

# **Colorado Lottery**

## **Financial and Compliance Audit**

June 30, 2025 and 2024

## **Legislative Audit Committee**

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<b>Representative Max Brooks</b>	<b>Senator Rod Pelton</b>
<b>Representative Jarvis Caldwell</b>	<b>Senator Mike Weissman</b>
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## **Office of the State Auditor**

State Auditor	<b>Kerri L. Hunter, CPA, CFE</b>
Deputy State Auditor	<b>Marisa Edwards, CPA</b>
Contract Monitor	<b>Isaiah Rodriguez</b>
Contractor	<b>Forvis Mazars, LLP</b>

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## **Members of the Legislative Audit Committee:**

We have completed the financial statement audit of the Colorado Department of Revenue – Division of Lottery (the Lottery) as of and for the year ended June 30, 2025. Our audit was conducted 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.

We were engaged to conduct our audit pursuant to Sections 44-40-112, C.R.S. and 44-40-120 C.R.S., which requires the State Auditor to annually audit the Lottery. The reports we have issued as a result of this engagement are set forth in the table of contents which follows.

**Forvis Mazars, LLP**

**Denver, Colorado**

**October 8, 2025**

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**Colorado Lottery**  
**Report Summary**  
**Fiscal Years Ended June 30, 2025 and 2024**

**Purposes and Scope of Audit**

**Authority, Purpose and Scope**

The Office of the State Auditor, State of Colorado, engaged Forvis Mazars, LLP to conduct the financial audit of the Colorado Department of Revenue – Division of Lottery (the Lottery) for the Fiscal Year ended June 30, 2025. The audit of the Lottery was performed under authority of Section 44-40-112 C.R.S., which requires the State Auditor to conduct an annual audit of the Lottery. The purpose of the audit was to express an opinion on the financial statements of the Lottery for the years ended June 30, 2025 and 2024.

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

The purposes and scope of this audit was:

- To express an opinion on the financial statements of the Lottery as of and for the years ended June 30, 2025 and 2024, including consideration of the related systems of internal controls as required by auditing standards generally accepted in the United States of America.
- To test the Lottery's compliance with certain rules and regulations governing the expenditure of State funds for the year ended June 30, 2025.
- To evaluate progress in implementing the prior audit recommendations, if any.



**Colorado Lottery**  
**Report Summary**  
**Fiscal Years Ended June 30, 2025 and 2024**

**Summary of Major Audit Comments**

**Audit Findings and Financial Statement Audit Report Section**

There were no prior year audit recommendations outstanding.

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

**Audit Opinion and Reports**

The independent auditor's reports, included herein, state that the financial statements of the Lottery are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and that no material weaknesses in internal controls were identified during the course of the audit. However, material weaknesses or significant deficiencies may exist that were not identified.

**Significant Audit Adjustments**

There were no proposed audit adjustments for the year ended June 30, 2025.

**Auditor's Communication to Legislative Audit Committee and Lottery Commission**

The auditor's communication to the Legislative Audit Committee and Lottery Commission describes the auditor's responsibility under auditing standards generally accepted in the United States of America and significant management judgments and estimates. This communication is located on page 145.

**Colorado Lottery**  
**Background**  
**Years Ended June 30, 2025 and 2024**

In 1980, Colorado voters passed a referendum that added Article XVIII, Section 2(1) to the Colorado Constitution, allowing the establishment of a state-supervised lottery. Senate Bill 82-119 created the Lottery as a division within the Department of Revenue. The Lottery began operations on July 1, 1982 and sold its first lottery ticket on January 24, 1983.

During Fiscal Year 2025, the Lottery employed 105 employees in its headquarters in Pueblo and branch offices in Denver, Fort Collins and Grand Junction.

The Lottery games are governed by rules and regulations established by a Commission of five members appointed by the Governor and approved by the Senate. By statute, Lottery Commission members must include an attorney, a certified public accountant and a law enforcement officer. Members may serve up to two 4-year terms.

Colorado Revised Statutes (C.R.S.) Section 44-40-111(9), requires that no less than 50 percent of the total revenue from sales of lottery tickets be for prizes. The legislation also provides guidelines for distribution of net proceeds to beneficiary agencies. Article XXVII of the Colorado Constitution states that “net lottery proceeds” (that is, proceeds after the payment of prizes and lottery expenses and a reserve for future operations) are to be distributed to the Conservation Trust Fund within the Department of Local Affairs, the Division of Parks and Wildlife within the Department of Natural Resources, and the Great Outdoors Colorado Trust Fund (GOCO). The amount distributed to GOCO is limited by a constitutional cap, which was calculated to be \$86.0 million for the year ended June 30, 2025.

**Colorado Lottery**  
**Background**  
**Years Ended June 30, 2025 and 2024**

Prior to 2002, amounts exceeding the GOCO cap (the spillover) were distributed to the State General Fund. For Fiscal Years 2002 through 2007, the spillover funds were distributed to the State Public School Fund Contingency Reserve. For Fiscal Year 2008, the spillover funds were transferred to the Lottery Proceeds Contingency Reserve Fund. For Fiscal Years 2009 through 2020, the spillover funds were required to be transferred to the State Public School Capital Construction Assistance Fund pursuant to Section 22-43.7-104, C.R.S. On June 21, 2021 House Bill 21-1318 concerning the creation and funding of the Outdoor Equity Grant Program, was approved by Governor Jared Polis and established the distribution of the amounts exceeding the GOCO cap for Fiscal Year 2021 and beyond. The bill added Part 2 to article 9 of title 33, specifically Sections 33-9-201 through 33-9-206, C.R.S and Subsection (12) to Section 44-40-111, C.R.S., changing the distribution of any excess amounts over the statutory limit for Fiscal Year 2021 and beyond. According to Sections 33-9-201(1)(a) and 33-9-203, the Outdoor Equity Program will be governed by the newly created Outdoor Equity Board in the Division of Parks and Wildlife. The purpose of the program is to increase access and opportunity for underserved youth and their families to experience Colorado's open spaces, state parks, public lands, and other outdoor areas through programs with a focus on conservation, the environment, outdoor education, or outdoor recreation. Any spillover amount for Fiscal Year 2025 was to be transferred as follows: the first \$3.0 million to the Outdoor Equity Fund, the next \$3.0 million to the State Public School Capital Construction Assistance Fund, and any remaining amounts divided as: 25 percent to the Wildlife Cash Fund, 25 percent to the Parks and Outdoor Recreation Cash Fund, and 50 percent to the State Public School Capital Construction Assistance Fund. The GOCO cap was not reached for Fiscal Year 2025, which resulted in no spillover funds available.

## **Independent Auditor's Report**

Legislative Audit Committee and Lottery Commission  
State of Colorado, Department of Revenue, Lottery Division  
Denver, Colorado

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the Colorado Lottery, an enterprise fund of the State of Colorado, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Colorado Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Lottery as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note 1 – Nature of Operations and Summary of Significant Accounting Policies, the financial statements of the Colorado Lottery are intended to present the financial position and cash flows for only that portion of the financial reporting entity, the State of Colorado, which is attributable to the transactions of the Colorado Lottery. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2025, and 2024, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colorado Lottery's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's 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 auditor's report that includes our opinion. 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 the Colorado Lottery'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colorado Lottery's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Colorado Lottery's basic financial statements. The Schedule of Revenues and Costs for Scratch and Jackpot Games, Schedule of Percent of Prize Expense to Gross Ticket Sales and Budgetary Comparison are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues and Costs for Scratch and Jackpot Games, Schedule of Percent of Prize Expense to Gross Ticket Sales and Budgetary Comparison are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2025, on our consideration of the Colorado Lottery'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 Colorado Lottery'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 Colorado Lottery's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Denver, Colorado**

**October 8, 2025**

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

This discussion and analysis of the Colorado Lottery's financial performance provides an overview of financial activities for the Fiscal Years ended June 30, 2025 and 2024. Please read it in conjunction with the Lottery's financial statements, which begin on page 31. These financial statements reflect only activities of the Colorado Lottery.

**Games Offered by the Colorado Lottery**

The Lottery offers a variety of ways to play with two different game types: scratch games and jackpot (draw) games. Scratch games consist of pre-printed tickets that may be purchased at various price points with multiple play styles at any Lottery retailer. When scratched, they provide instant knowledge if the ticket is a winner and can be cashed immediately at a retailer location if the amount of the winnings is \$599 or less or at Lottery offices if over \$599. Jackpot or draw games require a longer playing time with winners determined by the selection of a combination of numbers during each game's associated drawing. The Lottery currently offers six different jackpot games, with drawings held every day of the week. Like scratch, winning jackpot tickets may be cashed at the retailer if the amounts of the total winnings by ticket are \$599 or less. Tickets with prizes over \$599 must be redeemed at the Lottery offices. The Lottery also offers an instant add-on game to one of its jackpot games. The purchase gives players the opportunity to win a randomly assigned instant prize, providing the player the instant winning experience of scratch with the purchase of a jackpot ticket. With no draw involved and with prizes ranging from \$2 to \$500, winning tickets may be cashed instantly at the retailer.



**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

**Financial Highlights**

The Colorado Lottery achieved overall ticket sales for Fiscal Year 2025 of nearly \$827.9 million, the third highest in the Lottery's history. In comparison to the previous fiscal year's sales record of nearly \$900.8 million, sales decreased by nearly \$72.9 million or 8.1 percent. Jackpot sales reached \$228.2 million for Fiscal Year 2025, which resulted in a \$83.9 million decrease, or 26.9 percent from Fiscal Year 2024. Scratch sales achieved a record-breaking year with overall scratch ticket sales reaching nearly \$599.7 million, an increase of \$11.0 million, or 1.9 percent from the previous year.

Funds distributed or available for distribution from Fiscal Year 2025 sales were \$169.8 million, marking the fourth highest in the Lottery's history. The previous record of nearly \$196.4 million set in Fiscal Year 2024 was the highest mark ever for the Lottery. Distributions from Fiscal Year 2024 to Fiscal Year 2025 decreased by nearly \$26.6 million, or 13.5 percent. The Great Outdoors Colorado (GOCO) proceeds cap of \$86.0 million was not reached for Fiscal Year 2025 which made no spillover funds available.

