DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT,
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

EideBailly®

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REPORT NUMBER 2319F

CPAs & BUSINESS ADVISORS

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

We have completed the financial audit of the Limited Gaming Fund, Extended Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund, special revenue funds of the Division of Gaming (collectively known as the Division of Gaming), Department of Revenue, State of Colorado, as of and for the fiscal year ended June 30, 2023. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Section 44-30-703, C.R.S. which requires the State Auditor to audit 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 reports we have issued as a result of this engagement are set forth in the table of contents.

Eide Bailly LLP

Denver, Colorado
December 15, 2023

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DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

REPORT SUMMARY
YEARS ENDED JUNE 30, 2023 AND 2022

AUTHORITY AND PURPOSE/SCOPE OF AUDIT

The Office of the State Auditor, State of Colorado, engaged Eide Bailly LLP to conduct the financial audit of the Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund (SBET), and Hold Harmless Fund, special revenue funds of the Division of Gaming, Department of Revenue, State of Colorado (the Division) for the Fiscal Years ended June 30, 2023. 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, 2023 and 2022.

Eide Bailly LLP conducted the audit for the fiscal year ended June 30, 2023 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. The financial statements of the Extended Gaming Fund, the Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund of the Division as of and for the year ended June 30, 2022 were audited by other auditors, whose report dated November 30, 2022, contained an unmodified opinion on those statements.

The purposes and scope of this audit were:

- To express an opinion on the financial statements of the Division as of and for the fiscal year ended June 30, 2023 including a review of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.
- To review the Division's compliance with rules and regulations governing the expenditure of State funds for the fiscal year ended June 30, 2023.
- To evaluate progress in implementing any prior audit recommendations.

SUMMARY OF PROGRESS IN IMPLEMENTING PRIOR AUDIT RECOMMENDATIONS

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

SUMMARY OF MAJOR AUDIT FINDINGS

An independent auditors' report on the financial statements of the Division, dated December 15, 2023, has been issued, which states that the financial statements of the Division as of and for the fiscal years ended June 30, 2023 and 2022, 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 December 15, 2023, 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.*

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

RECOMMENDATION LOCATOR
YEARS ENDED JUNE 30, 2023 AND 2022

Recommendation Locator

All recommendations are addressed to the Division of Gaming Fiscal Year 2023

Recommendation Number	Page Number	Recommendation Summary	Agency Response	Implementation Date
2023-001	6	The Division of Gaming should strengthen its internal control over its financial reporting to ensure that the financial statement classifications of all distribution payments are properly reported within the financial statements.	Agreed	November 2023

DIVISION OF GAMING,
DEPARTMENT OF REVENUE, STATE OF COLORADO

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

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

Internal Controls over Financial Reporting

The Division of Gaming (Division) collects gaming tax revenue and spends or distributes the proceeds as prescribed by statute. This is done by using the following special revenue funds to track revenue, expenditures, and distributions by the type of gaming tax collected: Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund. Furthermore, the Division prepares annual financial statements that include each of these special revenue funds and their financial activity within a separate column.

The Office of the State Controller (OSC) within the State's Department of Personnel & Administration is responsible for preparing the State's Annual Comprehensive Financial Report (ACFR). Because the Division is a division of the State within the Department of Revenue, while the Division prepares its own separate financial statements each year, the Division's financial activity is also included within the ACFR.

The Division is required to prepare its financial statements in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) establishes GAAP for state and local government entities through the issuance of GASB Statements that are compiled into the formal code known as the GASB Codification.

What was the purpose of our audit work and what work was performed?

The purpose of the audit work was to obtain an understanding of the Division's internal controls over financial reporting and to determine whether the Division complied with GAAP during Fiscal Year 2023.

We obtained an understanding of the Division's internal controls over financial reporting and audited the financial statements to determine whether they aligned with GAAP and were consistent with financial reporting in the State's ACFR. This included the following procedures:

- Inquired of the Division to gain an understanding of the process for preparing the financial statements and the classification of expenditures and other financing sources and/or uses within the basic financial statements.
- Compared the reporting of all account balances within the financial statements to GAAP related to the proper classification of balances.

How were the results of the audit work measured?

We measured the results of our audit against the following:

- GASB Codification 2200, paragraph 167, *Other financing sources and uses*, defines what activities can be reported as "Other financing sources and uses", as follows:
    - face amount of long-term debt
    - issuance of premium or discount
    - certain payments to escrow agents for bond refundings
    - transfers
    - sales of capital assets.

- The OSC has adopted the *Standards for Internal Control in the Federal Government* (Green Book), published by the U.S. Government Accountability Office, as the State's standard for internal controls, which all state agencies must follow. Green Book, Paragraph OV2.14, *Roles in an Internal Control System*, states that management is responsible for designing an internal control system which includes controls over the preparation of financial reporting in accordance with professional standards and applicable laws and regulations.

- GASB Codification 2250, paragraph 135 (*Correction of an error in previously issued financial statements)* discusses guidance surrounding reporting of errors and notes that reporting a correction of an error in previously issued financial statements concerns factors similar to those relating to reporting an accounting change. Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. Additionally, from GASB 100, *Error Correction, paragraph 27,* it is noted that a government should disclose the nature of the error and its correction, including the periods affected by the error and identification of the financial statement line items affected by the error in prior periods.

What problems did the audit work identify?

We determined that the Division's financial reporting process did not properly classify a portion of the distributions out of the Limited Gaming Fund, Extended Gaming Fund, or Sports Betting Fund as expenditures, but rather classified all distributions as other financing sources and uses. Instead, the portion of distributions that are paid to parties outside of the State of Colorado's funds and departments, such as various Cities and Counties in Colorado, which totaled $39,242,894 for Fiscal Year 2023, should have been reported as expenditures because presenting them as other financing sources and uses does not comply with GASB Codification 2220, paragraph 167. Specifically, the distributions did not fall within the specific categories allowed to be recorded as other financing sources and uses.

Furthermore, when we asked the Division's accounting staff why these expenditures were presented as other financing sources and uses they were unable to provide documentation to support this presentation in the Division's financial statements. After we notified the Division staff of this misclassification, they made adjustments to the financial statements to accurately classify distributions within the June 30, 2023 financial statements, which are now in line with GAAP reporting standards and pronouncements. This error also resulted in a restatement of the expenditures and other financing sources and uses of the Fiscal Year 2022 financial statements.

Why did this problem occur?

The Division's financial reporting procedures did not specify that payments to parties outside of the State of Colorado's funds and departments should be presented in the financial statements as other financing sources and uses instead of expenditures. This lack of direction caused the Division's accounting staff to record the distributions in error, and ultimately, allowed the significance of the error to rise to the level of a material weakness because it caused a restatement of Fiscal Year 2022 financial statements.

Why do these problems matter?

Without adequate internal controls in place over the financial reporting process to ensure that all financial transactions are presented properly, the Division cannot ensure the accuracy and completeness of its reported financial information, which may result in a material misstatement of the financial statements and may mislead decision makers who use the financial statements.

Classification of Finding: Material Weakness. This finding does not apply to a prior audit recommendation.

Recommendation 2023-001

The Division of Gaming (Division) should strengthen its internal control over its financial reporting to ensure that the financial statement classifications of all distribution payments are properly reported within the financial statements.

Response:

Division of Gaming

Agree

Implementation Date: November 2023

The Division of Gaming has presented distributions as other financing sources and uses on the audited financial statements for over 20 years.

The Division agrees with the recommendation to ensure the audited financial statements change the presentation of a portion of the distribution proceeds to expenditures in Fiscal Year 2023 to be compliant with GASB Codification 2220, paragraph 167. In response to this recommendation, the Division will implement the change in presentation of distribution proceeds in Fiscal Year 2023.

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Restatement of Prior Year Financial Statements

The financial statements of the Extended Gaming Fund, the Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund of the Division as of and for the year ended June 30, 2022 were audited by other auditors, whose report dated November 30, 2022, contained an unmodified opinion on those statements.

As discussed in Note 15 to the financial statements, the fiscal year 2022 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

As part of our audit of the fiscal year 2023 financial statements, we also audited the adjustments described in Note 15 that were applied to restate the fiscal year 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the fiscal year 2022 financial statements of the Division other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the fiscal year 2022 financial statements as a whole.

Relationship with the State of Colorado

As discussed in Note 1, the financial statements of the Division of Gaming of the Department of Revenue of the State of Colorado are intended to present the financial position and the changes in financial position of only that portion of the governmental funds of the Department of Revenue of the State of Colorado that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the Department of Revenue of the State of Colorado, as of June 30, 2023, 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.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, 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.

Eide Bailly LLP

Denver, Colorado
December 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022

This discussion and analysis of the financial performance of the Division of Gaming, Department of Revenue, State of Colorado (the "Division") provides an overview of financial activities for the year ended June 30, 2023, 2022, and 2021. Please read it in conjunction with the Division's financial statements, which begin on page 34.

Financial Highlights

- Gaming Tax revenues (described on page 15 in detail) were $167,754,529 for the fiscal year ended June 30, 2023, compared to revenues of $162,004,358 for the prior fiscal year ending June 30, 2022, which is an increase of $5,750,171 or 3.55%.
- The Limited Gaming Distribution was $111,282,777 in fiscal year 2023 compared to $101,831,683 in fiscal year 2022, 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 $44,135,150 in fiscal year 2023 compared to $46,823,932 in fiscal year 2022. Due to the timing of the distributions, the Limited Gaming Distribution was recorded as both a distribution, and an other financing use occurring within fiscal year 2023 whereas the Extended Gaming Distribution relating to fiscal year 2023 activity remained in restricted fund balance as of June 30, 2023.
- Sports Betting Tax revenues were $25,613,575 for the fiscal year ended June 30, 2023, compared to revenues of $12,445,448 for the fiscal year ending June 30, 2022, which is an increase of $13,168,127 or 105.81%.
- 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 $25,437,773 compared to last fiscal year's total Sports Betting Fund Distribution of $12,236,517. Due to the timing of the distribution, the Sports Betting Fund Distribution relating to fiscal year 2023 activity remained in restricted fund balance as of June 30, 2023.
- Fiscal year 2023 was the first year Responsible Gaming grants were awarded. The Division gave out $2,480,054 in Responsible Gaming Grant funds, as approved by the Gaming Commission.

