2022 activity remained in restricted fund balance as of June 30, 2022.
- Sports Betting Tax revenues were \$12,445,448 for the fiscal year ended June 30, 2022, compared to revenues of \$8,146,362 for the fiscal year ending June 30, 2021, which is an increase of \$4,299,086 or 52.77%.
- 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 \$12,236,517 compared to last fiscal year's total Sports Betting Fund Distribution of \$8,614,229. Due to the timing of the distribution, the Sports Betting Fund Distribution relating to fiscal year 2022 activity remained in restricted fund balance as of June 30, 2022.

**Using this Report**

This financial report consists of financial statements for the fiscal years ended June 30, 2022 and 2021. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund, the Limited Gaming Fund, the Sports Betting Fund, and the Hold Harmless 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, 2021 and July 1, 2020, respectively, and the ending fund balances as of June 30, 2022 and 2021, respectively. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual reflects the initial budget amounts, the cumulative changes made throughout the course of the year, the revised budget amounts, and the actual amounts received or expended. Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**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 44-30-15010, 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.

**Assets, Liabilities, and Fund Balance**

The following compares fiscal year 2022 and fiscal year 2021 assets, liabilities, and fund balances.

	Fiscal Years		Increase/(Decrease)	
	2022	2021	Dollars	Percent
Cash and Equity in Treasurer's Pool	\$ 141,888,634	\$ 101,726,699	\$ 40,161,935	39.48%
Gaming and Sports Betting Taxes and Other Receivables	16,455,449	18,678,148	(2,222,699)	(11.90)%
Prepaid Expenditures	49,848	30,863	18,985	61.51%
Total Assets	<u>158,393,931</u>	<u>120,435,710</u>	<u>37,958,221</u>	<u>31.52%</u>
Accounts Payable, Wages, and Accrued Payroll Payable	989,821	942,862	46,959	4.98%
Due to Other State Agencies, Other Governments, and the State General Fund	101,831,683	89,379,616	12,452,067	13.93%
Other Liabilities	1,141,876	1,008,198	133,678	13.26%
Total Liabilities	<u>103,963,380</u>	<u>91,330,676</u>	<u>12,632,704</u>	<u>13.83%</u>
Fund Balance	<u>54,430,551</u>	<u>29,105,034</u>	<u>25,325,517</u>	<u>87.01%</u>
Total Liabilities and Fund Balance	<u>\$ 158,393,931</u>	<u>\$ 120,435,710</u>	<u>\$ 37,958,221</u>	<u>31.52%</u>



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Assets, Liabilities, and Fund Balance (Continued)**

The year-end total fund balance reflects the overall financial position of the Division, which is \$54,430,551 at June 30, 2022 compared to \$29,105,034 at June 30, 2021. Total assets of \$158,393,931 at June 30, 2022 increased \$37,958,221, or 31.52%, as compared to the prior year balance of \$120,435,710. The increase in total assets is due primarily to increases in Cash and Equity in the Treasurer's Pool.

The Division's total liabilities were \$103,963,380 at June 30, 2022 and \$91,330,676 at June 30, 2021. The \$12,632,704 increase is due primarily to the increase in the fiscal year 2022 Limited Gaming Distribution. See Note 7 for additional information on the Gaming distributions. Cash increased due to more Gaming taxes collected and the timing of the distribution in the Extended Gaming Fund.

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

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

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

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

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

The following compares total fiscal year 2022 and fiscal year 2021 revenues, expenditures, and changes in fund balance. The transfer out to the general fund in fiscal year 2021 relates to the repayment of start up costs outlined in HB 19-1327.

	Fiscal Years		Increase/(Decrease)	
	2022	2021	Dollars	Percent
<b>REVENUES</b>				
Gaming Taxes	\$ 162,004,358	\$ 120,480,425	\$ 41,523,933	34.47%
Sports Betting Taxes	12,445,448	8,146,362	4,299,086	52.77%
License and Application Fees	845,546	827,558	17,988	2.17%
Other Revenue	(4,780,476)	1,458,808	(6,239,284)	(427.70)%
Total Revenues	<u>170,514,876</u>	<u>130,913,153</u>	<u>39,601,723</u>	<u>30.25%</u>
<b>EXPENDITURES</b>				
Operating Expenditures	13,629,209	10,535,754	3,093,455	29.36%
Background Investigations	4,845	9,340	(4,495)	(48.13)%
State Agency Services	5,734,537	6,591,184	(856,647)	(13.00)%
Total Expenditures	<u>19,368,591</u>	<u>17,136,278</u>	<u>2,232,313</u>	<u>13.03%</u>
Excess of Revenues Over Expenditures	151,146,285	113,776,875	37,369,410	32.84%
Fund Balance - Beginning of Year	29,105,034	21,565,811	7,539,223	34.96%
Issuance of Lease	1,734,280	-	1,734,280	100.00%
Add: Insurance Recoveries	-	5,000	(5,000)	(100.00)%
Less: Transfer out to the State General Fund	-	(1,552,397)	1,552,397	(100.00)%
Less: Gaming Fund Distributions Paid or Accrued During the Fiscal Year	<u>(127,555,048)</u>	<u>(104,690,255)</u>	<u>(22,864,793)</u>	<u>21.84%</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 54,430,551</u></u>	<u><u>\$ 29,105,034</u></u>	<u><u>\$ 25,325,517</u></u>	<u><u>87.01%</u></u>

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

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

The following compares total fiscal year 2021 and fiscal year 2020 revenues, expenditures, and changes in fund balance. The transfer in from the general fund in fiscal year 2020 relates to startup costs outlined in HB 19-1327.

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

**Revenues**

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2022 was \$151,146,285. This represents an increase of \$37,369,410 compared to fiscal year 2021 excess of revenues over expenditures of \$113,776,875.

The fiscal year 2022 net decrease in fair value of investments of \$8,205,073 and net decrease of \$1,456,213 in fiscal year 2021 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2022 and 2021, respectively.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Revenues (Continued)**

The largest source of revenue for the Division is from gaming taxes paid by casinos followed by sports betting taxes. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). Sports betting taxes are imposed at the rate of 10% of net sports betting proceeds (NSBP). The adjusted gross proceeds of casinos increased 25.6% in fiscal year 2022, as compared to fiscal year 2021. Sports Betting taxes collected increased 52.8% as compared to fiscal year 2021. Between the months of May and June of 2021, the casinos in both counties re-opened to 100% occupancy. The combined Gaming and Sports Betting tax revenues earned by the Division for the fiscal years ending June 30, 2022 and 2021 were \$174,449,806 and \$128,626,787, respectively. This represents an increase of \$45,823,019 and was due primarily to the passage of Amendment 77 and the post pandemic improving state of the economy. For fiscal year 2022, the Gaming tax rates remained the same as in fiscal year 2021 and 2020. The Sports Betting tax rate remained at 10% of NSBP.

The Colorado Limited Gaming Control Commission assesses Gaming taxes based on adjusted gross proceeds. The tax rates for fiscal years 2022, 2021, and 2020 are below.

AGP Range	Tax Rate for Fiscal Year		
	2022	2021	2020
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, 2022 AND 2021**

**Revenues (Continued)**

Significant changes in revenue categories to fiscal year 2022 from fiscal year 2021 are explained below.

	Increase (Decrease) Amount	Percent Change	Explanation
Gaming Taxes	\$ 41,523,933	34.5%	The increase in fiscal year 2022 is due to Amendment 77, effective May 21, 2022 and the lifting of state-wide restrictions related to COVID-19, allowing the counties to implement their own plans.
Sports Betting Taxes	4,299,086	52.8%	The increase in fiscal year 2022 is due to the increase in taxes related to revenues generated by on-site and internet operators for sports betting.
Fines	158,948	7569.0%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	358,685	59.5%	The increase in fiscal year 2022 is due to the increase in the Average Daily Balance (ADB) in the State Treasury investments. The average annualized rate was 1.12% for fiscal year 2022 compared to 1.23% for fiscal year 2021.
Changes in Fair Value of Investments	(6,748,860)	463.5%	This represents the difference between the net changes in the fair value of the Division's investments during fiscal year 2022 versus the net change in the fair value of the Division's investments during fiscal year 2021, 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, 2022 AND 2021**

**Revenues (Continued)**

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

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

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Expenditures**

Total expenditures for the Division in fiscal year 2022 were \$19,368,591. This is an increase of \$2,232,313, or 12.97%, as compared to fiscal year 2021 expenditures of \$17,136,278. The information below shows the changes in expenditures from fiscal year 2022 to fiscal year 2021 with explanations provided for significant changes.