Gross profit (Lottery product sales minus costs tied directly to those sales) as a percentage of sales decreased by approximately 1.7 percent from 25.4 percent to 23.7 percent in Fiscal Years 2024 and 2025, respectively. Costs tied directly to sales include prize expense, retailer commissions and bonuses, scratch ticket costs and scratch ticket vendor fee costs charged by third-party vendor Scientific Games (SG) and vendor fees charged for the use of the jackpot gaming systems provided by the third-party vendor International Game Technology (IGT). A decrease of over 4.2 percent as a percentage of sales in prize expense combined with a slight percentage of sales decrease in retailer commissions and vendor fees was offset by increases of scratch ticket costs and retailer bonuses totaling 0.3 percent. This overall decrease was the chief reason for the decrease in the gross profit percentage. Total prize expense as a percentage of sales for all Lottery products increased from 64.1 percent to nearly 65.2 percent, while scratch ticket costs and scratch vendor fee costs as a percentage of sales increased from 1.2 percent to 1.5 percent in Fiscal Years 2024 and 2025, respectively.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statements of Net Position provide information about the Lottery's assets, liabilities and deferred inflows of resources and outflows of resources and reflect the Lottery's financial position as of June 30, 2025 and 2024. The Statements of Revenues, Expenses and Changes in Net Position report the activity of selling the Lottery products and the expenses related to such activity for the years ended June 30, 2025 and 2024. Finally, the Statements of Cash Flows outline the cash inflows and outflows related to the activity of selling the Lottery products for the years ended June 30, 2025 and 2024.

**Statements of Net Position**

The Statements of Net Position present a financial snapshot of the Lottery at June 30, 2025 and 2024. It presents the fiscal resources (assets) of the Lottery, the consumption of net assets that is applicable to a future reporting period (deferred outflows), the claims against those resources (liabilities), the acquisition of net assets that is applicable to a future reporting period (deferred inflows) and the residual available for future operations (net position). Assets and liabilities are classified by liquidity as either current or noncurrent.

Deferred outflows of resources are reported in a separate section following assets, with deferred inflows of resources reported in a separate section following liabilities. Net position is classified by the ways in which these assets may be used for future operations.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

**Condensed Statements of Net Position**  
**June 30, 2025, 2024, and 2023**

	2025	2024	2023
<b>Assets</b>			
Current assets	\$ 106,270,109	\$ 116,718,027	\$ 108,560,487
Restricted assets	7,843,313	8,495,893	8,430,964
Capital assets	7,040,191	9,052,579	3,625,957
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 121,153,613</u>	<u>\$ 134,266,499</u>	<u>\$ 120,617,408</u>
<b>Deferred Outflows</b>			
Pensions	\$ 1,775,204	\$ 2,341,315	\$ 3,302,371
Other postemployment benefits	42,991	53,406	75,164
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred outflows	<u>\$ 1,818,195</u>	<u>\$ 2,394,721</u>	<u>\$ 3,377,535</u>
<b>Liabilities</b>			
Current liabilities	\$ 115,894,514	\$ 128,400,337	\$ 119,341,245
Long-term liabilities	2,409,799	3,314,531	3,187,096
Net pension liability	17,217,868	18,215,578	20,433,052
Net other postemployment benefits liability	296,219	442,670	519,451
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>\$ 135,818,400</u>	<u>\$ 150,373,116</u>	<u>\$ 143,480,844</u>
<b>Deferred Inflows</b>			
Pensions	\$ 294,415	\$ 626,837	\$ 579,041
Other postemployment benefits	219,228	229,087	297,881
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows	<u>\$ 513,643</u>	<u>\$ 855,924</u>	<u>\$ 876,922</u>
<b>Net Position</b>			
Investment in Capital Fixed Assets	\$ 4,666,866	\$ 5,313,955	\$ 387,492
Restricted – Licensed Agent Recovery Reserve	1,143,646	1,042,449	968,398
Restricted – Operating Reserve	1,400,000	2,200,000	2,200,000
Unrestricted - Unrealized Gain/Loss on Investments	(4,361,212)	(6,004,773)	(5,466,823)
Unrestricted - Unfunded Pension Liability	(15,737,079)	(16,501,100)	(17,709,723)
Unrestricted - Other Postemployment Benefits Liability	(472,456)	(618,351)	(742,167)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position (deficit)	<u>\$ (13,360,235)</u>	<u>\$ (14,567,820)</u>	<u>\$ (20,362,823)</u>

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

The Lottery's total assets at June 30, 2025 were approximately \$121.2 million. Assets consisted primarily of cash and investments of \$69.2 million, including restricted balances of \$2.5 million, receivables from Lottery retailers for the sales of Lottery products of \$39.4 million, prepaid prize expense with Multi-State Lottery Association (MUSL) of nearly \$5.3 million, scratch ticket inventory of nearly \$0.1 million, and net capital assets, which includes equipment, software, leasehold improvements, right-to-use lease assets and right-to-use subscription assets, of over \$7.0 million.

Comparable figures for total assets at June 30, 2024 were nearly \$134.3 million. Assets consisted primarily of cash and investments of \$80.4 million, including restricted balances of over \$3.2 million, receivables from Lottery retailers for the sales of Lottery products of \$39.2 million, prepaid prize expense with Multi-State Lottery Association (MUSL) of nearly \$5.3 million, scratch ticket inventory of nearly \$0.3 million, and net capital assets, which includes equipment, software, leasehold improvements, right-to-use lease assets and right-to-use subscription assets, of approximately \$9.1 million.

The Lottery's total assets decreased by nearly \$13.1 million from Fiscal Year 2024 to Fiscal Year 2025. This decrease in total assets was primarily made up of decreases in net capital assets of \$2.0 million, scratch ticket inventory of nearly \$0.2 million, cash and investments of nearly \$11.2 million, and restricted assets of over \$0.6 million; offset by increases in receivables from Lottery retailers of nearly \$0.2 million, and smaller increases in the remaining asset categories. The decrease in net capital assets is due to the disposal of \$0.5 million in computer equipment and hardware. The decrease in cash and investments is primarily due to the decrease in overall total sales for the fiscal year. The Lottery had fewer Powerball or Mega Millions jackpots running over \$500 million for the fiscal year as compared to Fiscal Year 2024. When jackpots are lower, overall sales for the Lottery are lower. The decrease in restricted assets was due to a \$0.8 million decrease in the Operating Reserve which is analyzed yearly, offset by a nearly \$0.2 million increase in the Agent bonding fees that new retailers pay to license through the Lottery.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

Comparable figures of total assets increased by over \$13.6 million from Fiscal Year 2023 to Fiscal Year 2024. The increase in total assets was primarily made up of increases in cash and investments of \$7.4 million, in receivables from Lottery retailers of \$1.0 million, and in net capital assets of \$5.4 million, including the purchase of 225 new ticket vending terminals of over \$5.0 million, offset by decreases in scratch ticket inventory of over \$0.2 million. The increase in cash of \$7.4 million can chiefly be attributed to the increase in the estimated prize liability due to players offset by the decrease in the accounts payable amount due to vendors from Fiscal Year 2023 to Fiscal Year 2024.

The Lottery's total liabilities at June 30, 2025 totaled \$135.8 million, which consisted primarily of prize liability on all Lottery products of nearly \$63.6 million, proceeds distributions due to recipients of \$40.5 million, net pension liability of \$17.2 million recorded in accordance with GASB Statement No. 68, nearly \$5.1 million due to Lottery vendors, lease and subscription liabilities of nearly \$2.4 million recorded in accordance with GASB Statement No. 87 and 96, nearly \$3.9 million due to retailers for bonuses, wages and benefits due to Lottery employees of nearly \$0.9 million, over \$0.8 million due to Lottery employees for annual and sick leave, \$0.9 million due to MUSL and net other postemployment benefits (OPEB) liability of nearly \$0.3 million recorded in accordance with GASB Statement No. 75. Two of the largest decreases in the Lottery's liabilities were a \$5.3 million decrease in prize liability and \$3.2 million decrease to net pension liability. The prize liability decreased because sales were down in Fiscal Year 2025. The PERA net pension liability decreased therefore our portion of the liability decreased.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

Comparable figures at June 30, 2024 totaled \$150.4 million, which consisted primarily of prize liability on all Lottery products of over \$77.8 million, proceeds distributions due to recipients of \$39.2 million, net pension liability of \$18.2 million recorded in accordance with GASB Statement No. 68, \$5.2 million due to Lottery vendors, lease and subscription liabilities of over \$3.7 million recorded in accordance with GASB Statement No. 87 and 96, nearly \$3.1 million due to retailers for bonuses, wages and benefits due to Lottery employees of nearly \$1.1 million, over \$0.9 million due to Lottery employees for annual and sick leave, \$0.7 million due to MUSL and net other postemployment benefits (OPEB) liability of nearly \$0.5 million recorded in accordance with GASB Statement No. 75.

The Lottery's total liabilities decreased by over \$14.5 million from Fiscal Year 2024 to Fiscal Year 2025. This decrease in total liabilities was primarily made up of decreases in over \$14.3 million in prize liability on all Lottery products of scratch and jackpot games, \$0.1 million in wages and benefits, nearly \$1.4 million in lease and right-to-use subscription liabilities, \$1.0 million in pension liability, and \$49 thousand in employee annual and sick leave, which includes the vacant positions from employees retiring and resigning in Fiscal Year 2025, with an offset by increases of over \$0.2 million due to MUSL, \$0.8 million in retailer bonus liability, and \$1.3 million in funds available for distribution to beneficiaries.