Using this Report

This financial report consists of financial statements for the fiscal years ended June 30, 2023 and 2022. Unless otherwise specified, references within this report to the Division relate to the Extended Gaming Fund, the Limited Gaming Fund, the Sports Betting Fund, the Hold Harmless fund, and the Responsible Gaming Grant Fund. The Balance Sheets provide comparative information on the Division's assets, liabilities, and fund balance as of the end of the current and previous fiscal years. The Statement of Revenues, Expenditures, and Changes in Fund Balance is the Division's income statement. The Statements of Revenues, Expenditures, and Changes in Fund Balance provide information on the current and previous fiscal years' revenues, expenditures, excess of revenues over expenditures, the Gaming and Sports Betting Distributions, the beginning fund balances at July 1, 2022 and July 1, 2021, respectively, and the ending fund balances as of June 30, 2023 and 2022, 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.

Using this Report (Continued)

Finally, the notes to the financial statements contain a summary of significant accounting policies and more specific information about items in the financial statements.

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

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

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

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

Assets, Liabilities, and Fund Balance

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

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

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

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

Assets, Liabilities, and Fund Balance (Continued)

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

	Fiscal Year		Increase/(Decrease)	
	2022	2021	Dollars	Percent
Cash and Temporary Cash Investments	$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 expenses	49,848	30,863	18,985	61.51%
Total assets	$158,393,931	$120,435,710	$ 37,958,221	31.52%
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	103,963,380	91,330,676	12,632,704	13.83%
Funds balance	54,430,551	29,105,034	25,325,517	87.01%
Total liabilities and fund balance	$158,393,931	$120,435,710	$ 37,958,221	31.52%

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 Taxes Receivable.

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.

Statement of Revenues, Expenditures, and Changes in Fund Balance

The following compares total fiscal year 2023 and fiscal year 2022 revenues, expenditures, and changes in fund balance for all funds present in the fiscal year 2023 and 2022 basic financial statements.

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

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

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 startup costs outlined in HB 19-1327.

	Fiscal Year		Increase/(Decrease)	
	2022	2021	Dollars	Percent
REVENUES				
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	170,514,876	130,913,153	39,601,723	30.25%
EXPENDITURES				
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%)
Gaming Fund Distributions Paid or Accrued During the Fiscal Year	27,911,082	24,439,853	3,471,229	14.20%
Total Expenditures	47,279,673	41,576,131	5,703,542	13.72%
Excess of Revenues Over Expenditures	123,235,203	89,337,022	33,898,181	37.94%
Issuance of Lease	1,734,280	-	1,734,280	100.00%
Add: Insurance Recoveries	-	5,000	(5,000)	(100.00%)
Less: Intergovernmental Transfers	(99,643,966)	(80,250,402)	(19,393,564)	24.17%
Less: Transfer out to the State General Fund	-	(1,552,397)	1,552,397	(100.00%)
Fund Balance – Beginning of Year	29,105,034	21,565,811	7,539,223	34.96%
FUND BALANCE – END OF YEAR	$ 54,430,551	$ 29,105,034	$ 25,325,517	87.01%

Revenues

The total excess of revenues over expenditures of the Division, including the unrealized change in fair value of investments, for fiscal year 2023 was $134,718,425. This represents an increase of $11,483,222 compared to fiscal year 2022 excess of revenues over expenditures of $123,235,203.

The fiscal year 2023 net decrease in fair value of investments of $4,550,083 and net decrease of $8,205,073 in fiscal year 2022 represent the change in fair value of the Division's investments during the fiscal years ended June 30, 2023 and 2022, respectively.

The largest source of revenue for the Division is from gaming taxes paid by casinos followed by sports betting taxes. Gaming taxes are paid on a graduated scale ranging from 0.25% to 20.00% of adjusted gross proceeds (AGP). Sports betting taxes are imposed at the rate of 10.00% of net sports betting proceeds (NSBP). The adjusted gross proceeds of casinos increased 6.0% in fiscal year 2023, as compared to fiscal year 2022. Sports Betting taxes collected increased 105.8% as compared to fiscal year 2022. The combined Gaming and Sports Betting tax revenues earned by the Division for the fiscal years ending June 30, 2023 and 2022 were $193,368,104 and $174,449,806, respectively. This represents an increase of $18,918,298 and was due primarily to the passage of Amendment 77. For fiscal year 2023, the Gaming tax rates remained the same as in fiscal year 2022 and 2021. The Sports Betting tax rate remained at 10.00% of NSBP.

The Colorado Limited Gaming Control Commission assesses Gaming taxes based on adjusted gross proceeds. The tax rates for fiscal years 2023, 2022, and 2021 are below.

	Tax Rate for Fiscal Year		
	2023	2022	2021
AGP Range			
Charitable Events	3.00%	3.00%	3.00%
$0 - $2 Million	0.25%	0.25%	0.25%
$2 - $5 million	2.00%	2.00%	2.00%
$5 - $8 million	9.00%	9.00%	9.00%
$8 - $10 million	11.00%	11.00%	11.00%
$10 - $13 million	16.00%	16.00%	16.00%
$13+ million	20.00%	20.00%	20.00%

Revenues (Continued)

Significant changes in revenue categories to fiscal year 2023 from fiscal year 2022 are explained below.

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

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	34.50%	The increase in fiscal year 2022 is due to Amendment 77, effective 5/21/22 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	52.80%	The increase in fiscal year 2022 is due primarily to the increase in both onsite and internet operators.
Fines	158,948	7569.00%	Fines revenues vary from year to year and are dependent upon audit and investigative findings.
Interest Income	358,685	59.50%	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.
Change in Fair Value of Investments	(6,748,860)	(463.50%)	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.

Expenditures

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

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

Expenditures (Continued)

Total expenditures for the Division in fiscal year 2022 were $47,279,673. This is an increase of $5,703,542, or 13.72%, as compared to fiscal year 2021 expenditures of $41,576,131. The information below shows the changes in expenditures from fiscal year 2022 to fiscal year 2021 with explanations provided for significant changes (excluding distributions which are discussed further in the distribution section below).

	Increase (Decrease) Amount	Percent Change	Explanation
Professional Services	(41,913)	(17.20%)	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	602.40%	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	129.20%	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	209.90%	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)	(81.90%)	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.

Expenditures (Continued)

	Increase (Decrease) Amount	Percent Change	Explanation
Capital Outlay	21,717	100.00%	In fiscal year 2022, the increase was due to the purchase of portable all-band radios for the Central City office.
Lease Expenditure	1,734,280	100.00%	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.
Salaries and Benefits	1,108,004	12.00%	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)	(13.00%)	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	100.00%	In fiscal year 2022, the increase was due to the implementation of GASB 87; Lease Principle is $133,440 and the Lease Interest is $14,614.

Conditions Affecting Financial Position or Results of Operations

Staffing Changes

Between fiscal years 2023 and 2022 staffing changes throughout the Division were as follows:

FY23	Filled FTE	FY22	Filled FTE
Gaming	76	Gaming	77.5
Sports Betting	21	Sports Betting	19.5

Improving Economy

The economy continues to rebound from the effects of COVID-19. This has resulted in year-over-year increases in Limited Gaming AGP and Gaming Taxes of 6.74% and 6.01%, respectively, in fiscal year 2023 as compared to fiscal year 2022. Due to the large increases in fiscal year 2022, changes were made to the Limited Gaming and Extended Limited Gaming fund distributions (see SB 22-216 discussion below).

Sunset Review

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

Computer Systems / Projects

The Division of Gaming continued with the "Digital Transformation" project with the vendor System Automation (SA). The new online platform (ML1) extended the licensing options for submitting of applications online. ML1 includes "My License Gadget" and "Digital License" for field investigators and auditors to use in the application process. The My License Office and Colorado Department of Human Services enhanced child support project/payment intercept was completed by June 30, 2023.

Conditions Affecting Financial Position or Results of Operations (Continued)

Responsible Gaming

The Legislature passed HB 22-1402 during the 2022 Legislative Session, and the Governor signed it on June 7, 2022. This bill establishes a Self-Exclusion Program, along with the Responsible Gaming Grant Program (discussed below).

The bill requires the Division of Gaming to operate a self-exclusion program that allows individuals to voluntarily request to be excluded from gaming activities. Some people wish to self-exclude themselves from gambling. Under the directives and guidance of the Commission and the aforementioned legislation, the Division sought out vendors to develop a system for self-exclusion. There is now a system in place where individuals can self-exclude themselves from gambling. The process is ongoing, and the financial impact to the Division cannot yet be determined.

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

Distribution

The voters of Colorado passed Amendment 50 on November 4, 2008. In summation, this amendment allows Colorado casinos to offer $100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours. This is now referred to as extended gaming. In November 2020, Amendment 77 was passed, allowing voters in Black Hawk, Central City, and Cripple Creek to approve new bet limits and add new casino games in their respective cities. Local voters approved removing maximum amounts for single bets and new casino games. Any additional taxes generated will be distributed in the manner required under current law.

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

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

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

- Adjusting the allocation for Fiscal Year 2021-2022 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.

Distribution (Continued)

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

At the February 2023 Colorado Limited Gaming Control Commission meeting, the Commissioners approved the first round of grant applications in the amount of $1,571,965. During the April Commission meeting, the Commissioners approved the second and last round of grant applications for fiscal year 2023, in the amount of $908,089, of which $330,000 was granted to Forte Marketing for the responsible gaming campaign. For fiscal year 2023, the Commissioners approved total grants of $2,480,054.