	Increase (Decrease) Amount	Percent Change	Explanation
Professional Services	\$ (41,913)	(17.2)%	In fiscal year 2022, the decrease was due primarily to the completion of the design phase for the repair of the Central City office stairs and the Department/Division discontinued the use of temporary staffing services.
Travel	62,870	602.4%	In fiscal year 2022, the increase was due to the lifting of the order from the Governor's office restricting all non-essential travel and a general lifting of restrictions to move to a post pandemic economic recovery.
Printing	8,112	129.2%	In fiscal year 2022, the increase was due primarily to more employees in the office with the lifting of COVID-19 restrictions and a general increase in post pandemic business; additional copiers transitioned to the new Integrated Document Solutions (IDS) copiers lease billing model.
Police Supplies	38,961	209.9%	In fiscal year 2022, the increase was due primarily to the replacement and updating of guns, gun sights, and related equipment.
Leased Space	(54,965)	(81.9)%	In fiscal year 2022, the decrease is due to the implementation of GASB 87; activity is shown in the debt service section for annual lease payments.
Lease Expenditure	1,734,280	100.0%	In fiscal year 2022 the increase is due to the Issuance of Lease under GASB 87, this is a onetime expense at the inception of the lease. Leased space under GASB 87 includes Lease Principal, Lease Interest and non-lease Component. The Lease Principal and Lease Interest are presented under Debt Services and the non-lease Component is presented under Other Operating Expenditures.



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Expenditures (Continued)**

	Increase (Decrease) Amount	Percent Change	Explanation
Salaries and Benefits	\$ 1,108,004	12.0%	There was a 3% across the board raise for all state employees. Health, Dental, Life increased by 5.3%, PERA direct distribution increased by \$157,892, and there were 6.7 additional FTE's in fiscal year 2022
State Agency Services	(856,647)	(13.0)%	Decrease is due mainly to CBI cancelling the interagency agreement with the Division as of 8/31/21, and to the credit received from OIT for purchased services. The previous two decreases were partially offset by an increase in payments to the State Auditors for the Sports Betting performance audit.
Debt Service	148,054	100.0%	In fiscal year 2022, the increase is due to the implementation of GASB 87; Lease Principal is \$133,440 and the Lease Interest is \$14,614.
Capital Outlay	21,717	100.0%	In fiscal year 2022, the increase was due to the purchase of portable all-band radios for the Central City office.

**DIVISION OF GAMING,  
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**Expenditures (Continued)**

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

	Increase (Decrease) Amount	Percent Change	Explanation
Annual and Sick Leave Payouts	\$ 25,695	136.9%	In fiscal year 2021, eight employees left the Division with accumulated leave balances higher than the amount paid out in the previous fiscal year.
Professional Services	(37,387)	(21.7)%	In fiscal year 2021, the decrease was due to services provided by Fast Enterprises, LLC, during 2020, for sports betting modifications to GenTax for implementation of the new fund during fiscal year 2020.
Travel	(39,835)	(102.4)%	In fiscal year 2021, the decrease was due to the COVID-19 outbreak with an order from the Governor's office in mid-March 2020 to May 2021, restricting all non-essential travel.
Printing	(14,972)	(78.4)%	In fiscal year 2021, the decrease was due primarily to only a few essential employees in the office because of COVID-19 restrictions; Integrated Document Solutions (IDS) changed their current copiers billing model to a lease plus business model in February 2021.
Computer Services and Name Searches	35,245	57.5%	In fiscal year 2021, the increase was due to \$7,372 higher fingerprint costs, 402 more individual applications were processed, and Experian vendor cost increases.
Other Operating Expenditures	44,589	57.8%	In fiscal year 2021, the increase is due primarily to the additional costs charged to the Division for CORE Operations, the State's accounting system.

**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Expenditures (Continued)**

	Increase (Decrease) Amount	Percent Change	Explanation
Leased Space	\$ (267,405)	(79.9)%	In fiscal year 2021, the decrease was due to the end of and cancellation of extensions to the Golden, Colfax lease as well as a delay to new office space re-configured for the Specialized Business Group (SBG) at the Lakewood, Cole Center at Denver West.
Background Expenditures	(29,343)	(96.5)%	In fiscal year 2021, the decrease was due to the statewide order restricting non-essential travel. Background investigation travel expenditures are reimbursed to the Division by the entity requiring the background investigation. COVID restricted traveling caused the expenditures to decrease,

**Conditions Affecting Financial Position or Results of Operations**

**Staffing Changes**

Between fiscal years 2022 and 2021 staffing changes throughout the Division were as follows:

<u>FY 2022</u>	<u>Filled FTE</u>	<u>FY 2021</u>	<u>Filled FTE</u>
Gaming	77.5	Gaming	78.5
Sports Betting	19.5	Sports Betting	11.8

**Improving Economy**

The economy has rebounded from the effects of COVID-19 quickly, with the extent of the growth greater than expected. This resulted in a year-over-year increase in Limited Gaming AGP and Gaming Taxes of 25.70% and 34.47%, respectively, in fiscal year 2022 as compared to fiscal year 2021. The large increase also resulted in changes to the fiscal year 2022 Limited Gaming and Extended Limited Gaming fund distributions (see SB 22-216 discussion below).

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Conditions Affecting Financial Position or Results of Operations (Continued)**

**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 Services recommending that the Division continue and resulted in HB22-1412, which was passed and signed by the governor on June 7, 2022.

**Computer Systems / Projects**

The Division continued with the "Digital Transformation" project with System Automation (SA) to configure certain licensing forms for the new online platform known as ML1, which expands the licensing options customers have to submit applications online. The project focus in fiscal year 2022 was completion of online options for licensees and the "My License Gadget" for field investigators and auditors with a calendar 2022 go-live date. The initial project had a very aggressive timeline, with the intention of going live July 1, 2021. The project was revised and will continue into fiscal year 2023, with the projected Go-Live date of July 2022 for the Gadget project.

**Distribution**

**Extended Gaming**

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.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Distribution (Continued)**

Limited Gaming

In the 2022 Legislative Session, the Legislature passed, and the governor signed SB22-216 on Jun 7, 2022. This Senate Bill requires the transfer of \$3 million of the State Share of the Limited Gaming revenues to the State Historical Society Strategic Initiative Fund and; 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:

- Adjusting the allocation for fiscal year 2022 to accommodate the unexpected large increase of post-pandemic limited gaming tax revenues, and;
- Establishing a temporary process to modify the allocation in the years following a significant decline in limited gaming tax revenues.

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 to promote responsible gaming and address problem gaming in the state and requires the transfer of \$2.5 million of the State Share of the Limited Gaming revenues to this fund.

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, 2022 was \$148,655,615, which includes \$46,823,932 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, 2022	June 30, 2021
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	\$ 36,522,667	\$ 13,765,074
12% to Gilpin and Teller Counties, in Proportion to the Tax Revenues Generated in the Respective Counties	5,618,872	2,117,704
10% to the Cities of Cripple Creek, Central, and Black Hawk, in Proportion to the Tax Revenues Generated in the Respective Cities	4,682,393	1,764,753
Total Distribution Attributable to Extended Gaming	\$ 46,823,932	\$ 17,647,531

**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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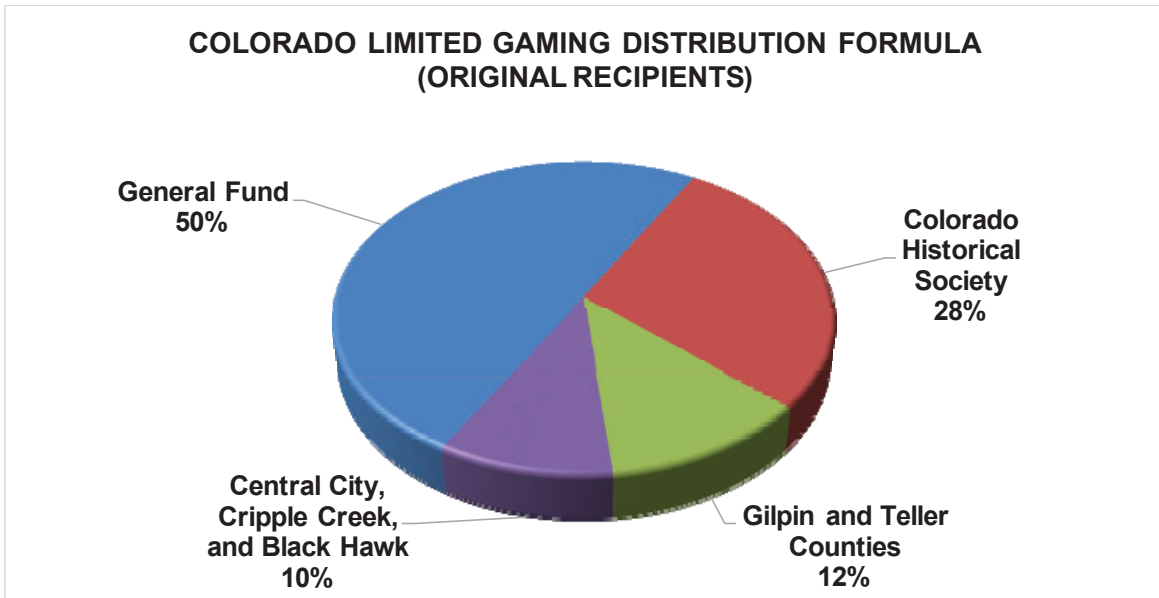
**Distribution (Continued)**