Comparable figures at June 30, 2024 increased by \$6.9 million from June 30, 2023 chiefly due to increases of prize liability on all Lottery products of \$8.9 million, over \$0.6 million in retailer bonus liability, \$0.5 million each in lease and subscription liabilities and funds available for distribution and nearly \$0.2 million in wages and benefits, offset by decreases of \$2.2 million in net pension liability, \$1.3 million due to Lottery vendors, and \$0.3 million due to MUSL, with smaller decreases in all other liability categories. The increase in prize liability in the current fiscal year was mainly due to a \$5.6 million increase in scratch prize liability for scratch prizes accrued not yet claimed, a \$2.8 million increase in the Lotto jackpot not yet hit at fiscal year ends 2023 versus 2024 and a \$0.6 million increase in the Powerball prize liability over the previous fiscal year.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

Components of the Lottery's net position are: 1) an amount to represent the Lottery's investment in depreciable capital assets, lease assets, and subscription assets net of related liabilities as required by the reporting model under GASB Statement No. 34 (see "depreciable capital assets" on the Statements of Net Position); 2) a Licensed Agent Recovery Reserve (bonding reserve) funded by retailers in accordance with Section 44-40-121, C.R.S. to cover any uncollectible receivable accounts; 3) an amount representing the funds held by the Lottery in an operating reserve to ensure the operation of the Lottery for the ensuing year in accordance with Section 44-40-111 (5)(a), C.R.S. (see "Cash and Investments – Operating Reserve" on the Statements of Net Position); 4) unrestricted, unrealized gain/loss on investments, which represents an adjustment made by the Lottery to reflect its share of unrealized gains or losses on investments held by the State Treasurer; 5) unrestricted, net pension liability, which represents the Lottery's share of the State's net pension liability as calculated by PERA; and 6) unrestricted, net OPEB liability, which represents the Lottery's share of the State's net liability for the Health Care Trust Fund as calculated by PERA.

The \$1.2 million change in net position from June 30, 2024 to June 30, 2025 consisted primarily of an increase of \$1.6 million in unrealized gain on State Treasury investments, \$0.9 million in net pension liability and OPEB liability, and a small \$0.1 million increase in the bonding reserve, offset by a \$0.6 million decrease in net capital assets and \$0.8 million the Lottery's operating reserve. The operating reserve decreased by \$0.8 million after an analysis determined we did not need to hold as much in reserve. When new retailers are added to the system, they are required to pay a bonding reserve fee. The lottery added 63 new retailers thus increasing the reserve.

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Following is a schedule of net position for Fiscal Years 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Net investment in Capital Assets	\$ 4,666,866	\$ 5,313,955	\$ (647,089)
Restricted - Licensed Agent			
Recovery Reserve	1,143,646	1,042,449	101,197
Restricted - Operating Reserve	1,400,000	2,200,000	(800,000)
Unrestricted - Unrealized Gain			
(Loss) on Investments	(4,361,212)	(6,004,773)	1,643,561
Unrestricted - Unfunded Pension			
Liability	(15,737,079)	(16,501,100)	764,021
Unrestricted - Other Postemployment			
Benefits Liability	<u>(472,456)</u>	<u>(618,351)</u>	<u>145,895</u>
Total net position (deficit)	<u>\$ (13,360,235)</u>	<u>\$ (14,567,820)</u>	<u>\$ 1,207,585</u>

The \$5.8 million change in net position from June 30, 2023 to June 30, 2024 consisted primarily of an increase in investment in depreciable capital assets of over \$4.9 million due the addition of \$5.0 million of new vending terminals mentioned earlier and \$66 thousand of other equipment offset by depreciation expense of \$174 thousand. The disposal of \$0.5 million of fully depreciated equipment had no effect on the change in capital assets. This increase was combined with a small increase in the bonding reserve from \$968 thousand to nearly \$1.1 million, a decrease in net pension liability and related deferrals of \$1.2 million, and a decrease in the net OPEB liability of \$0.1 million from a previous year, offset by an unrealized loss on investments of \$0.5 million resulting from a net increase in the unrealized loss on State Treasury investments year over year.



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Following is a schedule of net position for Fiscal Years 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Net investment in Capital Assets	\$ 5,313,955	\$ 387,492	\$ 4,926,463
Restricted - Licensed Agent			
Recovery Reserve	1,042,449	968,398	74,051
Restricted - Operating Reserve	2,200,000	2,200,000	-
Unrestricted - Unrealized Gain			
(Loss) on Investments	(6,004,773)	(5,466,823)	(537,950)
Unrestricted - Unfunded Pension			
Liability	(16,501,100)	(17,709,723)	1,208,623
Unrestricted - Other Postemployment			
Benefits Liability	<u>(618,351)</u>	<u>(742,167)</u>	<u>123,816</u>
Total net position (deficit)	<u><u>\$ (14,567,820)</u></u>	<u><u>\$ (20,362,823)</u></u>	<u><u>\$ 5,795,003</u></u>

Following is a schedule of net position excluding the effects of the reporting requirements of GASB 68 and GASB 75.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total Net Position (Deficit)	\$ (13,360,235)	\$ (14,567,820)	\$ (20,362,823)
Add back Unrestricted - Unfunded			
Pension Liability	15,737,079	16,501,100	17,709,723
Subtract Unrestricted - Other			
Postemployment Benefits	<u>472,456</u>	<u>618,351</u>	<u>742,167</u>
Net position excluding pension			
and OPEB effect (deficit)	<u><u>\$ 2,849,300</u></u>	<u><u>\$ 2,551,631</u></u>	<u><u>\$ (1,910,933)</u></u>

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The Lottery's net position excluding the effects of GASB 68 and GASB 75 increased by nearly \$0.3 million from June 30, 2024 to June 30, 2025 and increased by over \$4.4 million from June 30, 2023 to June 30, 2024. The small increase from June 30, 2024 to June 30, 2025 was mainly due to the increases in the bonding reserve of \$0.1 million and unrealized gain on investments of \$1.6 million, offset by the \$0.6 million decrease in the investment in capital asset and the \$0.8 million decrease in operating reserve. The increase from June 30, 2023 to June 30, 2024 was mainly due to the increases in the investment in capital assets of \$4.9 million and \$74 thousand in bonding reserve, offset by the \$0.5 million increase in the unrealized loss on investments and no change in the operating reserve.

**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position present the financial activity of the Lottery over the fiscal year. The focus is on operating revenues and expenses that have a significant effect on the distributions paid to the proceeds recipients.

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**Condensed Statements of Revenues, Expenses and  
Changes in Net Position**

**For the Fiscal Years Ended June 30, 2025, 2024, and 2023**

	2025	2024	2023
<b>Operating Revenues</b>	\$ 827,859,719	\$ 900,756,363	\$ 889,778,449
<b>Direct Operating Expenses</b>	631,255,073	671,807,083	666,507,173
<b>Gross Profit on Sale of Tickets</b>	196,604,646	228,949,280	223,271,276
<b>Other Operating Expenses</b>			
Marketing and communications	13,175,238	14,773,730	14,837,054
Wages and benefits	10,658,821	9,082,969	8,966,115
Other operating expenses	7,367,369	6,665,359	5,984,602
Total Other Operating Expenses	31,201,428	30,522,058	29,787,771
<b>Other Operating Revenue</b>	845,941	483,330	540,025
<b>Total Operating Income</b>	166,249,159	198,910,552	194,023,530
<b>Nonoperating Revenue (Expenses)</b>			
Investment Income	4,767,958	3,272,723	1,507,472
Proceeds distributions	(169,809,532)	(196,388,272)	(195,286,247)
Total Nonoperating Revenue Expenses	(165,041,574)	(193,115,549)	(193,778,775)
<b>Net Income</b>	1,207,585	5,795,003	244,755
<b>Net Position, Beginning of Year</b>	\$ (14,567,820)	\$ (20,362,823)	\$ (20,607,578)
<b>Net Change in Net Position</b>	1,207,585	5,795,003	244,755
<b>Net Position, End of Year</b>	\$ (13,360,235)	\$ (14,567,820)	\$ (20,362,823)

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**Sales Activities**

Revenues from the sales of Lottery products were down from Fiscal Year 2025 to Fiscal Year 2024. With jackpot Lottery sales of nearly \$228.2 million, down \$83.9 million from the previous fiscal year, scratch Lottery sales set the all-time record high of nearly \$599.7 million in Fiscal Year 2025. Revenues from the sales of all Lottery products ended at nearly \$827.9 million in Fiscal Year 2025. This was a decrease in sales of nearly \$72.9 million or 8.1 percent lower than the previous fiscal year.

Fiscal Year 2024 revenues from the sales of Lottery products were up from the previous fiscal year, setting the all-time record high for total Lottery sales in a fiscal year. Including a record high sales year for jackpot product sales, Fiscal Year 2024 revenues from the sales of all Lottery products ended at nearly \$900.8 million. This was an increase in sales of nearly \$11.0 million or 1.2 percent over the previous fiscal year.

Fiscal Year 2025 scratch sales set the all-time record high at nearly \$599.7 million, a rise from the previous fiscal year's sales of \$588.6 million. This represented an \$11.0 million or a 1.9 percent increase from the scratch sales in Fiscal Year 2024. Due to continued regularly scheduled launches of the new "family of scratch games" and the efforts of the Lottery sales force to increase the activation of these new games in the first week after their introduction, scratch sales remained at their highest levels in the current fiscal year. Sales of the \$20 and \$50 price points saw the year-over-year increases, while the \$10, \$5, and \$3 price points saw the largest year-over-year decline in sales from Fiscal Year 2024.

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Fiscal Year 2024 scratch sales ended at \$588.6 million, a drop from the previous fiscal year's all time high of \$596.7 million. This represented an \$8.1 million or a nearly 1.4 percent decrease and a slight drop of just over \$1.6 million or 0.3 percent from the next highest sales year seen in Fiscal Year 2022. The Colorado Lottery's scratch sales decline was much lower than the 2.4 percent decline reported in the U.S. in Fiscal Year 2024. Due to continued regularly scheduled launches of new scratch games and the efforts of the Lottery sales force to increase the activation of these new games in the first week after their introduction, scratch sales remained at their high levels in the current fiscal year. Sales of the \$20 and \$40 price points saw the only year-over-year increases of \$21.7 million and \$8.3 million, respectively, while the \$10, \$5, and \$50 price points saw the largest year-over-year decline in sales of \$14.3 million, \$11.6 million, and \$7.5 million, respectively, from Fiscal Year 2023.

Fiscal Year 2025 combined jackpot sales ended at nearly \$228.2 million. The \$83.9 million or 26.9 percent decrease in sales over Fiscal Year 2024 can be mainly attributed to the fact that the large multi-state jackpot games of Powerball and Mega Millions did not have any high "billion dollar" jackpot runs in Fiscal Year 2025 as seen in Fiscal Year 2024. Powerball sales in the current fiscal year decreased by \$70.5 million or 52.0 percent from Fiscal Year 2024. Mega Millions sales were also down \$13.9 million or 18.7 percent from the previous fiscal year. Jackpot sales of Lotto+ Plus had a \$3.3 million increase from the previous fiscal year, while Lucky for Life, Cash 5, and Pick 3 combined for a \$2.8 million decrease in sales of the same products from Fiscal Year 2024.