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, 2023 was $155,417,927, which includes $44,135,150 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, 2023	June 30, 2022
Distributions to Extended Gaming Recipients		
78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 34,425,417	$ 36,522,667
12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	5,296,218	5,618,872
10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	4,413,515	4,682,393
Total distribution attributable to Extended Gaming	$ 44,135,150	$ 46,823,932

Distribution (Continued)

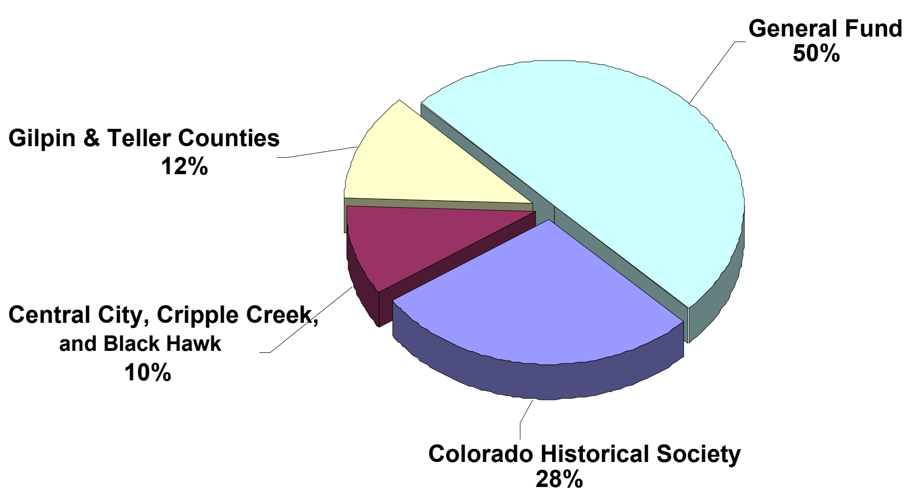
Limited Gaming Distribution

In accordance with Section 44-30-701, C.R.S. and amended by Senate Bills 13-133, 18-191, and 22-216, the balance remaining in the Limited Gaming Fund is to be transferred by the State Treasurer to recipients of limited gaming revenues according to the formula specified in the statute. Gaming tax revenue has increased almost 3.5% in fiscal year 2023 compared to fiscal year 2022.

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

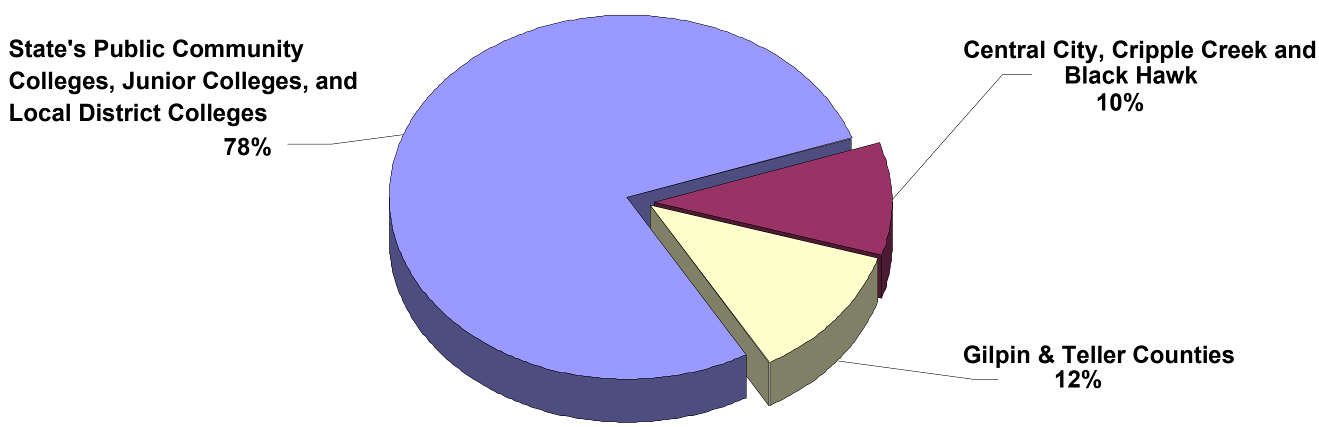
The charts that follow reflect the distribution formulas and the Colorado Limited and Extended Gaming Funds distributions from the inception of Colorado gaming in 1992 through 2023.

Colorado Limited Gaming Distribution Formula
(Original Recipients)



Distribution (Continued)

Colorado Extended Gaming Distribution Formula
(Amendment 50 Recipients)



Distribution (Continued)

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

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

	For the Years Ended June 30,			
	2023	2022	Difference	Percent Difference
Colorado State Historical Fund	$ 31,159,178	$ 28,512,871	$ 2,646,307	9.28%
Historical Society Strategic Initiatives Fund	-	3,000,000	(3,000,000)	(100.00%)
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000	-	0.00%
Local Government Limited Gaming Impact Fund	6,394,987	6,330,444	64,543	1.02%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	500,000	-	0.00%
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000	-	0.00%
Creative Industries Cash Fund	2,000,000	2,000,000	-	0.00%
Innovative Higher Education Research Fund	2,100,000	2,100,000	-	0.00%
Total payments to other State agencies	62,654,165	62,943,315	(289,150)	(0.46%)
City of Black Hawk	8,574,338	7,714,768	859,570	11.14%
City of Central	856,877	817,708	39,169	4.79%
City of Cripple Creek	1,697,062	1,650,692	46,370	2.81%
Gilpin County	11,317,459	10,238,972	1,078,487	10.53%
Teller County	2,036,475	1,980,830	55,645	2.81%
Total payments due to other governments	24,482,211	22,402,970	2,079,241	9.28%
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000	-	0.00%
Due to the State General Fund	21,646,401	13,985,398	7,661,003	54.78%
Due to the Limited Gaming recipients	111,282,777	101,831,683	9,451,094	9.28%
Due to the Extended Gaming recipients	44,135,150	46,823,932	(2,688,782)	(5.74%)
Total distribution	$155,417,927	$ 148,655,615	$ 6,762,312	4.55%

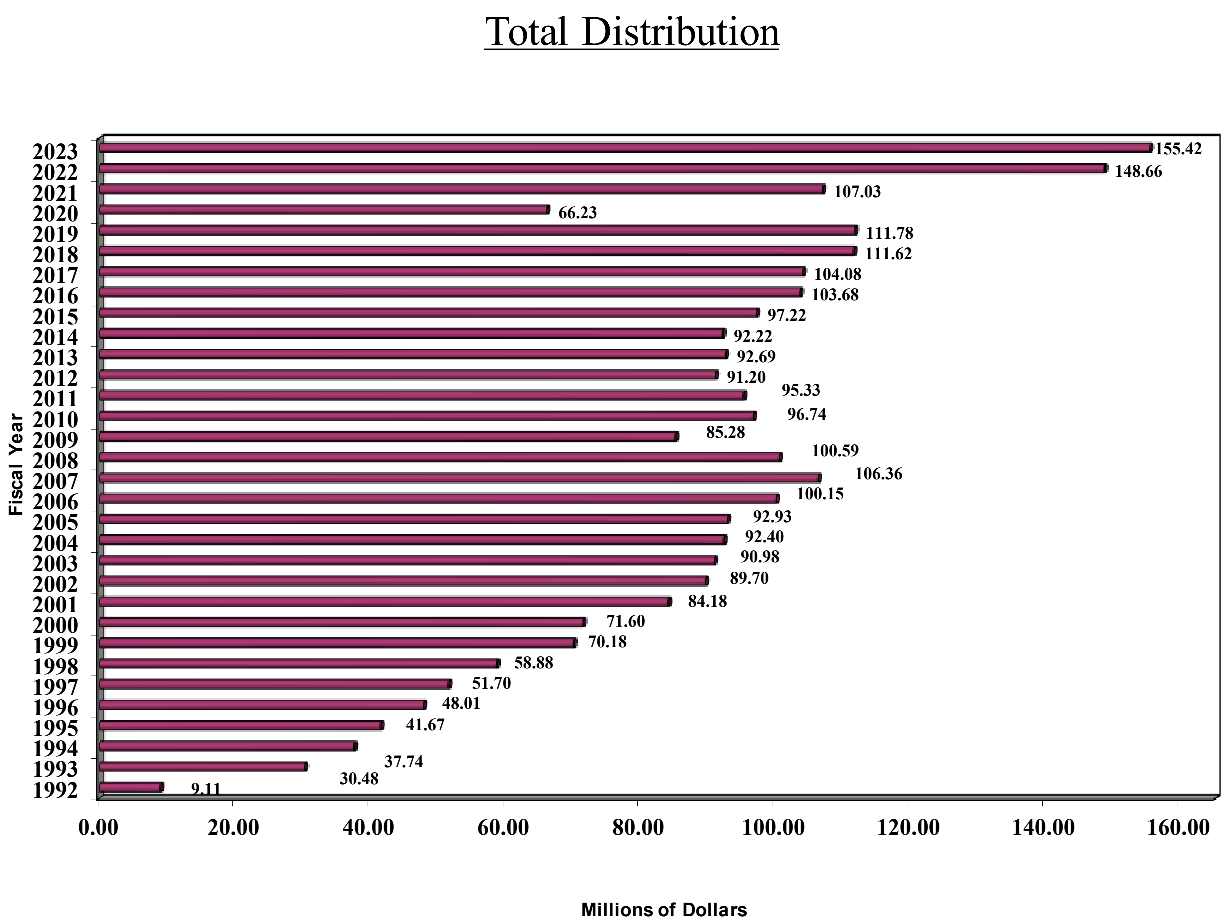
Distribution (Continued)

The total distribution for the fiscal year ended June 30, 2022 was $148,655,615.

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

	For the Years Ended June 30, 2022	For the Years Ended June 30, 2021	Difference	Percent Difference
Colorado State Historical Fund	$ 28,512,871	$ 25,026,293	$ 3,486,578	13.90%
Historical Society Strategic Initiatives Fund	3,000,000	-	3,000,000	100.00%
Colorado Travel and Tourism Promotion Fund	15,000,000	-	15,000,000	100.00%
Local Government Limited Gaming Impact Fund	6,330,444	-	6,330,444	100.00%
Colorado Office of Film, TV, and Media Operational Account Cash Fund	500,000	-	500,000	100.00%
Advanced Industries Acceleration Cash Fund	5,500,000	-	5,500,000	100.00%
Creative Industries Cash Fund	2,000,000	-	2,000,000	100.00%
Innovative Higher Education Research Fund	2,100,000	-	2,100,000	100.00%
Total payments to other State agencies	62,943,315	25,026,293	37,917,022	151.50%
City of Black Hawk	7,714,768	6,497,004	1,217,764	18.70%
City of Central	817,708	841,062	(23,354)	(2.80%)
City of Cripple Creek	1,650,692	1,599,895	50,797	3.20%
Gilpin County	10,238,972	8,805,680	1,433,292	16.30%
Teller County	1,980,830	1,919,874	60,956	3.20%
Total payments due to other governments	22,402,970	19,663,515	2,739,455	13.90%
Responsible Gaming Grant Program Cash Fund	2,500,000	-	2,500,000	100.00%
Due to the State General Fund	13,985,398	44,689,808	(30,704,410)	(68.70%)
Due to the Limited Gaming recipients	101,831,683	89,379,616	12,452,067	13.90%
Due to the Extended Gaming recipients	46,823,932	17,647,531	29,176,401	165.30%
Total distribution	$148,655,615	$ 107,027,147	$ 41,628,468	38.90%

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.