**Limited Gaming Distribution**

In accordance with Section 44-30-701, C.R.S., 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 increased approximately 35% in fiscal year 2022 compared to fiscal year 2021. The transfer of limited gaming revenues is based on the following formula:

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

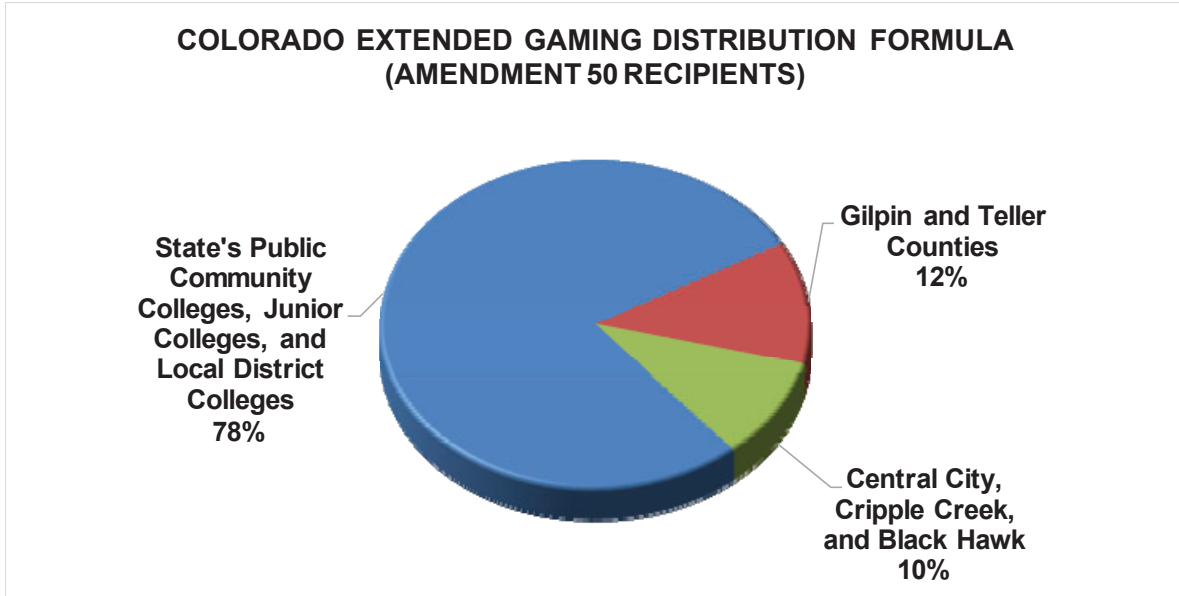
The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2022.



DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Distribution (Continued)**

**Extended Gaming Distribution**





**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Distribution (Continued)**

The table below compares the amounts distributed to the various recipients for fiscal years 2022 and 2021.

	For the Years Ended June 30,		Difference	Percent Difference
	2022	2021		
Colorado State Historical Fund	\$ 28,512,871	\$ 25,026,293	\$ 3,486,578	13.9%
Historical Society Strategic Initiatives Fund	3,000,000	-	3,000,000	100.0%
Colorado Travel and Tourism Promotion Fund	15,000,000	-	15,000,000	100.0%
Local Government Limited Gaming Impact Fund	6,330,444	-	6,330,444	100.0%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	-	500,000	100.0%
Advanced Industries Acceleration Cash Fund	5,500,000	-	5,500,000	100.0%
Creative Industries Cash Fund	2,000,000	-	2,000,000	100.0%
Innovative Higher Education Research Fund	2,100,000	-	2,100,000	100.0%
Total Payments to Other State Agencies	62,943,315	25,026,293	37,917,022	151.5%
City of Black Hawk	7,714,768	6,497,004	1,217,764	18.7%
City of Central	817,708	841,062	(23,354)	(2.8)%
City of Cripple Creek	1,650,692	1,599,895	50,797	3.2%
Gilpin County	10,238,972	8,805,680	1,433,292	16.3%
Teller County	1,980,830	1,919,874	60,956	3.2%
Total Payment Due to Other Governments	22,402,970	19,663,515	2,739,455	13.9%
Responsible Gaming Grant Program Cash Fund	2,500,000	-	2,500,000	100.0%
Due to the State General Fund	13,985,398	44,689,808	(30,704,410)	(68.7)%
Due to the Limited Gaming Recipients	101,831,683	89,379,616	12,452,067	13.9%
Due to the Extended Gaming Recipients	46,823,932	17,647,531	29,176,401	165.3%
Total Distribution	<u>\$ 148,655,615</u>	<u>\$ 107,027,147</u>	<u>\$ 41,628,468</u>	38.9%

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Distribution (Continued)**

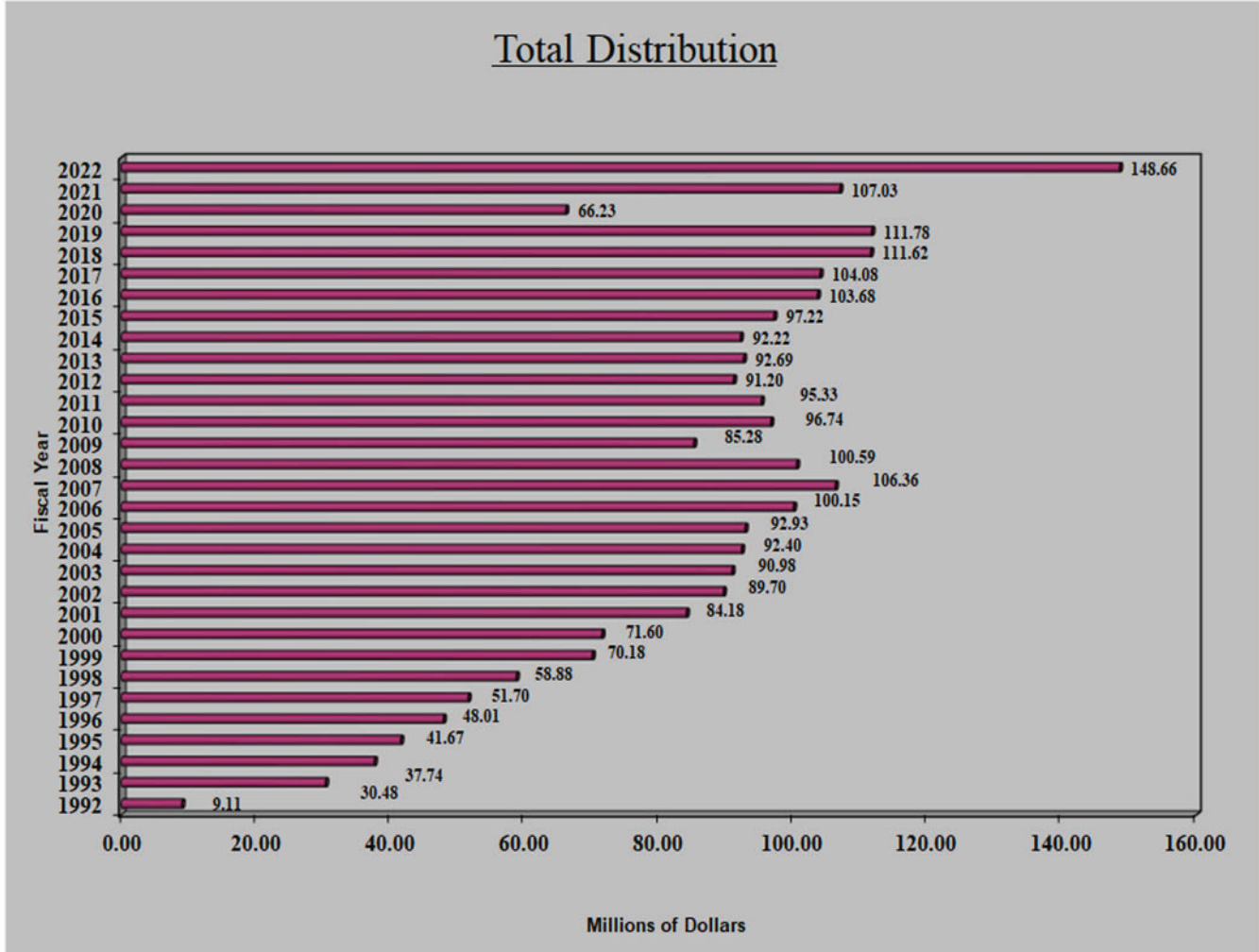
The total distribution for the fiscal year ended June 30, 2021 was \$107,027,147.

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

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

**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**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, 2022 AND 2021**

**Sports Betting Distribution (Continued)**

At the end of fiscal year June 30, 2022, the available balance to be distributed from the Sports Betting Fund was \$12,236,517. The table below compares the amounts distributed to the various recipients for fiscal years 2022 and 2021.

	Year Ended June 30,	
	2022	2021
6% to the Wagering Revenue Recipients Hold Harmless Fund	\$ 746,727	\$ 488,782
Transfer to the Office of Behavioral Health in the Department of Human Services	130,000	130,000
Transfer to the Water Plan Implementation Cash Fund	11,359,790	7,995,447
Total Transfer for Distribution Attributable to Sports Betting	<u>\$ 12,236,517</u>	<u>\$ 8,614,229</u>

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, 2023, 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.