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Fiscal Year 2024 combined jackpot sales ended at \$312.1 million, a new all-time jackpot sales record and the first time the Lottery surpassed the \$300.0 million mark in a fiscal year. The nearly \$19.1 million or 6.5 percent increase in sales over Fiscal Year 2023 can be mainly attributed to the fact that four of the ten largest U.S. Lottery jackpots were reached in Fiscal Year 2024. Powerball sales in the current fiscal year increased by \$25.7 million or 23.4 percent over Fiscal Year 2023 and set an all-time record high in the Lottery's history of selling that game. Although Mega Millions sales were down \$10.1 million from the previous fiscal year, the over \$74.5 million fiscal year mark was the second highest in Colorado Lottery's Mega Millions sales history. Jackpot sales of Lotto+ Plus, Lucky for Life and Pick 3 combined for a \$4.0 million increase in sales of the same products over the previous fiscal year, while Cash 5 and Cash 5 EZ Match sales dropped by \$0.6 million.

The following tables compare Lottery product sales between fiscal years.

<b>Product Sales</b>	<b>2025</b>	<b>2024</b>	<b>Difference</b>
Scratch	\$ 599,670,979	\$ 588,644,647	\$ 11,026,332
Powerball/PP/DP	65,003,601	135,513,986	(70,510,385)
Lotto +	49,746,851	46,417,154	3,329,697
Mega Millions	60,631,732	74,550,603	(13,918,871)
Cash 5	12,567,339	13,637,318	(1,069,979)
Cash 5 EZ Match	1,937,607	2,060,841	(123,234)
Pick 3	15,442,900	16,000,020	(557,120)
Lucky For Life	22,858,710	23,931,794	(1,073,084)
Total	<u>\$ 827,859,719</u>	<u>\$ 900,756,363</u>	<u>\$ (72,896,644)</u>

<b>Product Sales</b>	<b>2024</b>	<b>2023</b>	<b>Difference</b>
Scratch	\$ 588,644,647	\$ 596,720,571	\$ (8,075,924)
Powerball/PP/DP	135,513,986	109,806,500	25,707,486
Lotto +	46,417,154	43,676,778	2,740,376
Mega Millions	74,550,603	84,610,742	(10,060,139)
Cash 5	13,637,318	14,200,307	(562,989)
Cash 5 EZ Match	2,060,841	2,062,342	(1,501)
Pick 3	16,000,020	15,520,461	479,559
Lucky For Life	23,931,794	23,180,748	751,046
Total	<u>\$ 900,756,363</u>	<u>\$ 889,778,449</u>	<u>\$ 10,977,914</u>

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**Other Operating Revenues**

Other operating revenues for Fiscal Year 2025 totaled over \$0.8 million with an increase in the current fiscal year of nearly \$0.4 million from the previous one. Other operating revenues for the Fiscal Year ended June 30, 2024 totaled nearly \$0.5 million with a decrease of nearly \$57 thousand over the previous fiscal year. Other operating revenues mainly represent the net change in the bonding reserve mentioned earlier, amounts collected from Lottery retailers for their annual licensing, retailer fees charged when their accounts become delinquent, MUSL revenue reverted back to member lotteries, liquidated damages charged to the jackpot gaming vendor for failure to satisfy or perform the duties and obligations as outlined in their contract between them and the Lottery, and restitution collected from individuals charged with crimes against the Lottery. Primarily, the increase in reverted MUSL revenue of \$0.6 million, offset by fees collected and restitution of over \$71 thousand and \$0.1 million decrease in bonding reserve in Fiscal Year 2025 resulted in the nearly \$0.4 million increase in other operating revenues from Fiscal Year 2024.

**Investment Income**

Investment income for the years ended June 30, 2025 and June 30, 2024 totaled nearly \$4.8 million and nearly \$3.3 million, respectively. An increase of \$2.1 million in the Lottery's share of unrealized gains on investments held by the Treasury, offset by \$0.6 million decrease in nonoperating interest revenue, MUSL dividends and MUSL interest income accounted for most of the \$1.5 million increase in nonoperating revenues for Fiscal Year 2025.

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**Total Revenues**

Total revenues were nearly \$833.5 million and \$904.5 million for the years ended June 30, 2025 and June 30, 2024, respectively. The major contributing factor to the \$71.0 million decrease in total revenues was primarily due to the \$72.9 million or 8.1 percent decrease in Lottery product sales, combined with the nearly \$1.9 million increase in investment income and other operating revenue in Fiscal Year 2025 over Fiscal Year 2024.

**Major Expenses**

The Lottery incurred nearly \$631.3 million or 95.3 percent of its total expenses of \$662.5 million for Fiscal Year ended June 30, 2025 in direct support of the Lottery games. These game-related expenses include prize expense, retailer compensation, money spent to support scratch ticket sales including ticket costs, and compensation paid to the vendor who maintains and supports the jackpot gaming system. Of the \$631.3 million spent in Fiscal Year 2025 for the direct support of the Lottery games, over \$539.6 million was for prize expense associated with those games.

In comparison, the Lottery incurred \$671.8 million or 95.7 percent of its total expenses of \$702.3 million for Fiscal Year ended June 30, 2024 in direct support of the Lottery games. These game-related expenses include prize expense, retailer compensation, money spent to support scratch ticket sales including ticket costs, and compensation paid to the vendor who maintains and supports the jackpot gaming system. Of the \$671.8 million spent in Fiscal Year 2024 for the direct support of the Lottery games, \$577.8 million was for prize expense associated with those games.



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Total prize expense in Fiscal Year 2025 decreased nearly \$38.2 million from Fiscal Year 2024. This decrease was tied to the overall decrease of sales of nearly \$72.9 million recorded in Fiscal Year 2025. Prize expense as a percentage of sales for all products increased from 64.1 percent to 65.2 percent in the current fiscal year. This increase was mainly due to the shift in the overall sales mix from jackpot sales to scratch sales as the multi-state jackpots did not reach the high levels seen in the previous fiscal year, along with a slight decrease of unclaimed scratch prizes as a percentage of sales written off during the fiscal year.

Total prize expense in Fiscal Year 2024 increased over \$2.3 million from Fiscal Year 2023. This increase was tied to the overall increase in sales of nearly \$11.0 million recorded in Fiscal Year 2024, but was much less than expected, if all other factors had remained the same. Prize expense as a percentage of sales for all products dropped from 64.7 percent in the prior fiscal year to 64.1 percent in the current fiscal year. Prize expense as a percentage of scratch sales decreased slightly from 71.7 percent to 71.2 percent for Fiscal Year 2023 and Fiscal Year 2024, respectively. The overall decrease in the prize expense percentage in Fiscal Year 2024 compared to Fiscal Year 2023 and the resulting lower increase in prize expense dollars, however, was primarily the result of the shift in the overall sales mix from scratch sales to jackpot sales, as the multi-state jackpots continued to reach record levels in Fiscal Year 2024.

As a percentage of sales, the overall game-related expenses other than prize expense increased to 11.1 percent in Fiscal Year 2025 from 10.4 percent in Fiscal Year 2024. This increase was mainly due to the increase in bonuses earned and due to retailers, along with an increase in the additional charges for the contracted scratch ticket services from Scientific Games, mentioned above.

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Following are tables comparing the game-related expenses between Fiscal Years 2025 and 2024:

<b>Game-Related Expenses</b>	<b>2025</b>	<b>% of Sales</b>	<b>2024</b>	<b>% of Sales</b>	<b>Difference</b>	<b>Change in % of Sales</b>
Prize Expense						
Scratch	\$ 425,773,084	71.0 %	\$ 419,177,428	71.2 %	\$ 6,595,656	(0.2) %
Powerball	27,645,022	42.5	65,249,797	48.2	(37,604,775)	(5.7)
Lotto +	28,188,294	56.7	26,778,062	57.7	1,410,232	(1.0)
Mega Millions	29,402,245	48.5	35,825,491	48.1	(6,423,246)	0.4
Cash 5	6,864,077	54.6	7,480,053	54.9	(615,976)	(0.3)
Cash 5 EZ Match	1,124,454	58.0	1,196,010	58.0	(71,556)	-
Pick 3	7,318,719	47.4	8,076,334	50.5	(757,615)	(3.1)
Lucky For Life	13,302,516	58.2	14,029,566	58.6	(727,050)	(0.4)
Total prize expense	539,618,411	65.2	577,812,741	64.1	(38,194,330)	1.1
Retailer compensation						
Commissions	55,596,818	6.7	59,857,647	6.7	(4,260,829)	-
Bonuses	8,329,233	1.0	7,307,727	0.8	1,021,506	0.2
Ticket costs	12,748,985	1.5	10,780,383	1.2	1,968,602	0.3
Vendor fees	14,961,626	1.8	16,048,585	1.8	(1,086,959)	-
Total direct operating expense	<u>\$ 631,255,073</u>	76.3 %	<u>\$ 671,807,083</u>	74.6 %	<u>\$ (40,552,010)</u>	1.7 %

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Following are tables comparing the game-related expenses between Fiscal Years 2024 and 2023:

<b>Game-Related Expenses</b>	<b>2024</b>	<b>% of Sales</b>	<b>2023</b>	<b>% of Sales</b>	<b>Difference</b>	<b>Change in % of Sales</b>
Prize Expense						
Scratch	\$ 419,177,428	71.2 %	\$ 427,887,002	71.7 %	\$ (8,709,574)	(0.5) %
Powerball	65,249,797	48.2	52,211,486	47.5	13,038,311	0.7
Lotto +	26,778,062	57.7	23,657,514	54.2	3,120,548	3.5
Mega Millions	35,825,491	48.1	41,144,313	48.6	(5,318,822)	(0.5)
Cash 5	7,480,053	54.9	7,545,425	53.1	(65,372)	1.8
Cash 5 EZ Match	1,196,010	58.0	1,191,871	57.8	4,139	0.2
Pick 3	8,076,334	50.5	7,686,814	49.5	389,520	1.0
Lucky For Life	14,029,566	58.6	14,148,696	61.0	(119,130)	(2.4)
Total prize expense	577,812,741	64.1	575,473,121	64.7	2,339,620	(0.6)
Retailer compensation						
Commissions	59,857,647	6.7	59,300,570	6.7	557,077	-
Bonuses	7,307,727	0.7	6,540,859	0.7	766,868	-
Ticket costs	10,780,383	1.1	9,418,764	1.1	1,361,619	-
Vendor fees	16,048,585	1.8	15,773,859	1.8	274,726	-
Total direct operating expense	<u>\$ 671,807,083</u>	74.6 %	<u>\$ 666,507,173</u>	74.9 %	<u>\$ 5,299,910</u>	(0.3) %