Sports Betting Distribution (Continued)

At the end of fiscal year ending June 30, 2023 the available balance to be distributed from the Sports Betting Fund was $25,437,773. The table below compares the amounts available for distribution to the various recipients for fiscal years 2023 and 2022.

	Year Ended June 30,	
	2023	2022
6% to the Wagering Revenue Recipients Hold Harmless Fund from the Sports Betting Fund distribution	$ 1,536,814	$ 746,727
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	23,770,959	11,359,790
Total Transfer for Distribution Attributable to Sports Betting	$ 25,437,773	$ 12,236,517

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

Gaming Budget

Limited Gaming

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 and the Responsible Gaming Grant Fund. Throughout the year, the budget may be amended. Following are the budget line items that were changed during fiscal year 2023:

Gaming	Beginning Budget	Supplemental Changes	Annual Revised Budget
Operating Expenditures, Line Item	$ 781,994	$ (75,000)	$ 706,994
Vehicle Lease Payments-Variable	$ 86,000	$ (2,000)	$ 84,000
Legal Services	$ 286,686	$ (55,100)	$ 231,586

The budgeted expenditures approved at the beginning of the year were $17,493,914, including the PERA Direct Distribution of $98,941. The final approved budget for fiscal year 2023 was $17,361,814. Total actual expenditures were $15,429,909, not including the Responsible Gaming Grants, resulting in excess appropriations, or a savings of $1,931,905 for fiscal year 2023.

Gaming Budget (Continued)

Sports Betting

The approved budgeted expenditures were $4,000,010. Throughout the year, the budget may be amended. The Division does not adopt a budget for the Hold Harmless Fund. Following are the budget line items that were changed during fiscal year 2023. Total actual expenditures were $3,094,262 resulting in excess appropriations, or a savings of $980,895 for fiscal year 2023.

Sports Betting	Beginning Budget	Supplemental Changes	Annual Revised Budget
Operating Expenditures, Line Item	$ 110,134	$ 75,000	$ 185,134
Legal Services	$ 81,572	$ 147	$ 81,719

Economy and Next Year's Budget

The Division considers several factors when determining estimates for the following year's budget. The fiscal year 2024 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 2024. 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 2024 budget request totaled $23,258,381, which included $18,738,266 for the Division and $4,520,115 for the Other Agencies. This represented a total increase of 34.11%, excluding the Other Agencies' request.

The Gaming Commission approved the Colorado Gaming Association (CGA) proposed change to Rule 14 "Gaming Tax" during the May 2018 Commission meeting. The changes to Rule 14 will allow casinos to receive a tax refund when gaming tax revenues increase at or above a specific growth rate. Further amendments to the Rule were made in July of 2021; the base year for calculating free play tax rate adjustment eligibility was reset to June 30, 2022 and the extension of free play tax rate adjustment were extended after the end of fiscal year 2024-2025, upon conditions. Refunds were issued for fiscal year 2023.

In fiscal year 2022, Gaming Tax revenues not including interest, were $162,003,740, whereas, in fiscal year 2023, Gaming Tax revenues were $172,923,715, resulting in a 6.7% growth. To meet or exceed the 3.5% growth rate, Gaming Tax revenues in fiscal year 2023 would need to exceed $167,673,870, which they did. As a result of the Gaming Tax revenue growth, there is $5,249,844 available for the tax rate adjustment consideration. The available amount includes a casino that closed during fiscal year 2023 and will not receive a tax rate adjustment. The proportional share of the tax rate adjustment for this closed casino is $80,634. As a result, the net available amount for tax rate consideration and resulting refunds is $5,169,211.

Economy and Next Year's Budget (Continued)

Assumptions that were made when preparing the revenue projection for fiscal year 2024 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 2023.

The Division's fiscal year 2024 budgeted revenue estimates total $201.1 million, a $1,751,188 increase over fiscal year 2023 actual revenue. The change in fair market value of investments is not included in this calculation.

During the 31 years of gaming in Colorado, the Division has seen the market change. Initially there were many small casinos; now there are fewer casino properties, many of which are owned by large publicly traded companies. The gaming industry was severely impacted by the COVID closures and shutdowns in 2020-21, and there was uncertainty to how long it would take to recover. The successful economic recovery has exceeded expectations. The recovery in Colorado has been a direct result of regulators and the industry working closely together as a critical partnership between government and business. The Division continually positions itself to respond effectively to new technology, regulations, and growth of the industry.

Contacting the Division of Gaming's Financial Management

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

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

BALANCE SHEETS
JUNE 30, 2023 AND 2022

	FY 2023					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
ASSETS						
Cash and Temporary Cash Investments	$ 41,044,945	$ 354,005	$ 95,312,881	$ 23,193,014	$ 1,182,079	$ 161,086,924
Accounts Receivable						
Gaming Taxes	-	-	17,747,924	-	-	17,747,924
Sports Betting Taxes	-	-	-	1,232,909	-	1,232,909
Due from Limited Gaming Fund	-	2,500,000	-	-	-	2,500,000
Fines Receivable	-	-	1,054	84	-	1,138
Miscellaneous	-	-	2,678	540	-	3,218
Prepaid Expenses	-	-	29,366	16,356	-	45,722
Total Assets	$ 41,044,945	$ 2,854,005	$ 113,093,903	$ 24,442,903	$ 1,182,079	$ 182,617,835
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	$ -	$ 330,000	$ 5,225,993	$ 12,026	$ -	$ 5,568,019
Accrued Payroll Payable	-	-	653,242	184,900	-	838,142
Wages & Salaries Payable	-	-	34,728	2,189	-	36,917
Due to Other State Agencies	-	-	62,654,165	-	-	62,654,165
Due to Responsible Gaming Grant Fund	-	-	2,500,000	-	-	2,500,000
Due to Other Governments	-	-	24,482,211	-	-	24,482,211
Due to the State's General Fund	-	-	21,646,401	-	-	21,646,401
Background and Other Deposits	-	-	275,387	467,064	-	742,451
Unearned Revenue	-	-	281,868	72,291	-	354,159
Total Liabilities	-	330,000	117,753,995	738,470	-	118,822,465
FUND BALANCE						
Nonspendable:						
Prepaids	-	-	29,366	16,356	-	45,722
Restricted for:						
Required Reserve	-	-	2,491,316	-	-	2,491,316
Extended Gaming Recipients	44,135,150	-	-	-	-	44,135,150
Responsible Gaming	-	2,550,658	-	-	-	2,550,658
Sports Betting Distribution	-	-	-	25,437,773	-	25,437,773
Hold-Harmless Recipients	-	-	-	-	1,271,076	1,271,076
Unassigned:	(3,090,205)	(26,653)	(7,180,774)	(1,749,696)	(88,997)	(12,136,325)
Total Fund Balance	41,044,945	2,524,005	(4,660,092)	23,704,433	1,182,079	63,795,370
TOTAL LIABILITIES AND FUND BALANCE	$ 41,044,945	$ 2,854,005	$ 113,093,903	$ 24,442,903	$ 1,182,079	$ 182,617,835

See accompanying Notes to Financial Statements.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

BALANCE SHEETS (CONTINUED)
JUNE 30, 2023 AND 2022

	FY 2022				
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
ASSETS					
Cash and Temporary Cash Investments	$ 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
Fines Receivable	-	694	84	-	778
Miscellaneous	-	12,783	3,507	-	16,290
Prepaid Expenses	-	32,371	17,477	-	49,848
Total Assets	$ 44,448,066	$ 101,050,140	$ 12,427,583	$ 468,142	$ 158,393,931
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	$ -	$ 62,567	$ 7,851	$ -	$ 70,418
Accrued Payroll Payable	-	699,553	142,342	-	841,895
Wages & 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	-	103,145,345	818,035	-	103,963,380
FUND BALANCE					
Nonspendable:					
Prepaids	-	32,371	17,477	-	49,848
Restricted for:					
Required Reserve	-	2,413,330	-	-	2,413,330
Extended Gaming Recipients	46,823,932	-	-	-	46,823,932
Responsible Gaming	-	-	-	-	-
Sports Betting Distribution	-	-	12,236,517	-	12,236,517
Hold-Harmless Recipients	-	-	-	493,165	493,165
Unassigned:	(2,375,866)	(4,540,906)	(644,446)	(25,023)	(7,586,241)
Total Fund Balance	44,448,066	(2,095,205)	11,609,548	468,142	54,430,551
TOTAL LIABILITIES AND FUND BALANCE	$ 44,448,066	$ 101,050,140	$ 12,427,583	$ 468,142	$ 158,393,931