**Gaming Budget**

The Colorado Limited Gaming Control Commission approves the Long Bill line items of the Division's budget for the Limited Gaming and the Sports Betting Funds. The Division does not adopt a budget for the Extended Gaming Fund. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2022:

	Beginning Budget	Supplemental Changes	Annual Revised Budget
Personal Services (PERA Distr. SB-200)	\$ 9,045,115	\$ 8	\$ 9,045,123
Workers Compensation	35,305	(2,320)	32,985
Risk Management	22,683	132	22,815
Leased Space	312,677	(167,763)	144,914
Vehicle Lease Payments-Fixed	85,000	55,889	140,889
Vehicle Lease Payments-Variable	59,000	22,066	81,066
CORE Operations	71,780	(9,878)	61,902
Payments to OIT	60,324	219,530	279,854
ISD-MIPC Phones-IT-Division	77,000	(25,731)	51,269
Indirect Costs-SBG Admin POTS	58,140	83,829	141,969

The budgeted expenditures approved at the beginning of the year were \$17,189,377, including the PERA Direct Distribution of \$129,262. The final approved budget for fiscal year 2022 was \$17,365,139. Total actual expenditures were \$14,838,004 resulting in excess appropriations, or a savings of \$2,527,135 for fiscal year 2022.

**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Sports Betting Budget**

The approved budgeted expenditures were \$3,131,575. Throughout the year, the budget may be amended. Total actual expenditures were \$2,796,307 resulting in excess appropriations, or a savings of \$432,368 for fiscal year 2022. Following are the budget line items that were changed during fiscal year 2022:

	<u>Beginning Budget</u>	<u>Supplemental Changes</u>	<u>Annual Revised Budget</u>
Workers Compensation	\$ 7,820	\$ (515)	\$ 7,305
Risk Management	5,671	33	5,704
Leased Space	78,169	(41,941)	36,228
Vehicle Lease Payments Fixed	8,000	7,000	15,000
CORE Operations	15,898	(2,188)	13,710
Payments to OIT	13,361	134,711	148,072

**Economy and Next Year's Budget**

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2023 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 2023. 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 2023 budget request totaled \$21,532,100, which included \$17,475,369 for the Division and \$4,056,730 for the Other Agencies. This represented a total increase of 40.21%, 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 2025, upon conditions. No refunds were issued for fiscal year 2022.

Assumptions that were made when preparing the revenue projection for fiscal year 2023 included the continuation of current tax structure, tax rates, and continuation of license and application fees. Also included in assumptions is the continuation of the current interest rate being paid to the fund and adjustments for casinos closed and opened in fiscal year 2022.

The Division's fiscal year 2023 budgeted revenue estimates total \$180.9 million, a \$2,275,228 increase over fiscal year 2022 actual revenue. The change in fair market value of investments is not included in this calculation.

**DIVISION OF GAMING,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2022 AND 2021**

**Economy and Next Year's Budget**

During the 30 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://sbq.colorado.gov/gaming/limited-gaming>.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
BALANCE SHEETS  
JUNE 30, 2022 AND 2021**

	2022				
	Extended Gaming Fund	Limited Gaming Fund	Sports Betting Fund	Hold Harmless Fund	Total Gaming Funds
<b>ASSETS</b>					
Cash and Equity in Treasurer's Pool	\$ 44,448,066	\$ 84,834,710	\$ 12,137,716	\$ 468,142	\$ 141,888,634
Accounts Receivable					
Gaming Taxes	-	16,169,582	-	-	16,169,582
Sports Betting Taxes	-	-	268,799	-	268,799
Other State Agencies	-	-	-	-	-
Fines Receivable	-	694	84	-	778
Miscellaneous	-	12,783	3,507	-	16,290
Prepaid Expenditures	-	32,371	17,477	-	49,848
Total Assets	<u>\$ 44,448,066</u>	<u>\$ 101,050,140</u>	<u>\$ 12,427,583</u>	<u>\$ 468,142</u>	<u>\$ 158,393,931</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 62,567	\$ 7,851	\$ -	\$ 70,418
Accrued Payroll Payable	-	699,553	142,342	-	841,895
Wages and Salaries Payable	-	34,943	42,565	-	77,508
Due to Other State Agencies	-	62,943,315	-	-	62,943,315
Due to Responsible Gaming Grant Fund	-	2,500,000	-	-	2,500,000
Due to Other Governments	-	22,402,970	-	-	22,402,970
Due to the State's General Fund	-	13,985,398	-	-	13,985,398
Background and Other Deposits	-	216,753	477,371	-	694,124
Unearned Revenue	-	299,846	147,906	-	447,752
Total Liabilities	<u>-</u>	<u>103,145,345</u>	<u>818,035</u>	<u>-</u>	<u>103,963,380</u>
<b>FUND BALANCE</b>					
Nonspendable:					
Prepays	-	32,371	17,477	-	49,848
Restricted for:					
Required Reserve	-	2,413,330	-	-	2,413,330
Sports Betting Recipients	-	-	12,236,517	-	12,236,517
Extended Gaming Recipients	46,823,932	-	-	-	46,823,932
Hold-Harmless Recipients	-	-	-	493,165	493,165
Unassigned	(2,375,866)	(4,540,906)	(644,446)	(25,023)	(7,586,241)
Total Fund Balance	<u>44,448,066</u>	<u>(2,095,205)</u>	<u>11,609,548</u>	<u>468,142</u>	<u>54,430,551</u>
Total Liabilities and Fund Balance	<u>\$ 44,448,066</u>	<u>\$ 101,050,140</u>	<u>\$ 12,427,583</u>	<u>\$ 468,142</u>	<u>\$ 158,393,931</u>

See accompanying Notes to Financial Statements.



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
BALANCE SHEETS (CONTINUED)  
JUNE 30, 2022 AND 2021**

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

See accompanying Notes to Financial Statements.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022				
	Extended Gaming Fund	Limited Gaming Fund	Sports Betting Fund	Hold Harmless Fund	Total Gaming Funds
<b>REVENUES</b>					
Gaming Taxes	\$ -	\$ 162,004,358	\$ -	\$ -	\$ 162,004,358
Sports Betting Taxes	-	-	12,445,448	-	12,445,448
License and Application Fees	-	687,606	157,940	-	845,546
Sports Betting Operations Fees	-	-	2,107,100	-	2,107,100
Background Investigations	-	115,885	78,867	-	194,752
Fines	-	5,628	155,420	-	161,048
Interest Income	19,713	837,977	99,180	4,383	961,253
Net Increase/(Decrease) in the Fair Value of Investments	(2,483,851)	(5,002,140)	(694,059)	(25,023)	(8,205,073)
Other Revenue	-	280	164	-	444
Total Revenues	<u>(2,464,138)</u>	<u>158,649,594</u>	<u>14,350,060</u>	<u>(20,640)</u>	<u>170,514,876</u>
<b>EXPENDITURES</b>					
Salaries and Benefits	-	8,402,120	1,949,432	-	10,351,552
Annual and Sick Leave Payouts	-	24,927	23,985	-	48,912
Professional Services	-	156,457	45,880	-	202,337
Travel	-	49,827	23,479	-	73,306
Automobiles	-	177,231	16,965	-	194,196
Printing	-	12,800	1,590	-	14,390
Police Supplies	-	50,259	7,263	-	57,522
Computer Services and Name Searches	-	100,564	20,878	-	121,442
Materials, Supplies, and Services	-	383,888	39,093	-	422,981
Postage	-	3,532	454	-	3,986
Telephone	-	75,913	10,311	-	86,224
Utilities	-	26,627	-	-	26,627
Other Operating Expenditures	-	90,049	19,459	-	109,508
Leased Space	-	9,740	2,435	-	12,175
Lease Expenditure	-	1,387,424	346,856	-	1,734,280
Capital Outlay	-	21,717	-	-	21,717
State Agency Services	-	5,131,210	603,327	-	5,734,537
Background Expenditures	-	2,700	2,145	-	4,845
Debt Service					
Lease - Principal	-	106,752	26,688	-	133,440
Lease - Interest	-	11,691	2,923	-	14,614
Total Expenditures	<u>-</u>	<u>16,225,428</u>	<u>3,143,163</u>	<u>-</u>	<u>19,368,591</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	(2,464,138)	142,424,166	11,206,897	(20,640)	151,146,285