Non game-related expenses totaled \$31.2 million in Fiscal Year 2025 compared to \$30.5 million in Fiscal Year 2024, a \$0.7 million or over 2.2 percent increase. Non game-related expenses chiefly consist of expenses for marketing and communication, wages and benefits, payments made to state agencies including costs allocations paid to the Department of Revenue, office and warehouse lease expense and delivery expense of Lottery scratch tickets. Fiscal Year 2025 marketing and communication expenses decreased by nearly \$1.6 million compared to a decrease of \$0.1 million in Fiscal Year 2024. Increases in jackpot advertising, corporate advertising, point of sale costs, and agency fees were offset by decreases in scratch advertising, sponsorships, silent salesmen costs, public relations, special events, promotional costs and website management costs, with costs in other areas remaining the same fiscal year over fiscal year. Fiscal Year 2025 net wages and benefits expense was over \$10.6 million compared to \$9.1 million in Fiscal Year 2024. Wage and benefits expense included a \$0.9 million reduction

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adjustment of pension and OPEB expenses related to GASB 68 and 75 in Fiscal Year 2025, compared to a \$1.3 million reduction adjustment in Fiscal Year 2024, and a \$1.2 million increase in wages and associated benefits tied to the across-the-board three percent increase in wages employees received on July 1, 2024 and the increase in the number of employees as position vacancies were filled throughout the fiscal year.

Payments made to state agencies including indirect cost allocations paid to the Office of Information Technology (OIT) and Department of Revenue and audit costs paid to the Office of the State Auditor totaled \$1.8 million in Fiscal Year 2025 compared to \$1.6 million in Fiscal Year 2024. Office and warehouse lease costs, including for both the amortization of the right to use lease assets recognized for GASB Statement No. 87 and space rental charges excluded from GASB Statement No. 87 recognition slightly increased to \$1.4 million in Fiscal Year 2025 compared to \$1.3 million in 2024. Scratch ticket delivery expense slightly decreased from nearly \$1.5 million to \$1.4 million over the two fiscal years.

### **Distributions to the Proceeds Recipients**

The Lottery's proceeds distribution for Fiscal Year 2025 totaled \$169.8 million. This represented a decrease of \$26.6 million or nearly 13.5 percent over the Fiscal Year 2024 proceeds amount of nearly \$196.4 million. As a percentage of total revenue, excluding the effects of GASB 31, the Lottery returned nearly 20.4 percent in Fiscal Year 2025, a decrease of nearly 1.3 percent from the 21.7 percent in Fiscal Year 2024. Of these total proceeds, \$84.9 million was allocated to the Great Outdoors Colorado Trust Fund, \$67.9 million to the Conservation Trust Fund and nearly \$17.0 million to the Division of Parks and Outdoor Recreation per the distribution formula stated in Colorado Revised Statutes (C.R.S.) 44-40-111. The Lottery's distribution to the Great Outdoors Colorado Trust Fund did not reach the statutory cap amount for Fiscal Year 2025, which resulted in no spillover funds available.

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**Capital Assets, Leases and Subscription Assets**

The Lottery's total investment in capital assets, including depreciable capital assets, right-to-use leases and right-to-use subscription assets, at June 30, 2025, 2024, and 2023 amounted to over \$7.0 million, \$9.0 million, and \$3.6 million, respectively. The investment in depreciable capital assets include computer equipment, servers, drawing equipment, modular furniture, cameras, warehouse equipment and leasehold improvements net of accumulated depreciation. The \$2.0 million net decrease in capital assets from Fiscal Year 2024 to Fiscal Year 2025 was due to the disposal of \$0.5 million of depreciable capital assets and \$1.6 million in depreciation and amortization of current capital assets. The Lottery's right-to-use assets include the leases of the Lottery's offices and warehouse space, signage equipment and the claims software used to process and pay winners. Right-to-use assets increased by a minimal \$21 thousand from Fiscal Year 2024 to Fiscal Year 2025 due to the extension of the right-to-use subscription contract for three additional months where the right-to-use subscription software will be having conversion of the system. Capital assets increased by \$5.4 million from Fiscal Year 2023 to Fiscal Year 2024 chiefly due to the \$5.1 million addition of depreciable capital assets, offset by \$0.5 million in total depreciation and amortization.

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Analysis of changes in capital assets is as follows (Note 3):

**Capital, Lease, and Subscription Assets as of**  
**June 30, 2025, 2024, and 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Capital Assets, Leases, and Subscription Assets</b>			
Equipment	\$ 5,793,594	\$ 6,212,330	\$ 1,632,973
Right-To-Use Equipment	2,484,541	2,484,541	2,484,541
Leasehold Improvements	185,939	185,939	185,939
Right-To-Use Buildings	4,715,074	4,715,074	2,882,851
Right-To-Use Subscription	449,784	428,275	428,275
Less: Accumulated Depreciation and Amortization	<u>(6,588,741)</u>	<u>(4,973,580)</u>	<u>(3,988,622)</u>
Net capital assets	<u><u>\$ 7,040,191</u></u>	<u><u>\$ 9,052,579</u></u>	<u><u>\$ 3,625,957</u></u>

**Budgetary Highlights**

The Lottery's budget is determined by a variety of methods. The majority of the budget is set by the annual appropriations bill (the Long Bill), which determines budgets for every agency within the State. Many of the appropriation lines in the Long Bill are at the Department of Revenue (department) level, and the department has the discretion to allocate them among each agency within the department. The Long Bill and department level allocations are approved shortly before the start of each fiscal year. Agencies may also request a supplemental appropriation during the fiscal year to cover unexpected expenses (or a negative supplemental for less than expected expenses), as well as year-end transfers of spending authority, if needed. No supplemental appropriations were approved in Fiscal Year 2025.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

The approved Lottery budget at the beginning of Fiscal Year 2025 was over \$745.1 million. Appropriation adjustments increased the overall budget by nearly \$149 thousand, with the Lottery budget at the end of Fiscal Year 2025 at nearly \$745.3 million. Total expenditures and roll-forwards for Fiscal Year 2025 on a budget basis came to \$663.5 million, resulting in under expended appropriations of over \$81.7 million (see Budgetary Comparison on page 141).

### **Economic Outlook**

The Colorado Lottery operates with a unique and impactful mission: to maximize its financial contributions to beneficiaries, primarily focusing on outdoor conservation. Since its inception in 1983, the Lottery has proudly contributed over \$4.4 billion into initiatives preserving and enhancing Colorado's natural beauty, in all 64 Colorado counties. This commitment translates into approximately 20 to 22 cents of every dollar spent on Lottery games being directly reinvested into the State's outdoor conservation efforts, a distinguishing factor that sets the Colorado Lottery apart globally. For Fiscal Year 2026, the overarching objective remains steadfast: to continue driving revenue growth to ensure optimal proceeds for its beneficiaries and the citizens of Colorado.

The Lottery has set an ambitious overall sales goal for Fiscal Year 2026, targeting \$879.5 million. This represents a significant increase over the Fiscal Year 2025 initial forecast of \$866.8 million. This growth strategy is underpinned by a clear and concise product philosophy: To responsibly develop, deploy, and promote an engaging and entertaining variety of Scratch and Jackpot games to satisfy its core players, encourage less frequent and lapsed players to play, and attract new players while keeping them consistently engaged with the Colorado Lottery. This multifaceted approach aims to cultivate a robust and diverse player base, ensuring long-term sustainability and profitability.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
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The financial health of the Colorado Lottery is intrinsically linked to the performance of its two game categories: instant win Scratch games and draw-based Jackpot games (both multi-state and in-state offerings). These distinct profit centers and play-types are carefully managed to maximize both revenue and proceeds for beneficiaries. Currently, Scratch game sales account for a significant portion of the Lottery's top-line revenue, approximately 70%, while Jackpot games contribute the remaining 30%. While Scratch games generate higher overall sales due to their broader appeal, frequent play and the possibility of instantly winning prizes, jackpot games, with their comparatively lower prize payout percentages, generally contribute more directly to the Lottery's proceeds. Both game types are indispensable to the continued success and growth of the Colorado Lottery. Consequently, both Scratch and Jackpot game portfolios receive extensive support through dedicated product development, strategic deployment, targeted advertising campaigns, engaging social media initiatives, and a variety of events and promotions designed to increase engagement, maintain player interest and drive sales.

Fiscal Year 2025 presented a mixed landscape for U.S. lotteries, including Colorado's. Terminal-based Jackpot game sales experienced a significant decline across most states, including Colorado, and growing Scratch game sales proved challenging. While Scratch sales saw a decline of approximately \$2 billion from Fiscal Year 2024 to Fiscal Year 2025 nationally, the Colorado Lottery grew its Scratch sales by almost 2% in Fiscal Year 2025. The large, \$1 billion+ jackpots that both Powerball and Mega Millions had experienced in Fiscal Year 2024 did not materialize in Fiscal Year 2025, leading to a significant decrease in Jackpot sales across the country, including Colorado.