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, 2023 AND 2022

	FY 2023					
	EXTENDED GAMING FUND	RESPONSIBLE GAMING GRANT FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
REVENUES						
Gaming Taxes	$ -	$ -	$ 167,754,529	$ -	$ -	$ 167,754,529
Sports Betting Taxes	-	-	-	25,613,575	-	25,613,575
License and Application Fees	-	-	700,483	175,570	-	876,053
Sports Betting Operations Fees	-	-	-	1,985,500	-	1,985,500
Background Investigations	-	-	102,006	101,184	-	203,190
Fines	-	-	4,788	214,752	-	219,540
Interest Income	96,971	50,474	2,263,103	439,884	31,184	2,881,616
Net (Decrease) in the Fair Value of Investments	(714,339)	(26,653)	(2,639,868)	(1,105,250)	(63,973)	(4,550,083)
Other Revenue	-	-	937	449	-	1,386
TOTAL REVENUES	(617,368)	23,821	168,185,978	27,425,664	(32,789)	194,985,306
EXPENDITURES						
Salaries and Benefits	-	19,762	8,812,756	2,402,590	-	11,235,108
Annual and Sick Leave Payouts	-	-	70,705	3,795	-	74,500
Professional Services	-	-	230,051	176,564	-	406,615
Travel	-	-	81,491	21,758	-	103,249
Automobiles	-	-	210,661	24,668	-	235,329
Printing	-	-	18,577	2,321	-	20,898
Police Supplies	-	-	53,730	6,965	-	60,695
Computer Services & Name Searches	-	-	81,611	27,891	-	109,502
Materials, Supplies, and Services	-	-	370,136	73,885	-	444,021
Postage	-	-	2,281	266	-	2,547
Telephone	-	-	79,100	13,556	-	92,656
Utilities	-	-	30,780	-	-	30,780
Other Operating Expenditures	-	-	129,977	31,217	-	161,194
Capital Outlay	-	-	19,568	-	-	19,568
State Agency Services	-	-	5,088,743	270,431	-	5,359,174
Background Expenditures	-	-	5,381	2,265	-	7,646
Grants to Nongovernmental Organizations	-	2,480,054	-	-	-	2,480,054
Debt Service						
Lease - Principal	-	-	131,510	32,877	-	164,387
Lease - Interest	-	-	12,851	3,213	-	16,064
Lim. Gam. Distrib. to Cities and Counties	-	-	24,482,211	-	-	24,482,211
FY22 Extended Gaming Distribution	14,760,683	-	-	-	-	14,760,683
TOTAL EXPENDITURES	14,760,683	2,499,816	39,912,120	3,094,262	-	60,266,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,378,051)	(2,475,995)	128,273,858	24,331,402	(32,789)	134,718,425
OTHER FINANCING SOURCES / USES						
Transfer to Responsible Gaming Grant Fund	$ -	$ -	$ (2,500,000)	$ -	$ -	$ (2,500,000)
Transfer to other State agencies and Funds	(32,063,249)	-	(84,300,566)	(11,489,790)	-	(127,853,605)
Transfer to Hold-Harmless Fund	-	-	-	(746,727)	-	(746,727)
Transfer from Sports Betting Fund	-	-	-	-	746,727	746,727
Transfer to Extended Gaming Fund	-	-	(44,038,179)	-	-	(44,038,179)
Transfer from Limited Gaming Fund	44,038,179	2,500,000	-	-	-	46,538,179
Total Other Financing Sources (Uses)	11,974,930	2,500,000	(130,838,745)	(12,236,517)	746,727	(127,853,605)
NET CHANGE IN FUND BALANCE	(3,403,121)	24,005	(2,564,887)	12,094,885	713,938	6,864,820
Fund Balance - Beginning of Year	44,448,066	2,500,000	(2,095,205)	11,609,548	468,142	56,930,551
FUND BALANCE - END OF YEAR	$ 41,044,945	$ 2,524,005	$ (4,660,092)	$ 23,704,433	$ 1,182,080	$ 63,795,371

See accompanying Notes to Financial Statements.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2023 AND 2022

	FY 2022 *(Restated)*				
	EXTENDED GAMING FUND	LIMITED GAMING FUND	SPORTS BETTING FUND	HOLD HARMLESS FUND	TOTAL GAMING FUNDS
REVENUES					
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 (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	(2,464,138)	158,649,594	14,350,060	(20,640)	170,514,876
EXPENDITURES					
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 & 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
Leased 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
Lim. Gam. Distrib. to Cities and Counties	-	22,402,970	-	-	22,402,970
FY21 Extended Gaming Distribution	5,508,112	-	-	-	5,508,112
TOTAL EXPENDITURES	5,508,112	38,628,398	3,143,163	-	47,279,673
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,972,250)	120,021,196	11,206,897	(20,640)	123,235,203
OTHER FINANCING SOURCES / USES					
Transfer to other State agencies and Funds	$ (12,139,419)	$ (79,428,713)	$ (8,075,834)	$ -	$ (99,643,966)
Transfer to Hold-Harmless Fund	-	-	(488,782)	-	(488,782)
Transfer from Sports Betting Fund	-	-	-	488,782	488,782
Transfer 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
Total Other Financing Sources (Uses)	34,664,800	(124,845,508)	(8,217,760)	488,782	(97,909,686)
NET CHANGE IN FUND BALANCE	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
FUND BALANCE - END OF YEAR	$ 44,448,066	$ (2,095,205)	$ 11,609,548	$ 468,142	$ 54,430,551

See accompanying Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

The Colorado Division of Gaming (the Division) is an agency of the State of Colorado and was created June 4, 1991, under the provision of Section 44-30-201, Colorado Revised Statutes (C.R.S.). The Division operates under the Colorado Limited Gaming Control Commission (the Commission). The Division implements, regulates, and supervises the conduct of limited gaming in the State, as authorized by statute.

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

In May 2020, sports betting was authorized after approval of House Bill 19-1327 and approval of Proposition DD. In summation, House Bill 19-1327 and Proposition DD authorized the collection of a ten percent tax on the net proceeds of sports betting through licensed casinos. The revenues generated through collection of the sports betting tax, after repaying any appropriation made from the General Fund for the Commission's and Division's startup costs and after paying all ongoing expenses related to administering C.R.S. 44-30 Section 15, are directed to specific public purposes. The Sports Betting Fund and Hold-Harmless Fund were created pursuant to House Bill 19-1327 and Proposition DD.

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

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

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Structure and Basis of Accounting

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

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

Governmental Fund

Special Revenue Funds

Transactions related to resources obtained from specific sources, which are restricted to specific purposes, are accounted for in the Special Revenue Funds. The Division's resources are obtained from specific gaming and sports betting related activities such as license fees, application fees, operations fees, gaming taxes, and sports betting taxes. These sources are restricted for specific uses as outlined in Sections 44-30-701, 44-30-702, and 44-30-1509, C.R.S.

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

Basis of Accounting

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

Note 1 - Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards

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

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

Budgets

The Schedules of Budget to Actual compare actual revenues and expenditures to those which are legally authorized by state statute. The fiscal year 2023 revenue estimates were provided by the Division, based on the tax rate structure established by the Commission.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets (continued)

Total appropriations for the Limited Gaming budget are as follows:

	Years Ended June 30, 2023	Years Ended June 30, 2022
Appropriations	$ 17,493,914	$ 17,189,377
Supplemental appropriations	(132,100)	175,762
Total appropriations	$ 17,361,814	$ 17,365,139

Total appropriations for the Sports Betting budget are as follows:

	Years Ended June 30, 2023	Years Ended June 30, 2022
Appropriations	$ 4,000,010	$ 3,131,575
Supplemental appropriations	75,147	97,100
Total appropriations	$ 4,075,157	$ 3,228,675

Accrued Payroll

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

Note 2 – Cash and Temporary Cash Investments

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

Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2023 and 2022, the Division had cash on deposit with the State Treasurer of $161,086,924 and $141,888,634, respectively, which represented approximately 0.8% of the total $18,810.9 million and 0.6% of $21,060.9 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2023, the Pool's resources included $35.0 million of cash on hand and $18,775.8 million of investments.

Note 2 – Cash and Temporary Cash Investments (continued)

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, 2023 and 2022, the Division's share of unrealized gain (loss) was $(4,550,083) and $(8,205,073), 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, 2023.

Note 3 - Accounts Receivable

As of June 30, 2023, and 2022, the Limited Gaming Fund had accounts receivable balances of $17,751,656 and $16,183,059, respectively. On June 30, 2023 and 2022, the Limited Gaming Fund had $17,747,924 and $16,169,582 of gaming taxes receivable, respectively, from 33 Colorado casinos each year. These receivables primarily represent June 2023 and 2022 gaming taxes, which were due on July 17, 2023 and on July 15, 2022, and were subsequently collected by the Department of Revenue in July 2023 and 2022 on behalf of the Division. Based on past collection history with similar accounts, no allowance for doubtful accounts is deemed necessary by management.

The Gaming Commission approved the Colorado Gaming Association (CGA) proposed change to Rule 14 "Gaming Tax" during the May 2018 Commission meeting. The changes to Rule 14 will allow casinos to receive a tax refund or credit when gaming tax revenues increase at or above a specific growth rate. Further amendments to the Rule were made in July of 2021; the base year for calculating free play tax rate adjustment eligibility was reset to June 30, 2022 and the extension of free play tax rate adjustment were extended after the end of fiscal year 2025, upon conditions. Tax credits were issued for fiscal year 2023.

In fiscal year 2022, Gaming Tax revenues not including interest were $162,003,740, whereas, in fiscal year 2023, Gaming Tax revenues were $172,923,715, resulting in a 6.74% growth. To meet or exceed the 3.5% growth rate, Gaming Tax revenues in fiscal year 2023 would need to exceed $167,673,870.48, which they did. As a result of the Gaming Tax revenue growth, there is $5,249,844.44 available for tax rate adjustment consideration. This available amount includes a casino that closed during fiscal year 2023 and will not receive a tax rate adjustment. The proportional share of the tax rate adjustment for this closed casino is $80,633.90. As a result, the net available amount for tax rate consideration and resulting refunds or credits is $5,169,211.

As of June 30, 2023, and 2022, the Sports Betting Fund had accounts receivable balances of $1,233,533 and $272,390, respectively. On June 30, 2023 and 2022, the Sports Betting Fund had $1,232,909 and $268,799 of sports betting taxes receivable from 8 and 12 operators, respectively. These receivables primarily represent June 2023 and 2022 sports betting taxes, which were due on July 17, 2023 and July 15, 2022 and were subsequently collected by the Department of Revenue in July 2023 and 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 acquisition value on the date donated. The capitalization criteria for capital assets are $50,000 for buildings and leasehold improvements, $5,000 for furniture and equipment, and all land is capitalized regardless of cost. The purchase of stand-alone software is capitalized at $5,000. Capital assets are depreciated using the straight-line method over the estimated useful lives of the related assets, which are 30 years for the buildings, and five to ten years for leasehold improvements, furniture, equipment, and software.