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022				
	Extended Gaming Fund	Limited Gaming Fund	Sports Betting Fund	Hold Harmless Fund	Total Gaming Funds
<b>OTHER FINANCING SOURCES (USES)</b>					
Limited Gaming Distribution	\$ -	\$ (101,831,683)	\$ -	\$ -	\$ (101,831,683)
Extended Gaming Distribution	(17,647,531)	-	-	-	(17,647,531)
Sports Betting Distribution	-	-	(8,075,834)	-	(8,075,834)
Transferred to Hold-Harmless Fund	-	-	(488,782)	-	(488,782)
Transfer from Sports Betting Fund	-	-	-	488,782	488,782
Transferred to Extended Gaming Fund	-	(46,804,219)	-	-	(46,804,219)
Transfer from Limited Gaming Fund	46,804,219	-	-	-	46,804,219
Issuance of Lease	-	1,387,424	346,856	-	1,734,280
Insurance Recoveries	-	-	-	-	-
Total Other Financing Sources (Uses)	29,156,688	(147,248,478)	(8,217,760)	488,782	(125,820,768)
<b>NET CHANGE IN FUND BALANCE</b>	26,692,550	(4,824,312)	2,989,137	468,142	25,325,517
Fund Balance - Beginning of Year	17,755,516	2,729,107	8,620,411	-	29,105,034
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 44,448,066</u>	<u>\$ (2,095,205)</u>	<u>\$ 11,609,548</u>	<u>\$ 468,142</u>	<u>\$ 54,430,551</u>

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2021			
	Extended Gaming Fund	Limited Gaming Fund	Sports Betting Fund	Total Gaming Funds
<b>REVENUES</b>				
Gaming Taxes	\$ -	\$ 120,480,425	\$ -	\$ 120,480,425
Sports Betting Taxes	-	-	8,146,362	8,146,362
License and Application Fees	-	621,988	205,570	827,558
Sports Betting Operations Fees	-	-	2,075,300	2,075,300
Background Investigations	-	119,441	115,431	234,872
Fines	-	1,764	336	2,100
Interest Income	21,243	520,248	61,077	602,568
Net Increase/(Decrease) in the Fair Value of Investments	(368,236)	(1,083,686)	(4,291)	(1,456,213)
Other Revenue	-	181	-	181
Total Revenues	(346,993)	120,660,361	10,599,785	130,913,153
<b>EXPENDITURES</b>				
Salaries and Benefits	-	7,923,961	1,319,587	9,243,548
Annual and Sick Leave Payouts	-	44,463	-	44,463
Professional Services	-	220,458	23,792	244,250
Travel	-	8,354	2,082	10,436
Automobiles	-	142,953	3,459	146,412
Printing	-	4,739	1,539	6,278
Police Supplies	-	18,561	-	18,561
Computer Services and Name Searches	-	81,335	21,110	102,445
Materials, Supplies, and Services	-	360,742	55,086	415,828
Postage	-	3,073	660	3,733
Telephone	-	82,982	3,637	86,619
Utilities	-	24,311	-	24,311
Other Operating Expenditures	-	101,677	20,053	121,730
Leased Space	-	67,140	-	67,140
Capital Outlay	-	-	-	-
State Agency Services	-	6,153,255	437,929	6,591,184
Background Expenditures	-	2,893	6,447	9,340
Total Expenditures	-	15,240,897	1,895,381	17,136,278
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(346,993)	105,419,464	8,704,404	113,776,875

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
(CONTINUED)  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2021			
	Extended Gaming Fund	Limited Gaming Fund	Sports Betting Fund	Total Gaming Funds
<b>OTHER FINANCING SOURCES (USES)</b>				
Limited Gaming Distribution	\$ -	\$ (89,379,616)	\$ -	\$ (89,379,616)
Extended Gaming Distribution	(15,310,639)	-	-	(15,310,639)
Sports Betting Distribution	-	-	-	-
Transferred to Extended Gaming Fund	-	(17,626,288)	-	(17,626,288)
Transfer from Limited Gaming Fund	17,626,288	-	-	17,626,288
Transfer out to the State General Fund	-	-	(1,552,397)	(1,552,397)
Insurance Recoveries	-	5,000	-	5,000
Total Other Financing Sources (Uses)	<u>2,315,649</u>	<u>(107,000,904)</u>	<u>(1,552,397)</u>	<u>(106,237,652)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,968,656	(1,581,440)	7,152,007	7,539,223
Fund Balance - Beginning of Year	<u>15,786,860</u>	<u>4,310,547</u>	<u>1,468,404</u>	<u>21,565,811</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 17,755,516</u>	<u>\$ 2,729,107</u>	<u>\$ 8,620,411</u>	<u>\$ 29,105,034</u>

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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. The Hold Harmless Fund had no activity in fiscal year 2021.

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

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

**Fund Structure and Basis of Accounting**

The financial activities of the Division are accounted for and reported on the basis of funds, which is considered to be a separate entity for accounting purposes. The operations of the Division are recorded in Special Revenue Funds, each of 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.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Structure and Basis of Accounting**

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

**Governmental Funds**

*Special Revenue Funds*

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Funds. The Division's resources are obtained from specific gaming and sports betting related activities such as license fees, application fees, operations fees, gaming taxes, and sports betting taxes. These sources are restricted for specific uses as outlined in Sections 44-30-701, 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. All revenues are considered to be available if collected within 60 days after year-end. The Division uses 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, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standards**

In June 2017, the 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. 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.

**Budgets**

The Schedules of Budget to Actual compare actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2022 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

Each year, the Division submits to the Commission proposed budgets for the fiscal year commencing the following July 1. The budgets include proposed expenditures and the means of financing them.

Public hearings are conducted by the Commission to obtain comments and approval. During the fiscal year, the approved budgets may be modified due to roll-forward authorizations or other changes. The Commission must approve all long bill line-item budget request changes. Appropriations lapse at fiscal year-end unless a roll-forward of the unexpended budget has been approved.

Total appropriations for the Gaming budget are as follows:

	Years Ended June 30,	
	2022	2021
Appropriations	\$ 17,189,377	\$ 17,580,646
Supplemental Appropriations	175,762	126,759
Total Appropriations	\$ 17,365,139	\$ 17,707,405

Total appropriations for the Sports Betting budget are as follows:

	Years Ended June 30,	
	2022	2021
Appropriations	\$ 3,131,575	\$ 2,971,928
Supplemental Appropriations	97,100	-
Total Appropriations	\$ 3,228,675	\$ 2,971,928

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Payroll**

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

**NOTE 2 CASH AND EQUITY IN TREASURER'S POOL**

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

The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2022 and 2021, the Division had cash on deposit with the State Treasurer of \$141,888,634 and \$101,726,699, respectively, which represented approximately 0.7% of the total \$21,060.9 million and 0.6% of \$17,744.6 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2022, the Pool's resources included \$47.2 million of cash on hand and \$21,013.7 million of investments.

On the basis of the Division's participation in the Pool, the Division reports an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year. During the years ended June 30, 2022 and 2021, the Division's share of unrealized gain (loss) was \$(8,205,073) and \$(1,456,213), respectively.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2022.

**NOTE 3 ACCOUNTS RECEIVABLE**

As of June 30, 2022, and 2021, the Limited Gaming Fund had accounts receivable balances of \$16,183,059 and \$17,491,249, respectively. On June 30, 2022 and 2021, the Limited Gaming Fund had \$16,169,582 and \$17,487,238 of gaming taxes receivable, respectively, from 33 Colorado casinos each year. These receivables primarily represent June 2022 and 2021 gaming taxes, which were due on July 15, 2022 and 2021, and were subsequently collected by the Department of Revenue in July 2022 and 2021 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 3 ACCOUNT RECEIVABLE (CONTINUED)**

As of June 30, 2022, and 2021, the Sports Betting Fund had accounts receivable balances of \$272,390 and \$1,186,899, respectively. On June 30, 2022 and 2021, the Sports Betting Fund had \$268,799 and \$1,186,169 of sports betting taxes receivable from 12 and 18 operators, respectively. These receivables primarily represent June 2022 and 2021 sports betting taxes, which were due on July 15, 2022 and 2021 and were subsequently collected by the Department of Revenue in July 2022 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

**NOTE 4 CHANGES IN CAPITAL ASSETS AND ACCUMULATED DEPRECIATION**

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

All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair values on the date donated. The capitalization criteria for capital assets are \$50,000 for buildings and leasehold improvements, \$5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at \$5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the buildings, and five to ten years for leasehold improvements, furniture, equipment, and software.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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			Leased Assets	
	Land	Equipment and Software	Building	Subtotal	Leased Building	Total
<b>Cost</b>						
Balances, June 30, 2020	\$ 536,138	\$ 511,865	\$ 1,134,912	\$ 2,182,915	\$ -	\$ 2,182,915
Additions	-	-	-	-	-	-
Disposals	-	(4,720)	-	(4,720)	-	(4,720)
Balances, June 30, 2021	536,138	507,145	1,134,912	2,178,195	-	2,178,195
Additions	-	21,717	-	21,717	1,734,279	1,755,996
Disposals	-	(26,543)	-	(26,543)	-	(26,543)
Balances, June 30, 2022	536,138	502,319	1,134,912	2,173,369	1,734,279	3,907,648
<b>Accumulated Depreciation</b>						
Balances, June 30, 2020	-	(427,575)	(396,428)	(824,003)	-	(824,003)
Additions	-	(48,205)	(31,513)	(79,718)	-	(79,718)
Disposals	-	4,600	-	4,600	-	4,600
Balances, June 30, 2021	-	(471,180)	(427,941)	(899,121)	-	(899,121)
Additions	-	(14,119)	(31,557)	(45,676)	(173,428)	(219,104)
Disposals	-	26,543	-	26,543	-	26,543
Balances, June 30, 2022	-	(458,756)	(459,498)	(918,254)	(173,428)	(1,091,682)
Total Capital Assets, Net	<u>\$ 536,138</u>	<u>\$ 43,563</u>	<u>\$ 675,414</u>	<u>\$ 1,255,115</u>	<u>\$ 1,560,851</u>	<u>\$ 2,815,966</u>

**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 \$211,778 and \$131,399 at June 30, 2022 and 2021, respectively, represent background investigation deposits. Also included are \$4,975 for June 30, 2022 and June 30, 2021, which represent funds seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication. Sports Betting Fund deposits of \$477,371 and \$555,902 at June 30, 2022 and 2021, respectively, represent background investigation deposits.