**Colorado Lottery**  
**Management's Discussion and Analysis**  
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Looking ahead to Fiscal Year 2026, the Scratch games sales goal is set just north of \$611 million, which would push the Lottery above the \$600 million mark in Scratch sales for the first time in its history. Despite the ongoing headwinds many U.S. lotteries are experiencing in the Scratch category and the potential for challenging economic conditions, the Colorado Lottery is optimistic about building on its record setting Fiscal Year 2025 in Scratch sales and growing the overall category. This projected growth is attributed to several key initiatives:

- **Compelling and Engaging Launch Schedule:** A continuous pipeline of innovative and exciting scratch games are planned for Fiscal Year 2026, designed to capture player interest and drive repeated play.
- **Enhanced Retailer Recruitment:** In partnership with our vendor Scientific Games, efforts to expand the Lottery's retail footprint across the State will be intensified, ensuring greater accessibility for players across the State.
- **Deployment of State-of-the-Art Vending Machines:** Additional touch screen vending machines are currently being deployed across our retailer network, enhancing convenience and visibility.
- **Significant Changes to Second-Chance Bonus Draws:** The Lottery's second-chance bonus draws have been a powerful incentive to Scratch players, particularly for players of lower-price point scratch games, by offering a compelling chance to win \$100,000 each month, thereby encouraging more frequent play.

The Jackpot games sales goal for Fiscal Year 2026 is projected to exceed \$267 million. The monumental multi-state jackpots of over \$1 billion for Powerball and Mega Millions in Fiscal Year 2024 that were instrumental in driving the Lottery's jackpot sales past the \$300 million mark for the first time in its history, did not materialize in Fiscal Year 2025. While large \$1 billion+ jackpots undeniably fuel significant sales surges for multi-state games, they are inherently unpredictable and cannot be relied upon for consistent growth. Consequently, the Lottery's projected revenue from Jackpot game sales in Fiscal Year 2026 takes into account only a long-term average of these giant jackpots, as they are random. To capitalize on periods of heightened jackpot excitement, the Lottery will continue to implement "trigger" advertising campaigns, engaging

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

players when multi-state jackpots reach certain pre-determined levels. Furthermore, the Colorado Lottery is undergoing a gaming system conversion through September 2025, which will temporarily limit its capacity to develop and launch new games within the jackpot portfolio and deploy many of the new features included in the new system until well into the fiscal year. An exception to this limitation will be a planned launch of a new multi-state game, Millionaire For Life, in February 2026. The exact impact on the Lottery's growth potential by adding Millionaire For Life is tempered by the fact that the game replaces the popular Lucky For Life game. The Lottery is optimistic that the current player base of Lucky For Life will embrace the new Millionaire For Life, with its more compelling top prize of \$1 million per year for life.

In Fiscal Year 2026, the Lottery will continue to prioritize the adoption of industry best practices. Its strategic partnerships with leading vendors, Brightstar (IGT) and Scientific Games, are expected to foster ongoing innovation, disciplined operational execution, and strategic enhancements across both scratch and jackpot games. These collaborations are anticipated to have a direct and positive impact on overall sales performance.

While Fiscal Year 2026 presents substantial opportunities for growth, it also brings a set of inherent challenges. The continued uncertainty surrounding the U.S. economy and intensified competition from other forms of entertainment, particularly sports betting, could collectively present economic obstacles for many U.S. lotteries, including the Colorado Lottery. These external factors have already had an impact on consumer discretionary spending on entertainment, directly affecting lottery sales. Despite these potential headwinds, and barring any unforeseen circumstances, the Colorado Lottery is confident in its ability to achieve its ambitious sales objectives for Fiscal Year 2026 through strategic planning, innovative product offerings, and dedicated operational execution.

**Colorado Lottery**  
**Management's Discussion and Analysis**  
**June 30, 2025 and 2024**

**Contacting the Lottery's Financial Management**

This management discussion and analysis report is designed to provide Colorado citizens, Colorado government officials, our players, retailers and other interested parties with a general overview of the Lottery's financial activity for Fiscal Year 2025 and to demonstrate the Lottery's accountability for the money generated from the sale of the Lottery products. If you have questions about this report or need additional information, contact Erin Garcia, the Colorado Lottery's Controller, 225 North Main Street, Pueblo, Colorado 81003.

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**Colorado Lottery**  
**Statements of Net Position**  
**June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Investments	\$ 66,685,654	\$ 77,142,082
Accounts Receivable, net of the allowance for doubtful accounts of \$199,697 in 2025 and \$130,696 in 2024	39,410,903	39,229,306
Consignment Inventory, at Cost	711	6,009
Warehouse Inventory, at Cost	104,585	273,851
Prepaid Expenses	68,256	66,779
Total Current Assets	<u>106,270,109</u>	<u>116,718,027</u>
<b>Reserved and Restricted Assets:</b>		
Cash and Investments - Operating Reserve	1,400,000	2,200,000
Cash and Investments - Licensed Agent Recovery Reserve Receipts	1,143,646	1,042,449
Prepaid Prize Expense with MUSL	5,299,667	5,253,444
Total Reserved and Restricted Assets	<u>7,843,313</u>	<u>8,495,893</u>
<b>Capital Assets:</b>		
Equipment	5,793,594	6,212,330
Right-To-Use Equipment	2,484,541	2,484,541
Leasehold Improvements	185,939	185,939
Right-To-Use Buildings	4,715,074	4,715,074
Right-to-Use Subscription Asset	449,784	428,275
Less Accumulated Depreciation and Amortization	<u>(6,588,741)</u>	<u>(4,973,580)</u>
Total Capital Assets	<u>7,040,191</u>	<u>9,052,579</u>
<b>Total Assets</b>	<u>121,153,613</u>	<u>134,266,499</u>
<b>Deferred Outflows</b>		
Pensions	1,775,204	2,341,315
Other Postemployment Benefits	42,991	53,406
<b>Total Deferred Outflows</b>	<u>1,818,195</u>	<u>2,394,721</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 122,971,808</u>	<u>\$ 136,661,220</u>

**Colorado Lottery**  
**Statements of Net Position**  
**June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 5,144,981	\$ 5,192,126
Prize Liability	63,579,694	77,844,005
Payable to MUSL	937,282	680,648
Accrued Annual and Sick Leave	56,349	-
Wages and Benefits	944,835	1,046,246
Retailer Bonus Liability	3,896,611	3,066,938
Lease Liability	785,134	1,250,647
Subscription Liability	21,509	107,068
Funds Available for Distribution	40,528,119	39,212,659
Total Current Liabilities	<u>115,894,514</u>	<u>128,400,337</u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	831,549	936,435
Expired Warrants Liability	29	29
Lease Liability	1,578,221	2,378,067
Net Pension Liability	17,217,868	18,215,578
Other Postemployment Benefits Liability	296,219	442,670
Total Long-Term Liabilities	<u>19,923,886</u>	<u>21,972,779</u>
<b>Total Liabilities</b>	<u>135,818,400</u>	<u>150,373,116</u>
<b>Deferred Inflows</b>		
Pensions	294,415	626,837
Other Postemployment Benefits	219,228	229,087
<b>Total Deferred Inflows</b>	<u>513,643</u>	<u>855,924</u>
<b>Net Position</b>		
Investment in Capital Assets	4,666,866	5,313,955
Restricted-Licensed Agent Recovery Reserve	1,143,646	1,042,449
Restricted-Operating Reserve	1,400,000	2,200,000
Unrestricted (deficit)	<u>(20,570,747)</u>	<u>(23,124,224)</u>
<b>Total Net Position (Deficit)</b>	<u>(13,360,235)</u>	<u>(14,567,820)</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 122,971,808</u>	<u>\$ 136,661,220</u>

**Colorado Lottery**  
**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Gross Ticket Sales	\$ 827,859,719	\$ 900,756,363
<b>Direct Operating Expenses</b>		
Prize Expense	539,618,411	577,812,741
Retailer Commissions and Bonuses	63,926,051	67,165,374
Cost of Tickets and Vendor Fees	27,710,611	26,828,968
Total Direct Operating Expenses	<u>631,255,073</u>	<u>671,807,083</u>
<b>Gross Profit on Sale of Tickets</b>	<u>196,604,646</u>	<u>228,949,280</u>
<b>Other Operating Expenses</b>		
Marketing and Communications	13,175,238	14,773,730
Administration Fees Paid to MUSL	23,134	42,897
Wages and Benefits	10,658,821	9,082,969
Professional Services	535,732	502,622
State Agencies Services	1,107,150	883,623
Department of Revenue Services	719,104	734,435
Travel	90,521	221,023
Equipment	140,973	135,920
Depreciation and Amortization	2,088,617	1,476,392
Space Rental	66,731	53,718
Lease Interest	55,609	64,538
Subscription Interest	258	735
Motor Pool Leasing	364,007	340,255
Materials and Supplies	185,545	161,224
Telephone	67,462	67,756
Equipment Maintenance	30,663	58,846
Printing	105,804	69,298
Delivery Expense	1,407,242	1,489,219
Other	378,817	362,858
Total Other Operating Expenses	<u>31,201,428</u>	<u>30,522,058</u>
<b>Other Operating Revenue</b>	<u>845,941</u>	<u>483,330</u>

**Colorado Lottery**  
**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Total Operating Income</b>	<b>\$ 166,249,159</b>	<b>\$ 198,910,552</b>
<b>Nonoperating Revenues (Expenses)</b>		
Investment Income	4,767,958	3,272,723
Funds Distributed for Current Year	(129,281,413)	(157,175,613)
Funds Available for Distribution for Current Year	<u>(40,528,119)</u>	<u>(39,212,659)</u>
Total Nonoperating Expenses	<u>(165,041,574)</u>	<u>(193,115,549)</u>
<b>Change In Net Position</b>	<u>1,207,585</u>	<u>5,795,003</u>
<b>Net Position (Deficit), Beginning of Year</b>	(14,567,820)	(20,362,823)
<b>Net Change in Net Position</b>	<u>1,207,585</u>	<u>5,795,003</u>
<b>Net Position (Deficit), End of Year</b>	<u><u>\$ (13,360,235)</u></u>	<u><u>\$ (14,567,820)</u></u>