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

	Capital Assets Not Being Depreciated	Capital Assets Being Depreciated				
	Land	Equipment & Software	Building	Leased Building	Subtotal	Total
Cost						
Balances, June 30, 2021	$ 536,138	$ 507,145	$ 1,134,912	$ -	$ 1,642,057	$ 2,178,195
Additions	-	21,717	-	1,734,279	1,755,996	1,755,996
Disposals	-	(26,543)	-	-	(26,543)	(26,543)
Balances, June 30, 2022	536,138	502,319	1,134,912	1,734,279	3,371,510	3,907,648
Additions	-	19,568	-	-	19,568	19,568
Disposals	-	(30,071)	-	-	(30,071)	(30,071)
Balances, June 30, 2023	536,138	491,816	1,134,912	1,734,279	3,361,007	3,897,145
Accumulated Depreciation or Amortization						
Balances, June 30, 2021	-	(471,180)	(427,941)	-	(899,121)	(899,121)
Additions	-	(14,119)	(31,557)	(173,428)	(219,104)	(219,104)
Disposals	-	26,543	-	-	26,543	26,543
Balances, June 30, 2022	-	(458,756)	(459,498)	(173,428)	(1,091,682)	(1,091,682)
Additions	-	(14,155)	(31,557)	(189,194)	(234,906)	(234,906)
Disposals	-	28,308	-	-	28,308	28,308
Balances, June 30, 2023	-	(444,603)	(491,055)	(362,622)	(1,298,280)	(1,298,280)
Total capital assets, net	$ 536,138	$ 47,213	$ 643,857	$ 1,371,657	$ 2,062,727	$ 2,598,865

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 $270,412 and $211,778 at June 30, 2023 and 2022, respectively, represent background investigation deposits. Also included are $4,975 for June 30, 2023 and June 30, 2022, which represent funds seized during criminal investigations or from gaming patrons, and are pending court order releases or adjudication. Sports Betting Fund deposits of $467,064 and $477,371 at June 30, 2023 and 2022, 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, 2023 and 2022, unearned license fees for the Limited Gaming Fund were $281,868 and $299,846, respectively. As of June 30, 2023 and 2022 unearned licensee fees for the Sports Betting Fund, including Fantasy Sports, were $72,291 and $64,206, respectively.

The Division collects annual fees for Sports Betting Operations, due July 31. If these fees are received by the Division before the new fiscal year begins, these fees are recorded as unearned revenue in the Sports Betting Fund until the following fiscal year. As of June 30, 2023 and 2022 unearned Sports Betting Operations fees in the Sports Betting Fund were $0 and $83,700, 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, 2023:

	Annual Leave	Sick Leave	Leased Building	Total
Balances, June 30, 2021	$ 756,207	$ 99,682	$ -	$ 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	827,903	113,128	1,600,839	2,541,870
Increase	508,078	65,822	-	573,900
Decrease	(481,932)	(63,195)	(163,470)	(708,597)
Balances, June 30, 2023	$ 854,049	$ 115,755	$ 1,437,369	$ 2,407,173

Note 6 – Long Term Liabilities (continued)

Accrued Compensated Absences

In 2023, the Division continued hiring additional employees to support sports betting regulation. All permanent employees of the Division accrue annual and sick leave based on length of service. The accrued amount will be paid upon termination, subject to certain limitations.

Lakewood Office Lease

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

At the conclusion of the first lease year, 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 2023 the Division made $0 in variable payments related to the Lakewood Office lease.

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

Future Lease Principal and Interest Payments

	Interest	Principal
Fiscal year 2024	$ 14,294	$ 172,312
Fiscal year 2025	12,446	179,635
Fiscal year 2026	10,521	187,036
Fiscal year 2027	8,517	194,514
Fiscal year 2028	6,434	202,072
Fiscal year 2029 to 2031	6,448	501,800
Total Lakewood Office Lease	$ 58,660	$ 1,437,369

Note 7 - Gaming Distributions

Limited Gaming Distribution

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

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

In accordance with 44-30-701, C.R.S., the balance remaining in the Limited Gaming Fund, at the end of the fiscal year, is to be transferred by the State Treasurer to the recipients of limited gaming revenues according to the following formula:

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

The amount to be distributed is derived from revenues collected by the Division during the fiscal year after payment of operating expenditures of the Division and other regulatory expenditures, except for an amount equal to expenditures for the last two-month period of the fiscal year. As of June 30, 2023 and 2022, the amount calculated as reserved fund balance by the Division based on expenditures for the preceding two-month period was $2,520,682 and $2,445,701, respectively.

On August 24, 2023, the Commission approved the limited gaming distribution of $111,282,777 for the fiscal year ended June 30, 2023 in accordance with Section 44-30-701, C.R.S. The limited gaming distributions are summarized as follows:

Note 7 - Gaming Distributions (continued)

Limited Gaming Distribution (continued)

	Year Ended June 30, 2023	Year Ended June 30, 2022
Distribution to other State agencies		
Colorado State Historical Fund	$ 31,159,178	$ 28,512,871
Local Government Limited Gaming Impact Fund	6,394,987	6,330,444
Colorado Travel and Tourism Promotion Fund	15,000,000	15,000,000
Colorado Office of Film, Television, and Media Operational Account Cash Fund	500,000	500,000
Advanced Industries Acceleration Cash Fund	5,500,000	5,500,000
Creative Industries Cash Fund	2,000,000	2,000,000
Innovative Higher Education Research Fund	2,100,000	2,100,000
Historical Society Strategic Initiatives Fund	-	3,000,000
Total distributions to other State agencies	62,654,165	62,943,315
Distributions to other governments		
Cities of Cripple Creek, Central, and Black Hawk	11,128,278	10,183,168
Gilpin and Teller Counties	13,353,933	12,219,802
Total distributions to other governments	24,482,211	22,402,970
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000
Distribution to the State General Fund	21,646,401	13,985,398
Total distributions	$ 111,282,777	$ 101,831,683

Extended Gaming Distribution

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

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

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution (continued)

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

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

2) "Extended gaming revenues" mean the "limited gaming tax revenues attributable to extended limited gaming" as defined by Section 44-30-702(4)(d), C.R.S.; and

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

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

1. After the end of each fiscal year ending June 30, the Commission shall determine limited gaming revenues by multiplying the amount of limited gaming revenues collected during the previous fiscal year by a factor of 3% and adding that amount to the amount of limited gaming revenues collected during the previous fiscal year. If the annual increase in total gaming tax revenues is less than 3%, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual growth in total gaming tax revenues. For any year in which limited gaming revenues decrease, limited gaming revenues shall be the amount of limited gaming revenues collected during the previous fiscal year multiplied by a factor of the actual percentage of annual decline in total gaming tax revenues. That amount shall be added or subtracted from the amount of limited gaming tax revenues collected during the previous fiscal year.

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

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

The original or Limited Gaming Fund recipients will receive an annual adjustment of the lesser of 6%, or the actual percentage of annual growth or decline in extended gaming revenues.

Note 7 - Gaming Distributions (continued)

Extended Gaming Distribution (continued)

On August 24, 2023, the Commission approved the extended gaming distribution of $44,135,150 for the fiscal year ended June 30, 2023, 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:

	June 30, 2023	June 30, 2022
Distributions to Extended Gaming Recipients		
• 78% to the State's Public Community Colleges, Junior Colleges, and Local District Colleges;	$ 34,425,417	$ 36,522,667
• 12% to Gilpin and Teller Counties, in proportion to the tax revenues generated in the respective counties; and	5,296,218	5,618,872
• 10% to the cities of Cripple Creek, Central City, and Black Hawk, in proportion to the tax revenues generated in the respective cities.	4,413,515	4,682,393
Total distribution attributable to extended gaming	$ 44,135,150	$ 46,823,932

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.

Note 8 – Sports Betting Distribution (continued)

At the end of fiscal years ending June 30, 2023 and June 30, 2022 the available balance to be distributed from the Sports Betting Fund was $25,437,773 and $12,236,517, respectively. The Division distributed the Fiscal Year 2022 balance during Fiscal Year 2023 and will distribute the Fiscal year 2023 balance in fiscal year 2024 after commission approval as follows:

- First, transfer an amount to the general fund to repay any appropriation made from the general fund for the Commission's and Division's startup cost, including initial licensing and rulemaking related to sports betting. This was completed in fiscal year 2021.
- Second, pay all ongoing expenses related to administering 44-30 Section 15, C.R.S. When making distributions from the Sports Betting Fund, the state treasurer may withhold an amount reasonably anticipated to be sufficient to pay the expenses until the next annual distribution.
- Third, transfer an amount equal to six percent of the full fiscal year sports betting tax revenues to the Wagering Revenue Recipients Hold-harmless Fund.
- Fourth, transfer one hundred thirty thousand dollars annually to the Office of Behavioral Health in the Department of Human Services.
- Fifth, transfer all remaining unexpended and unencumbered money in the fund to the Water Plan Implementation Cash Fund.

Note 9 - Commitments and Contingencies

Sunset Review

Under Section 44-30-206 C.R.S., the Division is subject to a "sunset" law, which provides that the Division's existence is to terminate on a specified date. Sunset laws require the General Assembly to periodically review, and update as necessary, the laws that create entities such as the Division. During fiscal year 2022, a sunset review was completed, the law was amended, and the sunset date was extended to September 1, 2033. The Division's existence will continue after September 1, 2033, only through the passage of a bill by the General Assembly.

Note 10 – Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided as of December 31, 2022
PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at
C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

Note 10 – Defined Benefit Pension Plan (continued)

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

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

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

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

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

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.

Note 10 – Defined Benefit Pension Plan (continued)

Contributions provisions as of June 30,2023: Eligible employees of the Division and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period of July 1, 2022 through June 30, 2023 are summarized in the table below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employee contribution (all employees other than State Troopers)	11.00%	11.00%
State Troopers	13.00%	13.00%

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

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

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employer contribution rate	11.40%	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to the SDTF	10.38%	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF	**20.48%**	**20.55%**

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

Note 10 – Defined Benefit Pension Plan (continued)

The employer contribution requirements for State Troopers are summarized in the table below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employer contribution rate	14.10%	14.10%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to the SDTF	13.08%	13.08%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF	**23.18%**	**23.25%**

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

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Division were $2,000,523 for the year ended June 30, 2023.

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. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of $380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires the State to make an additional direct distribution of approximately $14.5 million (actual dollars), for a total of approximately $49.5 million (actual dollars) to be contributed on July 1, 2023.

Note 10 – Defined Benefit Pension Plan (continued)

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

The net pension liability for the SDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The Division proportion of the net pension liability was based on Division contributions to the SDTF for the calendar year 2022 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, 2023, the Division reported a liability of $23,251,797 for its proportionate share of the net pension liability.

At December 31, 2022, the Division proportion was 0.21386%, which was an increase of 0.01989% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Division recognized pension expense of $3,144,422. At June 30, 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ -	$ 311,746
Changes of Assumptions or other Inputs	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,956,083	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	1,328,143	10,206
Contributions Subsequent to the Measurement Date	818,731	-
Total	$ 5,102,957	$ 321,952

Note 10 – Defined Benefit Pension Plan (continued)

$818,731 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:

Year Ended June 30,	Amount
2024	$ 356,985
2025	767,807
2026	1,090,351
2027	1,747,131
2028	-
Thereafter	-

Actuarial Assumptions
The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

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

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

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.