The Division issues a two-year license to individuals who are subject to an investigative review on an annual basis.

The fees for the second year of the license period are recorded as unearned revenue until the Division incurs the expense during the review period. As of June 30, 2022 and 2021, unearned license fees for the Limited Gaming Fund were \$299,846 and \$262,161, respectively. As of June 30, 2022 and 2021 unearned licensee fees for the Sports Betting Fund, including Fantasy Sports, were \$64,206 and \$53,761, respectively.

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**NOTE 5 OTHER LIABILITIES (CONTINUED)**

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, 2022 and 2021 unearned Sports Betting Operations fees in the Sports Betting Fund were \$83,700 and \$0 respectively.

**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, 2022:

	Annual Leave	Sick Leave	Leased Building	Total
Balances, June 30, 2020	\$ 725,533	\$ 82,306	\$ -	\$ 807,839
Increase	404,750	60,105	-	464,855
Decrease	(374,075)	(42,730)	-	(416,805)
Balances, June 30, 2021	756,208	99,681	-	855,889
Increase	444,500	67,068	1,734,279	2,245,847
Decrease	(372,804)	(53,622)	(133,440)	(559,866)
Balances, June 30, 2022	<u>\$ 827,904</u>	<u>\$ 113,127</u>	<u>\$ 1,600,839</u>	<u>\$ 2,541,870</u>

**Accrued Compensated Absences**

In 2022, 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, the Department of Revenue (DOR) shall pay to the landlord Department of Revenue's proportionate share of operating expenses in excess of base year operating expenses, referred to as "Additional Rent". DOR's tax exempt status allows for an on-going credit against monthly rent which is reconciled and adjusted annually. The additional rent coupled with the tax credit adjustment may create variable payments not included in the measurement of the lease liability. During fiscal year 2022 the Division made \$12,175 in variable payments related to the Lakewood Office lease.

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**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

**Lakewood Office Lease (continued)**

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

Future Lease Principal and Interest Payments		
Year Ended June 30,	Principal	Interest
2023	\$ 163,470	\$ 16,064
2024	172,312	14,294
2025	179,635	12,446
2026	187,036	10,521
2027	194,514	8,517
2028 - 2031	703,872	12,882
Total	\$ 1,600,839	\$ 74,724

**NOTE 7 GAMING DISTRIBUTIONS**

**Limited Gaming Distribution**

House Bill 20-1399 was signed by the Governor in June, 2020. This modified the general fund transfer for fiscal years 2020 and 2021. All of the 50% of the distribution was transferred to the General Fund.

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 and the Responsible Gaming Grant Program Cash Fund. In addition, 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.

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.

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**NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)**

**Limited Gaming Distribution (Continued)**

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, 2022 and 2021, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was \$2,445,701 and \$2,267,873, respectively.

On August 25, 2022, the Commission approved the limited gaming distribution of \$101,831,683 for the fiscal year ended June 30, 2022 in accordance with Section 44-30-701, C.R.S., SB 22-216, and HB 22-1402. The limited gaming distributions are summarized as follows:

	Year Ended June 30,	
	2022	2021
Distribution to Other State Agencies		
Colorado State Historical Fund	\$ 28,512,871	\$ 25,026,293
Local Government Limited Gaming Impact Fund	6,330,444	-
Colorado Travel and Tourism Promotion Fund	15,000,000	-
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	-
Advanced Industries Acceleration Cash Fund	5,500,000	-
Creative Industries Cash Fund	2,000,000	-
Innovative Higher Education Research Fund	2,100,000	-
Historical Society Strategic Initiatives Fund	3,000,000	-
Total Distributions to Other State Agencies	62,943,315	25,026,293
Distributions to Other Governments		
Cities of Cripple Creek, Central, and Black Hawk Gilpin and Teller Counties	10,183,168	8,937,961
Total Distributions to Other Governments	22,402,970	19,663,515
Responsible Gaming Grant Program Cash Fund	2,500,000	-
Distribution to the State General Fund	13,985,398	44,689,808
Total Distributions	\$ 101,831,683	\$ 89,379,616

**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;



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**NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)**

**Extended Gaming Distribution (Continued)**

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

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

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

In accordance with 44-30-702, C.R.S. and SB22-216, there will be a determination of tax revenues and expenditures attributable to extended and limited gaming.

- 1) For the purposes of determining the limited gaming tax revenues attributable to extended gaming in fiscal year 2022, the adjusted base is \$113,973,012. Any amount of total current fiscal year gaming tax revenues over \$113,973,012 is gaming tax revenue attributable to extended gaming for fiscal year 2022.
- 2) 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.



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**NOTE 7 GAMING DISTRIBUTIONS (CONTINUED)**

**Extended Gaming Distribution (Continued)**

On August 25, 2022, the Commission approved the extended gaming distribution of \$46,823,932 for the fiscal year ended June 30, 2022, 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:

	Year Ended June 30,	
	2022	2021
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges	\$ 36,522,667	\$ 13,765,074
12% to Gilpin and Teller Counties, in Proportion to the Tax Revenues Generated in the Respective Counties	5,618,872	2,117,704
10% to the Cities of Cripple Creek, Central City, and Black Hawk, in Proportion to the Tax Revenues Generated in the Respective Cities	4,682,393	1,764,753
 Total Transfer for Distribution Attributable to Extended Gaming	 \$ 46,823,932	 \$ 17,647,531

**Additional Distribution to Cities and Counties**

On June 7, 2022, SB 22-216 was signed by Governor Polis. This bill requires the Division to compare the amount the Gaming cities and counties will receive (as part of the fiscal year 2022 Gaming Distribution) with SB 22-216 in place, to what the Gaming cities and counties would have received without SB 22-216 in place. In fiscal year 2023, the Division will give the cities and counties the difference, up to \$1,250,000, if they would have received more without SB 22-216 in place. If the amounts are greater than \$1,250,000, the amounts will be proportionately reduced, based on the relative distributions. These payments will be made directly out of the State's General Fund.

**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.

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**NOTE 8 SPORTS BETTING DISTRIBUTION (CONTINUED)**

At the end of fiscal year ending June 30, 2022 the available balance to be distributed from the Sports Betting Fund was \$12,236,517. The table below compares the amounts distributed to the various recipients for fiscal years 2022 and 2021. The actual distribution of funds occurs in the next following fiscal year.

	Year Ended June 30,	
	2022	2021
6% to the Wagering Revenue Recipients Hold Harmless Fund	\$ 746,727	\$ 488,782
Transfer to the Office of Behavioral Health in the Department of Human Services	130,000	130,000
Transfer to the Water Plan Implementation Cash Fund	11,359,790	7,995,447
Total Transfer for Distribution Attributable to Sports Betting	<u>\$ 12,236,517</u>	<u>\$ 8,614,229</u>

**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.

**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.

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information About the Pension Plan**

*Plan Description*

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

*Benefits Provided as of December 31, 2021*

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

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

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information About the Pension Plan (Continued)**

*Benefits Provided as of December 31, 2021 (Continued)*

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 State Troopers 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.

*Contributions Provisions as of June 30, 2022*

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. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022.

The employer contribution requirements for all employees are summarized in the table below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022
Employee Contribution (All Employees Other Than State Troopers)	10.50 %	10.50 %
State Troopers	12.50 %	12.50 %

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

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information About the Pension Plan (Continued)**

*Contributions Provisions as of June 30, 2022 (Continued)*

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

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022
Employer Contribution Rate	10.90 %	10.90 %
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	9.88 %	9.88 %
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 %
Defined Contribution Supplement as Specified in C. R. S. § 24-51-415	5.00 % 0.05 %	0.10 %
Total Employer Contribution Rate to the SDTF	<u>19.93 %</u>	<u>19.98 %</u>

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 State Troopers are summarized in the table below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022
Employer Contribution Rate	13.60 %	13.60 %
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SDTF	12.58 %	12.58 %
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 %
Defined Contribution Supplement as Specified in C. R. S. § 24-51-415	5.00 % 0.05 %	0.10 %
Total Employer Contribution Rate to the SDTF	<u>22.63 %</u>	<u>22.68 %</u>

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

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information About the Pension Plan (Continued)**

*Contributions Provisions as of June 30, 2022 (Continued)*

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Division were \$1,459,011 for the year ended June 30, 2022.