**Colorado Lottery**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2025 and 2024**

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Cash received from retailers	\$ 828,643,153	\$ 900,426,293
Cash paid in prizes	(555,595,589)	(569,219,919)
Cash paid in retailer commissions	(55,596,818)	(59,857,647)
Cash payments to suppliers	(44,176,961)	(47,921,775)
Cash payments to employees for services	(11,718,688)	(10,178,846)
Cash paid in retailer bonus	(7,501,197)	(6,661,070)
Net cash provided by operating activities	154,053,900	206,587,036
<b>Cash Flows from Noncapital Financing Activities</b>		
Distribution of net proceeds	(168,494,072)	(195,918,742)
Net cash used by noncapital financing activities	(168,494,072)	(195,918,742)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(54,720)	(5,103,316)
Principal paid on lease liability	(1,265,360)	(1,198,502)
Principal paid on subscription liability	(107,069)	(107,069)
Interest paid on lease liability	(55,609)	(64,538)
Interest paid on subscription liability	(259)	(735)
Net cash used by capital and related financing activities	(1,483,017)	(6,474,160)
<b>Cash Flows from Investing Activities</b>		
Interest received	3,124,397	3,810,670
Increase (decrease) from realized gain (loss) on investments	1,643,561	(537,949)
Net cash provided by investing activities	4,767,958	3,272,721
<b>Increase (Decrease) in Cash and Investments</b>	(11,155,231)	7,466,855
<b>Cash and Investments, Beginning of Year</b> (including \$3,242,449 and \$3,168,398 in restricted accounts for 2025 and 2024, respectively)	80,384,531	72,917,676
<b>Cash and Investments, End of Year</b> (including \$2,543,646 and \$3,242,449 in restricted accounts for 2024 and 2023, respectively)	\$ 69,229,300	\$ 80,384,531

**Colorado Lottery**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2025 and 2024**

	2025	2024
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 166,249,159	\$ 198,910,552
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and Amortization	2,088,617	1,476,392
Loss on disposition of equipment	-	3,189
Pension related deferred outflows of resources	566,111	961,056
Pension related deferred inflows of resources	(332,414)	47,797
Net pension liability	(997,710)	(2,217,474)
OPEB related deferred outflows of resources	10,415	21,758
OPEB related deferred inflows of resources	(9,858)	(68,793)
Net OPEB liability	(146,451)	(76,781)
Interest expense in operating income	55,867	65,273
Change in:		
Accounts Receivable	(181,597)	(1,012,206)
Warehouse and Consignment Inventory	174,565	253,509
Prepaid Expenses	(1,478)	(6,039)
Prepaid Prize Expense with MUSL	(46,223)	9,122
Liabilities (excluding funds available for distribution)	(13,375,103)	8,219,681
Net cash provided by operating activities	<u>\$ 154,053,900</u>	<u>\$ 206,587,036</u>
<b>Reconciliation of Cash and Investments</b>		
Cash and investments	\$ 66,685,654	\$ 77,142,082
Restricted cash and investments- Licensed Agent Recovery Reserve	1,143,646	1,042,449
Restricted cash and investments- Operating Reserve	1,400,000	2,200,000
<b>Cash and Investments, End of Year</b>	<u>\$ 69,229,300</u>	<u>\$ 80,384,531</u>
<b>Supplementary Information - Noncash Transactions:</b>	2025	2024
Loss on disposal of capital and other assets	\$ -	\$ (3,189)
Disposal of capital assets	\$ 473,456	\$ 523,959
Acquisition of lease assets	\$ -	\$ 1,832,223
Acquisition of subscription assets	\$ 21,509	\$ -

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**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

The Colorado Lottery (the Lottery) began operations April 30, 1982 under the provisions of C.R.S. Section 44-40-102. The Lottery operates under a commission and provides operation and service of lottery games as authorized by the statute. The Lottery's revenues are predominantly earned from the sale of lottery products, including scratch games and jackpot draw games including Lotto+ Plus, Powerball, Cash 5 with Cash 5 EZ Match, Mega Millions, Pick 3, and Lucky For Life.

The financial statements reflect activities of the Lottery, an enterprise fund of the State of Colorado, for the Fiscal Years ended June 30, 2025 and 2024. The Lottery is an agency of the State of Colorado. The financial statements are intended to present the financial position and results of operations and cash flows of only that portion of the State of Colorado that is attributable to the transactions of the Lottery in accordance with accounting principles generally accepted in the United States of America.

The accounting policies of the Lottery conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

**Fund Accounting**

Government resources are allocated to and accounted for in separate sub-entities called funds, based upon the purposes for which the resources are to be spent and the means by which spending activities are controlled. A fund is a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Enterprise Fund**

The Lottery accounts for its operations as an enterprise fund. The intent of the State of Colorado Legislature is that the Lottery's costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Lottery defines operating revenues as those earned as a direct result of the fund's principal ongoing operations, i.e., the sale of lottery products. Operating expenses include expenses incurred in earning those revenues such as prize payments, the cost of tickets, vendor fees, retailer commissions and bonuses, administrative expenses and depreciation and amortization on capital assets and leases. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Pensions**

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Other Postemployment Benefits (OPEB)**

The Lottery participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the 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.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Lottery accounts for funds using the accrual basis of accounting. Revenues from and prize expense for scratch ticket sales are recognized at the point of ticket pack activation. Revenues from and prize expense for Lotto+ Plus, Powerball, Cash 5, Cash 5 EZ Match, Mega Millions, Pick 3, and Lucky For Life ticket sales are recognized when the tickets are sold. Other operating expenses are recognized when they are incurred.

**Budget**

By October 24th of each year, the Department of Revenue Executive Director submits to the Governor's Office of State Planning and Budgeting a proposed legislative budget for the fiscal year commencing the following July 1. The legislative budget includes proposed expenditures and the means of financing them.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

Public hearings are conducted by the Joint Budget Committee to obtain clarification and taxpayer comments. Prior to June 30, the budget is legally enacted through passage of a law referred to as the Long Bill.

During the fiscal year, the approved legislative budget may be modified due to roll-forward authorization, supplemental budget approval or line item transfer authorization. All modifications must be approved by the State Controller and the Office of State Planning and Budgeting and the Legislature.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable consist of amounts due from retailers for activated scratch ticket packs and uncollected jackpot game sales. Billable accounts receivable consist of amounts due from retailers for settled scratch ticket packs and uncollected jackpot game sales. Billable accounts receivable is invoiced weekly and is electronically transferred from the retailers' accounts into the Lottery's account one week following the invoice date.

Allowance for doubtful accounts represents a provision for receivables that will probably not be collected in the future. Consideration of the economic climate, credit-worthiness of individual account debtors, bankruptcy of debtor, discontinuance of debtor's business, and failure of repeated attempts to collect and barring of collection by statute of limitations are factors used in considering when an account becomes uncollectible. The accrual of a loss contingency is required when a loss is probable and/or can be reasonably estimated.



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

The Lottery uses the specific identification method to determine expected uncollectibles. Under the provisions of Section 44-40-121, C.R.S., licensed agent recovery reserve receipts are collected from the retailers to cover uncollectible accounts. The accounts receivable and the licensed agent recovery reserve are shown net of estimated uncollectible receivables of \$199,697 and \$130,696 as of June 30, 2025 and 2024, respectively.

**Warehouse Inventory**

Warehouse inventory represents unsold scratch tickets in possession of the Lottery and will be sold to retailers over time. These tickets were produced and delivered to the Lottery prior to the signing of the new contract with scratch game vendor Scientific Games (SG) on June 29, 2022. Ticket inventory produced and delivered prior to that date is stated at cost, using the specific identification method. Inventory produced and delivered after that date remains the possession of SG.

**Consignment Inventory**

Inventory on consignment represents non-activated ticket inventory that was produced and delivered prior to June 29, 2022 and in the possession of retailers who act as agents of the Lottery. The retailer cannot sell a pack of tickets until the pack is activated by the retailer, which then enables the winning tickets to be cashed. The activation is therefore the point at which the transfer of ownership is recognized. Since the Lottery still owns these non-activated tickets, the tickets are included in the inventory and reported on the Statements of Net Position. Consignment inventory is stated at cost using the specific identification method. Ownership of consignment inventory produced and delivered to the Lottery after June 29, 2022 and in the possession of retailers remains the possession of SG.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Supplies Inventory**

The State of Colorado's threshold for recording supplies inventories is \$100,000 per location. The supplies inventory of the Lottery consistently falls below the \$100,000 threshold per location. Accordingly, no supplies inventory appears on the Statements of Net Position.

**Prepaid Prize Expense**

As part of the Lottery's agreement with the Multi-State Lottery Association (MUSL), for both the Powerball and Mega Millions games, a certain percentage of sales must be paid to MUSL, when required, to bring the set prize and grand prize reserves up to the reserve requirement amounts as determined by MUSL. Net transfers of \$19,373 from the Powerball Grand Prize Reserve to the Powerball Set Prize Reserve were made to meet the rebalanced reserve requirements of the Lottery throughout Fiscal Year 2025. At fiscal year-end, a surplus of \$105,255 existed between the total set prize and grand prize reserve requirements of over \$2.8 million and the amount held by MUSL. During Fiscal Year 2024, there were transfers totaling \$318,166 from the Powerball Set Prize Reserve to cover the payment of low-tier prizes. Net transfers of \$27,154 from the Powerball Grand Prize Reserve to the Powerball Set Prize Reserve were made to meet the rebalanced reserve requirements of the Lottery throughout Fiscal Year 2024.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

During Fiscal Year 2025, a total of \$312,840 was transferred from the Mega Millions Prize Reserve to cover the payment of low-tier prizes, increasing the game's prize expense. No amount was paid to or refunded by MUSL during Fiscal Year 2025 to meet the reserve balance requirement as determined by MUSL. At fiscal year-end, there were no excess funds held between the total reserve requirement of over \$2.4 million and the amount held by MUSL. During Fiscal Year 2024, a total of \$9,122 was transferred from the Mega Millions Prize Reserve to cover the payment of low-tier prizes. A total \$9,122 was transferred from the Mega Millions Prize Reserve to cover the payment of low-tier prizes, increasing the game's prize expense. At June 30, 2024, a surplus of \$101,137 was held between the total reserve requirement of over \$2.4 million and the amount held by MUSL.