Note 10 – Defined Benefit Pension Plan (continued)

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.

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

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

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

Note 10 – Defined Benefit Pension Plan (continued)

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

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

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

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

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Note 10 – Defined Benefit Pension Plan (continued)

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled $225 million (actual dollars) direct distribution, a warrant to PERA in the amount of $380 million (actual dollars). The July 1, 2023, direct distribution is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from $225 million (actual dollars) due to PERA's negative investment return in 2022.

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

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

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

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

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

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

Note 10 – Defined Benefit Pension Plan (continued)

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25%)
Proportionate Share of the Net Pension Liability	$ 29,724,717	$ 23,251,797	$ 17,806,845

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

Note 11 – Other Retirement Plans

Defined Contribution Retirement Plan (PERA DC Plan)

Plan Description – Employees of the State of Colorado hired on or after January 1, 2006, employees of certain community colleges hired on or after January 1, 2008, and certain classified employees of State Colleges and Universities hired on or after January 1, 2019, have the option to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, or the Defined Contribution Retirement Plan (PERA DC Plan).

The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's ACFR as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Division are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 1, 2022 through June 30, 2023 are summarized in the tables below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employee Contribution Rates:		
All employees other than State Troopers	11.00%	11.00%
State Troopers	13.00%	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).

Note 11 – Other Retirement Plans (continued)

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

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413	1.00%	1.00%
Additional statutory contribution as specified in C.R.S. § 24-51-401 and § 24-51-1505	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.10%	0.17%
Total employer contribution rate to the SDTF	**11.35%**	**11.42%**

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

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50% vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10%. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $0 and the Division recognized pension expense and a liability of $0 and $0, respectively, for the PERA DC Plan.

Note 12 – Other Post Employment Benefits

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB

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

Note 12 – Other Post Employment Benefits (continued)

General Information about the OPEB Plan

Plan Description

Eligible employees of the Division are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the 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.

Benefits Provided

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

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

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

PERA Benefit Structure

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

Note 12 – Other Post Employment Benefits (continued)

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Division is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Division were $74,774 for the year ended June 30, 2023.

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

At June 30, 2023, the Division reported a liability of $568,531 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Division proportion of the net OPEB liability was based on Division contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

Note 12 – Other Post Employment Benefits (continued)

At December 31, 2022, the Division proportion was 0.06963%, which was an increase of 0.00664% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Division recognized OPEB expense of $29,751. At June 30, 2023, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 74	$ 137,490
Changes of Assumptions or other Inputs	9,138	62,748
Net Difference between Projected and Actual Earnings on OPED Plan Investments	34,729	-
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	93,521	7,378
Contributions Subsequent to the Measurement Date	38,484	-
Total	$ 175,946	$ 207,616

$38,484 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2024	$ (41,246)
2025	(31,754)
2026	(4,720)
2027	10,322
2028	(2,325)
2029	(437)
Thereafter	-

Note 12 – Other Post Employment Benefits (continued)

Actuarial Assumptions
The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial Cost Method	Entry Age			
Price Inflation	2.30%			
Real Wage Growth	0.70%			
Wage Inflation	3.00%			
Salary Increases, Including Wage Inflation				
Members other than 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	6.50% in 2022, gradually decreasing to 4.50% in 2030			
Medicare Part A Premiums	3.75% for 2022, gradually increasing to 4.50% in 2029			
DPS benefit structure				
Service-based Premium Subsidy	0.00%			
PERACare Medicare Plans	N/A			
Medicare Part A Premiums	N/A			

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Note 12 – Other Post Employment Benefits (continued)

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.00%	1.50%
70	2.90%	1.60%
71	1.60%	1.40%
72	1.40%	1.50%
73	1.50%	1.60%
74	1.50%	1.50%
75	1.50%	1.40%
76	1.50%	1.50%
77	1.50%	1.50%
78	1.50%	1.60%
79	1.50%	1.50%
80	1.40%	1.50%
81 and older	0.00%	0.00%

	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Sample Age	Male	Female	Male	Female	Male	Female
65	$ 1,704	$ 1,450	$ 583	$ 496	$ 1,923	$ 1,634
70	$ 1,976	$ 1,561	$ 676	$ 534	$ 2,229	$ 1,761
75	$ 2,128	$ 1,681	$ 728	$ 575	$ 2,401	$ 1,896

	MAPD PPO #1 without Retiree/Spouse		MAPD PPO #2 without Retiree/Spouse		MAPD HMO (Kaiser) Retiree/Spouse	
Sample Age	Male	Female	Male	Female	Male	Female
65	$6,514	$5,542	$4,227	$3,596	$6,752	$5,739
70	$7,553	$5,966	$4,901	$3,872	$7,826	$6,185
75	$8,134	$6,425	$5,278	$4,169	$8,433	$6,657

Note 12 – Other Post Employment Benefits (continued)

The 2022 Medicare Part A premium is $499 (actual dollars) per month.

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

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

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, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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.

Note 12 – Other Post Employment Benefits (continued)

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

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

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

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

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

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

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

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

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

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

Note 12 – Other Post Employment Benefits (continued)

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

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

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

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

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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.

Note 12 – Other Post Employment Benefits (continued)

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

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A Trend Rate	6.50%	4.50%	5.50%
Proportionate Share of the Net OPED Liability	$ 552,439	$ 568,531	$ 586,040

Note 12 – Other Post Employment Benefits (continued)

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, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to 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.

Note 12 – Other Post Employment Benefits (continued)

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

The following presents the 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	$ 659,095	$ 568,531	$ 491,069

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

Note 13 – Risk Management

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

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

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	
State agency services:	2023	2022
Colorado State Patrol	$ 3,471,372	$ 3,468,907
Colorado Bureau of Investigation	-	119,750
Colorado Division of Fire Prevention and Control	219,772	210,246
Indirect costs (Colorado Department of Revenue)	995,014	971,035
Legal Services (Colorado Department of Law)	231,586	243,054
Office of the State Auditor	21,130	16,990
Department of Regulatory Agencies	-	2,500
Office of Information Technology Purchased Services	149,869	98,728
Total payments to State agencies	$ 5,088,743	$ 5,131,210

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

	For the Years Ended	
State agency services:	2023	2022
Office of the State Auditor	$ 21,130	$ 257,365
Indirect costs (Colorado Department of Revenue)	123,599	118,058
Office of Information Technology Purchased Services	43,983	79,213
Colorado Bureau of Investigation	-	6,303
Legal Services (Colorado Department of Law)	81,719	142,388
Total payments to State agencies	$ 270,431	$ 603,327

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, 2023	June 30, 2022
State agencies:		
Colorado State Historical Society	$ 31,159,178	$ 28,512,871
Colorado Department of Local Affairs	6,394,987	6,330,444
Colorado Office of Economic Development	23,000,000	23,000,000
Colorado Department of Higher Education	2,100,000	2,100,000
Historical Society Strategic Initiatives Fund	-	3,000,000
Total liabilities to State agencies	62,654,165	62,943,315
Other governments:		
City of Black Hawk	8,574,338	7,714,768
City of Central City	856,877	817,708
City of Cripple Creek	1,697,062	1,650,692
Gilpin County	11,317,459	10,238,972
Teller County	2,036,475	1,980,830
Total liabilities to other governments	24,482,211	22,402,970
Responsible Gaming Grant Program Cash Fund	2,500,000	2,500,000
State General Fund	21,646,401	13,985,398
Total liabilities to State agencies, State General Fund, RGGPCF, and other governments	$ 111,282,777	$ 101,831,683

Total related party liabilities of $111,282,777 and $101,831,683 at June 30, 2023 and June 30, 2022, respectively, are solely related to the fiscal year 2023 and fiscal year 2022 limited gaming distributions.

Note 15 - Restatement

During 2023, there were identified misstatements within the 2022 financial statements related to classification of Limited and Extended gaming distributions as other financing sources (uses) rather than expenditures.

The Division restated its previously issued financial statements to appropriately reflect the June 30, 2022, expenditures, excess of revenues over (under) expenditures, and total other financing sources (uses) for the year ended June 30, 2022.

The following is a summary of the effects of the restatement in the Division's June 30, 2022 statement of revenues, expenditures and changes in fund balance:

$5,508,112 of Extended Gaming Distributions to cities and counties was reclassified from an other financing use to an expenditure. The following table represents the changes of this reclassification on total expenditures, excess of revenues over (under) expenditures and total other financing sources (uses):

Extended Gaming Fund:

	As Previously Reported	Adjustment	As Restated
Year Ended June 30, 2022			
Expenditures	$ -	$ 5,508,112	$ 5,508,112
Excess of Revenues Over (Under) Expenditures	(2,464,138)	(5,508,112)	$ (7,972,250)
Total Other Financing Sources (Uses)	29,156,688	$ 5,508,112	$ 34,664,800

$22,402,970 of Limited Gaming Distributions to cities and counties was reclassified from an other financing use to an expenditure. The following table represents the changes of this reclassification on total expenditures, excess of revenues over (under) expenditures and total other financing sources (uses):

Limited Gaming Fund:

	As Previously Reported	Adjustment	As Restated
Year Ended June 30, 2022			
Expenditures	$ 16,225,428	$ 22,402,970	$ 38,628,398
Excess of Revenues Over (Under) Expenditures	142,424,166	(22,402,970)	$ 120,021,196
Total Other Financing Sources (Uses)	(147,248,478)	$ 22,402,970	$ (124,845,508)

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

REQUIRED SUPPLEMENTARY INFORMATION
LIMITED GAMING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (Non-GAAP Budgetary Basis)
YEAR TO DATE JUNE 30, 2023