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 \$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 SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

**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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The Division's proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2021 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, 2022, the Division reported a liability of \$14,305,021 for its proportionate share of the net pension liability. At December 31, 2021, the Division's proportion was 0.19397%, which was an increase of 0.00571% from its proportion measured as of December 31, 2020.

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2022, the Division recognized pension expense of (\$425,517). At June 30, 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 97,336	\$ 19,901
Changes of Assumptions or Other Inputs	510,028	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,922,740
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	578,197	-
Contributions Subsequent to the Measurement Date	732,889	-
Total	<u>\$ 1,954,107</u>	<u>\$ 4,942,641</u>

\$732,889 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, 2023. 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>
2023	\$ (239,736)
2024	(1,735,866)
2025	(1,185,790)
2026	(595,688)



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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions*

The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.30%
Real Wage Growth	0.70%
Wage Inflation	3.00%
Salary Increases, Including Wage Inflation	3.30 - 10.90%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	1.00% Compounded Annually Annually
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

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

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

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



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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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.

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions (Continued)*

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

<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%.

*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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount Rate (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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the 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.

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**NOTE 10 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (Continued)**

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 20,176,719	\$ 14,305,021	\$ 9,368,822

*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](http://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.

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**NOTE 11 OTHER RETIREMENT PLANS (CONTINUED)**

**Defined Contribution Retirement Plan (PERA DC Plan) (Continued)**

*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, 2021 through June 30, 2022 are summarized in the tables below:

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022
Employee Contribution Rates:		
Employee Contribution (All Employees Other Than State Troopers)	10.50%	11.00%
State Troopers	12.50%	13.00%
Employer Contribution Rates:		
On Behalf of All Employees Other Than State Troopers	10.15%	10.15%
State Troopers	12.85%	12.85%

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

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

	July 1, 2021 Through December 31, 2021	January 1, 2022 Through June 30, 2022
Amortization Equalization Disbursement (AED) as Specified in C.R.S. Section 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S., Section 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as Specified in C.R.S. Section 24-51-413	0.50%	0.50%
Defined Contribution Statutory Contribution as Specified in C.R.S. Section 24-51-1505	0.25%	0.25%
Defined Contribution Statutory Contribution as Specified in C.R.S. Section 24-51-415	0.05%	0.10%
Total Employer Contribution Rate to the SDTF	10.80%	10.85%

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

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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS**

**Summary of Significant Accounting Policies**

*OPEB*

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

**General Information about the OPEB Plan**

*Plan Description*

Eligible employees of the Division are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, 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 PERACare 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](http://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.

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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**General Information about the OPEB Plan**

*Benefits Provided*

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.

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.



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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**General Information about the OPEB Plan**

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Division were \$74,671 for the year ended June 30, 2022.

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

At June 30, 2022, the Division reported a liability of \$543,219 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The Division proportion of the net OPEB liability was based on Division contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the Division's proportion was 0.06300%, which was an increase of 0.00057% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Division recognized OPEB expense of \$(34,155). At June 30, 2022, the Division 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	\$ 828	\$ 128,804
Changes of Assumptions or Other Inputs	11,247	29,466
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	33,625
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	33,125	20,901
Contributions Subsequent to the Measurement Date	35,581	-
Total	<u>\$ 80,781</u>	<u>\$ 212,796</u>

\$35,581 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 ended June 30, 2023.



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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

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>
2023	\$ (53,973)
2024	(51,374)
2025	(41,707)
2026	(16,804)
2027	(3,263)
Thereafter	(475)

*Actuarial Assumptions*

The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	<u>Trust Fund</u>			
	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 State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
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			4.50% in 2021, 6.00% in 2022, Gradually Decreasing to 4.50% in 2029	
Medicare Part A Premiums			3.75% for 2021, Gradually Increasing to	
DPS Benefit Structure			4.50% in 2029	
Service-Based Premium Subsidy			0.00%	
PERACare Medicare Plans			N/A	
Medicare Part A Premiums			N/A	

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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums are assumed for 2021 for the PERA Benefit Structure.

	<u>Initial Costs for Members without Medicare Part A</u>		
	<u>Monthly Cost</u>	<u>Monthly Premium</u>	<u>Monthly Cost Adjusted to</u>
Medicare Advantage/Self-Insured Prescription	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2021 Medicare Part A premium is \$471 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, 2020, 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.

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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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>
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, 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.

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

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

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

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

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

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

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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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.

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%.

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**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	<u>\$ 527,619</u>	<u>\$ 543,219</u>	<u>\$ 561,290</u>

*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, 2021, 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.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Discount Rate (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	\$ 630,892	\$ 543,219	\$ 468,331

*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](http://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, 2022 AND 2021**

**NOTE 14 RELATED-PARTY TRANSACTIONS**

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

	For the Years Ended	
	2022	2021
State Agency Services		
Colorado State Patrol	\$ 3,468,907	\$ 3,231,481
Colorado Bureau of Investigation	119,750	888,241
Colorado Division of Fire Prevention and Control	210,246	197,009
Indirect costs (Colorado Department of Revenue)	971,035	811,887
Legal Services (Colorado Department of Law)	243,054	246,440
Office of the State Auditor	16,990	13,603
Department of Regulatory Agencies	2,500	1,500
Office of Information Technology Purchased Services	98,728	763,094
Total Payments to State Agencies	<u>\$ 5,131,210</u>	<u>\$ 6,153,255</u>

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

	For the Years Ended	
	2022	2021
State Agency Services		
Office of the State Auditor	\$ 257,365	\$ 29,010
Indirect Costs (Colorado Department of Revenue)	118,058	116,959
Department of Regulatory Agencies	-	1,500
Office of Information Technology Purchased Services	79,213	148,072
Colorado Bureau of Investigation	6,303	-
Legal Services (Colorado Department of Law)	142,388	142,388
Total Payments to State Agencies	<u>\$ 603,327</u>	<u>\$ 437,929</u>



**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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,	
	<u>2022</u>	<u>2021</u>
State Agencies		
Colorado State Historical Society	\$ 28,512,871	\$ 25,026,293
Colorado Department of Local Affairs	6,330,444	-
Colorado Office of Economic Development	23,000,000	-
Colorado Department of Higher Education	2,100,000	-
Department of Personnel and Administration	3,000,000	-
Total Liabilities to State Agencies	<u>62,943,315</u>	<u>25,026,293</u>
Other Governments		
City of Black Hawk	7,714,768	6,497,004
City of Central	817,708	841,062
City of Cripple Creek	1,650,692	1,599,895
Gilpin County	10,238,972	8,805,680
Teller County	1,980,830	1,919,874
Total Liabilities to Other Governments	<u>22,402,970</u>	<u>19,663,515</u>
Responsible Gaming Grant Program Cash Fund	2,500,000	-
State General Fund	<u>13,985,398</u>	<u>44,689,808</u>
Total Liabilities to State Agencies, State General Fund, RGGPCF, and Other Governments	<u>\$ 101,831,683</u>	<u>\$ 89,379,616</u>

Total related party liabilities of \$101,831,683 and \$89,379,616 at June 30, 2022 and June 30, 2021, respectively, are solely related to the fiscal year 2022 and fiscal year 2021 limited gaming distributions.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
LIMITED GAMING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
YEAR TO DATE JUNE 30, 2022**

	Commission Approved Budget*	Supplemental Changes	Final Budget**	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>					
Gaming Taxes	\$ 114,882,675	\$ -	\$ 114,882,675	\$ 162,004,358	\$ 47,121,683
License and Application Fees	628,417	-	628,417	687,606	59,189
Background Investigations	183,186	-	183,186	115,885	(67,301)
Fines and Fees	-	-	-	5,628	5,628
Interest Revenue	573,762	-	573,762	837,977	264,215
Other Revenue	-	-	-	280	280
Total Revenues	<u>116,268,040</u>	<u>-</u>	<u>116,268,040</u>	<u>163,651,734</u>	<u>47,383,694</u>
<b>EXPENDITURES</b>					
Personal Services	9,045,115	8	9,045,123	8,570,011	475,112
Operating Expenditures	782,488	-	782,488	551,361	231,127
Workers Compensation	35,305	(2,320)	32,985	32,983	2
Risk Management	22,683	132	22,815	22,815	-
Licensure Activities	127,154	-	127,154	113,734	13,420
Leased Space	312,677	(167,763)	144,914	128,183	16,731
Vehicle Lease Payments - Fixed	85,000	55,889	140,889	95,975	44,914
Vehicle Lease Payments - Variable	59,000	22,066	81,066	81,066	-
Lease Expenditure	-	-	-	1,387,424	(1,387,424)
Utilities	27,425	-	27,425	26,627	798
Legal Services	243,054	-	243,054	243,054	-
CORE Operations	71,780	(9,878)	61,902	61,902	-
Payments to Office of Information Technology	60,324	219,530	279,854	98,728	181,126
IT Division - MIPC Phones and ISD	77,000	(25,731)	51,269	38,927	12,342
Indirect Costs - Department of Revenue	1,092,006	83,829	1,175,835	971,035	204,800
Other State Agency Services	5,079,898	-	5,079,898	3,798,903	1,280,995
Division Expenditures	<u>17,120,909</u>	<u>175,762</u>	<u>17,296,671</u>	<u>16,222,728</u>	<u>1,073,943</u>
Background Expenditures	<u>68,468</u>	<u>-</u>	<u>68,468</u>	<u>2,700</u>	<u>65,768</u>
Total Expenditures	<u>17,189,377</u>	<u>175,762</u>	<u>17,365,139</u>	<u>16,225,428</u>	<u>1,139,711</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 99,078,663</u>	<u>\$ (175,762)</u>	<u>\$ 98,902,901</u>	<u>\$ 147,426,306</u>	<u>\$ 48,523,405</u>

**RECONCILIATION OF BUDGET REVENUES AND EXPENDITURES TO THE STATEMENTS  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

Net Increase in the Fair Value of Investments (5,002,140)

**EXCESS OF REVENUES OVER EXPENDITURES**

\$ 142,424,166

\* Represents original information given to the Commission in April of 2021.

The percent of the fiscal year elapsed through June 30, 2022 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  
SPORTS BETTING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
YEAR TO DATE JUNE 30, 2022**

	Commission Approved Budget	Supplemental Changes	Final Budget*	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>					
Sports Betting Taxes	\$ 6,310,903	\$ -	\$ 6,310,903	\$ 12,445,448	\$ 6,134,545
License and Application Fees	220,150	-	220,150	157,940	(62,210)
Sports Betting Operations Fees	2,342,925	-	2,342,925	2,107,100	(235,825)
Background Investigations	181,144	-	181,144	78,867	(102,277)
Fines	-	-	-	155,420	155,420
Interest Revenue	57,315	-	57,315	99,180	41,865
Other Revenue	-	-	-	164	164
Total Revenues	<u>9,112,437</u>	<u>-</u>	<u>9,112,437</u>	<u>15,044,119</u>	<u>5,931,682</u>
<b>EXPENDITURES</b>					
Personal Services	2,503,377	-	2,503,377	2,269,357	234,020
Operating Expenditures	110,197	-	110,197	95,066	15,131
Workers Compensation	7,820	(515)	7,305	7,305	-
Risk Management	5,671	33	5,704	5,704	-
Licensure Activities	23,735	-	23,735	13,074	10,661
Leased Space	78,169	(41,941)	36,228	32,046	4,182
Vehicle Lease Payments - Fixed	8,000	7,000	15,000	11,938	3,062
Lease Expenditure	-	-	-	346,856	(346,856)
Legal Services	142,388	-	142,388	142,388	-
CORE Operations	15,898	(2,188)	13,710	13,710	-
Payments to Office of Information Technology	13,361	134,711	148,072	79,213	68,859
Indirect Costs - Department of Revenue	127,287	-	127,287	118,058	9,229
State Agency Services	60,070	-	60,070	6,303	53,767
Division Expenditures	<u>3,095,973</u>	<u>97,100</u>	<u>3,193,073</u>	<u>3,141,018</u>	<u>52,055</u>
Nonpersonal Services Background Expenditures	<u>35,602</u>	<u>-</u>	<u>35,602</u>	<u>2,145</u>	<u>33,457</u>
Total Expenditures	<u>3,131,575</u>	<u>97,100</u>	<u>3,228,675</u>	<u>3,143,163</u>	<u>85,512</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 5,980,862</u>	<u>\$ (97,100)</u>	<u>\$ 5,883,762</u>	<u>\$ 11,900,956</u>	<u>\$ 5,846,170</u>

**RECONCILIATION OF BUDGET REVENUES AND EXPENDITURES TO THE STATEMENTS  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

Net Increase in the Fair Value of Investments (694,059)

**EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES** \$ 11,206,897

\* 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	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date Ending December 31,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Division's Proportion (Percentage) of the Collective Net Pension Liability	0.1939654%	0.1882503%	0.1822451%	0.1773283%	0.1833310%	0.1918421%	0.1913726%	0.1924460%	0.1983189%
Division's Proportionate Share of the Collective Pension Liability	\$ 14,305,021	\$ 17,855,151	\$ 17,684,708	\$ 20,177,610	\$ 36,699,165	\$ 35,237,801	\$ 20,153,510	\$ 18,102,462	\$ 17,666,186
Covered Payroll	6,441,231	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598	5,319,912	4,965,164	4,904,861
Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	222.09%	289.29%	306.77%	355.05%	697.09%	644.72%	378.83%	364.59%	360.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.05%	65.34%	62.24%	55.11%	43.20%	42.60%	56.10%	59.80%	61.08%

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

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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Contributions **	\$ 1,459,011	\$ 1,277,435	\$ 1,315,020	\$ 1,198,503	\$ 998,250	\$ 980,190	\$ 947,398	\$ 888,726	\$ 819,042	\$ 738,518
Contributions in Relation to the Statutorily Required Contribution	1,459,011	1,277,435	1,315,020	1,198,503	998,250	980,190	947,398	888,726	819,042	738,518
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	7,320,678	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a Percentage of Covered Payroll	19.93%	19.90%	21.71%	21.64%	19.13%	18.68%	17.78%	17.25%	16.47%	15.41%

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

\*\* 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 Bill20-1379.

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DIVISION'S PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY  
LAST 10 FISCAL YEARS**

Fiscal Year	2022	2021	2020	2019	2018	2017
Plan Measurement Date Ending December 31,	2021	2020	2019	2018	2017	2016
Division's Proportion (Percentage) of the Collective Net OPEB Liability	0.062996164%	0.062426423%	0.059761700%	0.059227966%	0.010347596%	0.009566987%
Division's Proportionate Share of the Collective OPEB Liability	\$ 543,219	\$ 593,191	\$ 671,720	\$ 805,821	\$ 806,020	\$ 851,584
Covered Payroll	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	8.43%	9.61%	11.65%	14.18%	15.31%	15.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

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

**DIVISION OF GAMING,  
DEPARTMENT OF REVENUE, STATE OF COLORADO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Contributions	\$ 74,671	\$ 65,542	\$ 61,790	\$ 56,482	\$ 53,226	\$ 53,524	\$ 54,363	\$ 52,558	\$ 50,724	\$ 48,876
Contributions in Relation to the Statutorily Required Contribution	74,671	65,542	61,790	56,482	53,226	53,524	54,363	52,558	50,724	48,876
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,320,678	\$ 6,425,729	\$ 6,057,844	\$ 5,537,483	\$ 5,218,241	\$ 5,247,488	\$ 5,329,669	\$ 5,152,738	\$ 4,972,931	\$ 4,791,785
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

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 – CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS**

Changes in assumptions or other input effective for the December 31, 2021 measurement period are as follows:

- The assumption used to value the automatic increase cap benefit provision was changed from 1.25 percent to 1.00 percent

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

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

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

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

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

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

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

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

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

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.



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

**NOTE 1 NET PENSION LIABILITY – CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS (CONTINUED)**

- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

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

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

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

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

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

There were no changes in assumptions or other inputs effective for the December 31, 2021 measurement period for OPEB.

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

- Price inflation was changed from 2.40% to 2.30%.
- Real Wage Growth was changed from 1.10% to 0.70%.
- Wage Inflation was changed from 3.50% to 3.00%.
- Salary Increase, Including Wage Inflation was changed from a range of 3.50% - 9.17% for all Members other than State Troopers to 3.30% - 10.90% for State Division members, 3.40% - 11.00% for School Division members, 3.20% - 11.30% for Local Government Division members, and 2.80% - 5.30% for Judicial Division members. The range for State Troopers was changed from 3.50% - 9.17% to 3.20% - 12.40%.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses to 4.95% per year, net of investment expenses.

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

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

- Pre-retirement mortality assumptions for Members other than State Troopers were changed to be based upon the PubG-2010 Employee Table with generational projection using scale MP-2019 rather than the RP-2014 Healthy Annuitant Mortality Table.
- Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements and have issued our report thereon dated November 30, 2022.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

### **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*.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 30, 2022



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

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

We have audited the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division), as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated November 30, 2022 and the related notes to the financial statements. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### **Accounting Policies**

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

As described in Note 1, the Division adopted Statement of Governmental Accounting Standards Board (GASB Statement) No.87, *Leases*, in 2022. As the Division does not present long-term liabilities or capital assets in the financial statements, the Division's footnotes have been updated for implementation of GASB Statement No. 87, however the adoption of this standard did not impact the Division's financial statements.

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

##### **Accounting estimates**

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

**Financial statement disclosures**

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

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

***Difficulties encountered in performing the audit***

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

***Uncorrected misstatements***

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

***Corrected misstatements***

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

***Disagreements with management***

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

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated November 30, 2022.

***Management consultations with other independent accountants***

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

***Significant issues discussed with management prior to engagement***

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

### **Required supplementary information**

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

### **Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the Legislative Audit Committee member listing, the Report Summary, and the Description of Colorado Division of Gaming. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

### **Restriction on use**

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



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 30, 2022