	BEGINNING BUDGET *	SUPPLEMENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	YEAR-TO-DATE ACTUAL	(UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:						
Gaming Taxes	$ 166,507,340	$ -	$ 166,507,340	$ 167,754,529	$ 1,247,189	100.75%
License and Application Fees	649,710	-	649,710	700,483	50,773	107.81%
Background Investigations	164,551	-	164,551	102,006	(62,545)	61.99%
Fines and Fees	-	-	-	4,788	4,788	100.00%
Interest Revenue	669,286	-	669,286	2,263,103	1,593,817	338.14%
Other Revenue	-	-	-	937	937	100.00%
TOTAL REVENUES	167,990,887	-	167,990,887	170,825,846	2,834,959	101.69%
EXPENDITURES:						
Personal Services	10,306,436	-	10,306,436	9,109,627	(1,196,809)	88.39%
Operating Expenditures	781,994	(75,000)	706,994	605,563	(101,431)	85.65%
Workers Compensation	25,015	-	25,015	25,015	-	100.00%
Risk Management	38,439	-	38,439	38,439	-	100.00%
Licensure Activities	127,074	-	127,074	85,571	(41,503)	67.34%
Leased Space	155,000	-	155,000	144,361	(10,639)	93.14%
Vehicle Lease Payments - Fixed	118,486	-	118,486	107,680	(10,806)	90.88%
Vehicle Lease Payments - Variable	86,000	(2,000)	84,000	84,000	-	100.00%
Utilities	28,925	-	28,925	28,925	-	100.00%
Legal Services	286,686	(55,100)	231,586	231,586	-	100.00%
CORE Operations	86,243	-	86,243	86,243	-	100.00%
Payments to Office of Information Technology	149,869	-	149,869	149,869	-	100.00%
IT Division - MIPC Phones & ISD	51,269	-	51,269	41,491	(9,778)	80.93%
Indirect Costs - Department of Revenue	1,165,499	-	1,165,499	995,014	(170,485)	85.37%
State Agency Services	4,018,554	-	4,018,554	3,691,144	(327,410)	91.85%
Division Expenditures	17,425,489	(132,100)	17,293,389	15,424,528	(1,868,861)	89.19%
Non Personal Services Background Expenditures	68,425	-	68,425	5,381	(63,044)	7.86%
TOTAL EXPENDITURES	17,493,914	(132,100)	17,361,814	15,429,909	(1,931,905)	88.87%
EXCESS OF REVENUES OVER EXPENDITURES	$ 150,496,973	$ 132,100	$ 150,629,073	$ 155,395,937	$ 4,766,864	103.16%
Reconciliation to GAAP Excess of Revenues Over Expenditures:						
Less Net (Decrease) in the Fair Value of Investments				(2,639,868)		
Less Distributions				(24,482,211)		
GAAP Excess of Revenues over Expenditures				$ 128,273,858		

* Represents original information given to the Commission in April of 2022.
The percent of the fiscal year elapsed through June 30, 2023 is 100%.
** Amount includes Long Bill items and Supplemental Appropriations.

See accompanying Notes to Required Supplementary Information.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

REQUIRED SUPPLEMENTARY INFORMATION
SPORTS BETTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (Non-GAAP Budgetary Basis)
YEAR TO DATE JUNE 30, 2023

	BEGINNING BUDGET *	SUPPLEMENTAL CHANGES / ROLLFORWARDS	ANNUAL REVISED ESTIMATED BUDGET **	100.0% OF BUDGETED AMOUNT	YEAR-TO-DATE ACTUAL	(UNDER) ANNUAL BUDGET	% EARNED % EXPENDED OF ANNUAL BUDGET
REVENUES:							
Sports Betting Taxes	$ 12,607,943	$ -	$ 12,607,943	$ 12,607,943	$ 25,613,575	$ 13,005,632	203.15%
License and Application Fees	185,250	-	185,250	185,250	175,570	(9,680)	94.77%
Sports Betting Operations Fees	2,536,075	-	2,536,075	2,536,075	1,985,500	(550,575)	78.29%
Background Investigations	89,860	-	89,860	89,860	101,184	11,324	112.60%
Fines and Fees	-	-	-	-	214,752	214,752	100.00%
Interest Revenue	97,141	-	97,141	97,141	439,884	342,743	452.83%
Other Revenue	-	-	-	-	449	449	100.00%
TOTAL REVENUES	15,516,269	-	15,516,269	15,516,269	28,530,914	13,014,645	183.88%
EXPENDITURES:							
Personal Services	3,490,526	-	3,490,526	3,490,526	2,597,825	(892,701)	74.43%
Operating Expenditures	110,134	75,000	185,134	185,134	140,581	(44,553)	75.93%
Workers Compensation	6,254	-	6,254	6,254	6,254	-	100.00%
Risk Management	9,610	-	9,610	9,610	9,610	-	100.00%
Licensure Activities	23,721	-	23,721	23,721	18,044	(5,677)	76.07%
Leased Space	39,000	-	39,000	39,000	36,090	(2,910)	92.54%
Vehicle Lease Payments - Fixed	12,731	-	12,731	12,731	12,731	-	100.00%
Legal Services	81,572	147	81,719	81,719	81,719	-	100.00%
CORE Operations	21,561	-	21,561	21,561	21,561	-	100.00%
Payments to Office of Information Technology	43,983	-	43,983	43,983	43,983	-	100.00%
Indirect Costs - Department of Revenue	125,336	-	125,336	125,336	123,599	(1,737)	98.61%
Division Expenditures	3,964,428	75,147	4,039,575	4,039,575	3,091,997	(947,578)	76.54%
Non Personal Services Background Expenditures	35,582	-	35,582	35,582	2,265	(33,317)	6.37%
TOTAL EXPENDITURES	4,000,010	75,147	4,075,157	4,075,157	3,094,262	(980,895)	75.93%
EXCESS OF REVENUES OVER EXPENDITURES	$ 11,516,259	$ (75,147)	$ 11,441,112	$ 11,441,112	$ 25,436,652	$ 13,995,540	222.33%
Reconciliation to GAAP Excess of Revenues Over Expenditures:							
Less Net (Decrease) in the Fair Value of Investments					(1,105,250)		
GAAP Excess of Revenues over Expenditures					$ 24,331,402		

* 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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date Ending December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Division's Proportion (Percentage) of the Collective Net Pension Liability	0.2138573%	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	$ 23,251,797	$ 14,305,021	$ 17,855,151	$ 17,684,708	$ 20,177,610	$ 36,699,165	$ 35,237,801	$ 20,153,510	$ 18,102,462	$ 17,666,186
Covered Payroll	7,772,813	6,441,231	6,172,140	5,764,748	5,683,059	5,264,601	5,465,598	5,319,912	4,965,164	4,904,861
Division's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	299.14%	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	60.63%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Contributions **	$ 1,500,367	$ 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	1,500,367	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	7,416,545	7,320,678	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a Percentage of Covered Payroll	20.23%	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 Bill2 0-1379.

See accompanying Notes to Required Supplementary Information.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS

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

See accompanying Notes to Required Supplementary Information.

DIVISION OF GAMING
DEPARTMENT OF REVENUE, STATE OF COLORADO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET OTHER POSTEMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily Required Contributions	$ 72,073	$ 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	72,073	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	7,416,545	7,320,678	6,425,729	6,057,844	5,537,483	5,218,241	5,247,488	5,329,669	5,152,738	4,972,931	4,791,785
Contribution as a Percentage of Covered Payroll	0.97%	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.

<u>Note 1 - Net Pension Liability</u>

Changes in actuarial assumptions or other inputs

- There were no changes made to actuarial methods or assumptions for the December 31, 2022 measurement period for pension compared to the prior year.

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

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

Note 1 - Net Pension Liability (continued)

- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

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

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

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

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

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

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

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

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

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

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

Note 1 - Net Pension Liability (continued)

Changes in assumptions or other inputs 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 assumptions or other inputs effective for the December 31, 2022 measurement period are as follows:

- The timing of the retirement decrement was adjusted to middle-of-year.

There were no changes in assumptions or other inputs effective for the December 31, 2021 measurement period for OPEB.
Changes in assumptions or other inputs effective for the December 31, 2020 measurement period are as follows:

- The price inflation assumption was lowered from 2.40 percent to 2.30 percent, and the wage inflation assumption was lowered from 3.50 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Salary scale assumptions were revised to align with the revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the State Division (members other than State Troopers) was changed to the PubG-2010 Employee Table with generational projection using scale MP-2019.
- The pre-retirement mortality assumption for the Judicial Division was changed to the PubG-2010(A) Above Median Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the State Division (Members other than State Troopers) was changed to the PubG-2010 Health Retiree Table, adjusted as follows:
  - Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
  - Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Note 2 - Other Postemployment Benefits (continued)

- The post-retirement non-disabled mortality assumption for the Judicial Division was changed to the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019. The post-retirement non-disability beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
    - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
    - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The disability mortality assumption for State Troopers was changed to the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

There were no changes 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 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Limited Gaming Fund, Extended Limited Gaming Fund, Responsible Gaming Grant Fund, Sports Betting Fund, and Hold Harmless Fund, special revenue funds of the Division of Gaming (Department of Revenue) (the Division), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Auditor's Findings and Recommendations as items 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The Division's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Denver, Colorado
December 15, 2023

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

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

We have audited the accompanying financial statements of the Extended Limited Gaming Fund (Extended Gaming Fund), Responsible Gaming Fund, Limited Gaming Fund, Sports Betting Fund, and Hold Harmless Fund of the Division of Gaming, Department of Revenue, State of Colorado (the Division) as of and for the year ended June 30, 2023 and have issued our report thereon dated December 15, 2023. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated May 12, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our comments regarding a material weakness during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated December 15, 2023.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Division's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. As described in Note 1, the Division assessed the impact of accounting policies related to accounting for subscription-based information technology agreements (SBITAs) to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*, however the impact was deemed not to be material. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

Financial Statement Disclosures

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

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

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

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

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

The restatement disclosure in Note 15, which describes the restatement that was made to the 2022 financial statements related to changing the presentation of certain distributions.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

	Debit	Credit
Limited Gaming Distribution	\$22,402,970	
Transfers Out		\$22,402,970
Extended Gaming Distribution	\$5,508,112	
Transfers Out		\$5,508,112

Disagreements with Management

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

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

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

As discussed in Note 1 –Summary of Significant Accounting Policies, The Division's financial statements are intended to present only those transactions attributable to the Division. The financial statements of the Division are not intended to present financial information of the State in conformity with generally accepted accounting principles. The Division's accounts are presented in a manner consistent with presentation of State's financial activities, which are reported in accordance with accounting principles generally accepted in the United States of America for governmental units.

Additionally, as discussed in Note 15 – Restatement, the Division's 2022 financial statements were restated to correctly classify certain distributions as expenditures that were previously classified as other sources (uses).

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

The Division's 2022 financial statements were restated to correctly classify certain distributions as expenditures that were previously classified as other sources (uses).

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December 15, 2023.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Restriction on Use

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

Eide Bailly LLP

Denver, Colorado
December 15, 2023