**Capital, Lease, and Subscription Assets**

Depreciable capital assets, which include internal use computer software, equipment, vehicles, and leasehold improvements, are stated at cost. The Lottery adheres to the State policy of capitalizing equipment only if the cost exceeds \$5,000 and has a useful life of more than one year. Depreciation for equipment and internal use computer software is computed on the straight-line method over estimated useful lives ranging from three to ten years. Depreciation for vehicles are computed on the straight-line method over an estimated useful life of five years. Leasehold improvements are depreciated over the greater of five years or the term of the lease. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and resulting gains or losses are recognized in current operations.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

The Lottery leases office and warehouse space at multiple locations and jackpot sign equipment. Under Governmental Accounting Standards Board Statement No. 87, Leases (GASB 87), the Lottery recognizes that leases are defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction and recognizes a lease liability and intangible right-to-use lease asset. At the time of the adoption of GASB 87, the Lottery's lease assets were measured at the amount of the initial measurement of the lease liabilities, plus any payments made to the lessor at or before the commencement of the lease terms and certain direct costs. As payments are made, the Lottery reduces the lease liabilities and recognizes an expense for interest on the liabilities. It also amortizes the lease assets in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying assets.

At each of its four claims centers the Lottery uses checkwriter software as an integrated jackpot/online/scratch/scratch validation and check writing application provided by its online vendor Brightstar. Under Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96), the Lottery recognizes that IT subscriptions are financings and recognizes an intangible right to use asset at the commencement of the subscription term. At the time of the adoption of GASB 96, the Lottery measured the subscription asset at the present value of payments expected to be made during the subscription term through the end of the contract. As payments are made, the Lottery reduces the subscription liability, recognizes an expense for interest on the liability and amortizes the subscription asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Lottery's deferred outflows of resources for Pensions and OPEB represents the amount of pension and health care trust fund contributions made to the State plans subsequent to the December 31, 2024 measurement date, the deferred variance in expected to actual investment earnings, the deferred experience gains and losses, changes in employer proportion and differences between contributions recognized and proportionate share of contributions and changes in assumptions.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Lottery's deferred inflows of resources for Pensions and OPEB represents the change in the Lottery's "proportionate share" developed to distribute the aggregate plan liability and expense among all the employers' represented by the cost-sharing multiple-employer defined benefit pension plan in which the Lottery participates, the deferred experience gains and losses, and the change in pension and health care investments.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Accrued Wages and Benefits**

At the end of each fiscal year, the State shifts the pay date for the month of June for employees paid on a monthly basis, deferring the date from the last working day of June to the first working day of July. For the Lottery, along with other payroll accruals, this created a liability for accrued wages and benefits at June 30, 2025 and 2024 of \$944,835 and \$1,046,246, respectively.

**Prize Liability and Prize Expense**

Under the provisions of Section 44-40-111 (9), C.R.S., the Lottery must pay no less than fifty percent (50%) of total ticket sales as prizes. The Lottery continued to meet this requirement with nearly 65.2% and 64.1% of ticket sales of all Lottery products paid as prizes in Fiscal Years 2025 and 2024, respectively. Additional prize expense and corresponding liability may be incurred as a result of market fluctuations in the cost of annuities used to pay various jackpots (see Note 10).

All scratch, jackpot games and special drawing prizes are accounted for using the accrual basis of accounting. Scratch prize liability and expense are recognized at the point of ticket pack activation. The liability and expense for jackpot game prizes are recognized at the point of retail sale and are adjusted as the jackpot game draws occur and actual prize liability is determined. The liability for special drawing prizes is accrued on the first day of sales of the associated game. Prize liability for all games is reduced as prizes are paid to winners. The net prize liability at June 30, 2025 and 2024 was \$63,579,694 and \$77,844,005, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

Payments of scratch prize amounts of \$150 or less may be made at the Lottery or at the retail outlet; payment of scratch prize amounts of \$151 to \$599 may be made at the retailer level at the option of the retailer or at the Lottery. Scratch prizes of \$600 or more are paid by the Lottery.

Retailer accounts are credited for any prize payments retailers make on a daily basis. Prizes may be claimed up to 180 days after game-end. After the final claim date, any unclaimed scratch prizes accrued as a liability will result in a decrease to prize expense and any prizes claimed in excess of the liability accrued will result in an increase to prize expense. Net unclaimed scratch prizes resulted in a decrease to prize expense of \$9,577,195 for Fiscal Year ended June 30, 2025 and \$9,609,808 for Fiscal Year ended June 30, 2024.

Payments of cumulative jackpot game prize amounts of \$150 or less on a single ticket may be made at the Lottery or at the retail outlet; payment of cumulative prize amounts of \$151 to \$599 on a single ticket may be made at the retailer level at the option of the retailer or at the Lottery. Payment of cumulative prize amounts of \$600 or more on a single ticket must be made at the Lottery. Retailer accounts are credited for any prize payments retailers make on a daily basis. Jackpot game prizes may be claimed up to 180 days after the date of the drawing. After the final claim date, unclaimed jackpot game prizes will result in a decrease to prize expense so long as the aggregate prize expense of all games exceeds or equals the statutory 50% of sales. In the event that the expiration of an unclaimed prize would result in the aggregate prize expense of all games to fall below the statutory 50% level, the unclaimed prize amount would remain in prize expense and be paid out to players as a guaranteed additional prize. Unclaimed jackpot game prizes resulted in a decrease to prize expense of \$6,780,581 for Fiscal Year ended 2025 and \$5,751,670 for Fiscal Year ended 2024.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Retailer Bonus Liability**

As outlined in the Lottery Retailer Application, each licensee is entitled to receive a cashing bonus of one percent (1%) of each prize paid by the licensee up to and including \$599.99. In addition, a marketing performance bonus up to five-tenths of one percent (0.5%) of total product sales may be earned by licensees that meet the criteria set forth by the Lottery Director or their designee. In the event there is a residual from the accrual of the one percent (1%) cashing bonus and/or the five-tenths (0.5%) marketing bonus, the Director may provide additional compensation to licensees or may revert the excess amount thereby decreasing the bonus expense.

The cashing bonus is accrued as tickets are sold and paid as winning tickets are redeemed. The write off of the accrued cashing bonus liability tied to unclaimed prizes at the end of the 180-day claim period in Fiscal Years 2025 and 2024 is recorded as a reduction of bonus expense.

The marketing performance bonus is accrued monthly and paid to retailers in accordance with the criteria as set out in the fiscal year marketing performance plan as approved by the Director. The write off of any excess marketing performance bonus accrued is recorded as a reduction of bonus expense.



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Licensed Agent Recovery Reserve**

Under the provisions of Section 44-40-121, C.R.S., a Licensed Agent Recovery Reserve, established on January 1, 1988, is used to maintain surety bond receipts collected from Lottery retailers. Billing rates are established by the Executive Director of the Department of Revenue and are reviewed on an annual basis. Retailers have the option to obtain private surety bond coverage at a rate of \$2,000 surety coverage per outlet at their discretion. As of June 30, 2025, and June 30, 2024, the Lottery had reserved \$1,143,646 and \$1,042,449, respectively. The Lottery utilizes restricted net position before using unrestricted net position for bad debts.

**Lottery Fund Net Position**

In accordance with Section 44-40-111 (5)(a), C.R.S., the Lottery is required to reserve “sufficient monies, as of the end of the fiscal year, to ensure the operation of the Lottery for the ensuing fiscal year.” The moneys reserved by the lottery shall be held in cash and investments.

In April 2005, the Lottery set up a separate operating reserve independent of the net operating reserve in the amount of \$1.7 million. The amount held in this operating reserve is reviewed annually and adjusted accordingly. The current annual reviews were completed in January 2025 and January 2024. As of June 30, 2025 and June 30, 2024, the Lottery had reported \$1,400,000 and \$2,200,000, respectively.

In June 2002, the Lottery Commission approved a balance in net position "equal to the net value of the Lottery's capital assets". As of June 30, 2025 and June 30, 2024, the Lottery had reported \$4,666,866 and \$5,313,955, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

**Equipment Expense**

Included in “The Statement of Revenues, Expenses, and Changes in Fund Net Position” is an account titled equipment. This account reports the gain or loss on disposed assets, capital asset purchases under the capitalization threshold, software purchases under the capitalization threshold, and other miscellaneous equipment transactions that do not qualify for capitalization.

**Compensated Leave**

All permanent employees of the Lottery may accrue annual and sick leave based on length of service subject to certain limitations on the amount that will be paid upon termination. Annual leave is paid out upon any termination of employment, while sick leave is paid out at 25 percent of accrued amount only to employees who are retiring. In addition, for employees who are classified as non-exempt from overtime pay and have accumulated overtime hours, pay must be taken as compensatory time or paid out to the employees.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

During Fiscal Year 2025, the Lottery implemented GASB Statement No. 101, Compensated Absences. GASB Statement No. 101 establishes standards of accounting and financial reporting for compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). While not specifically addressed in GASB Statement No. 101, leave that is more likely than not to be forfeited at termination from employment is not included in the calculation of the compensated absences liability. Additionally, salary-related payments associated with defined benefit pensions or defined benefit OPEB should not be included in the measurement of liabilities for compensated absences. GASB Statement No. 101 was adopted as of July 1, 2024 and did not result in any impact on the beginning net position.

**Promotional Activity**

The Lottery engages in three types of promotional activities in an attempt to enhance sales, to increase player awareness and to increase the player base: special promotions and drawings, direct giveaways, and buy x-get-y. The number and amount of promotional activities can and do vary year over year due to such factors as budget availability, retailer and special events participation, and new product introductions. Specific promotional tickets/cash/prizes are distributed/awarded to players through special promotions and drawings and can be redeemed/claimed at any lottery office. Specific promotional tickets/cash/prizes with a total value of \$12,222 and \$10,000 were awarded in Fiscal Years ended June 30, 2025 and June 30, 2024, respectively. These costs were included in Marketing and Communications expense in the Statements of Revenues, Expenses and Changes in Fund Net Position.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
(Continued)

Scratch and jackpot game tickets for specific games are given away as a more direct approach to introduce players to lottery games. During the Fiscal Years ended June 30, 2025 and June 30, 2024, scratch and jackpot tickets with a total face value of \$168,687 and \$112,503, respectively, were given away.

For the “buy x-get-y” promotions, players are given the opportunity to receive a “free” jackpot ticket when a qualifying purchase is made, for instance buy five Lotto+ Plus tickets receive a free Pick 3 ticket. During the Fiscal Year ended June 30, 2025, free promotional tickets from a variety of jackpot games with a total face value of \$5,355 were given away with several different buy x qualifiers. During the Fiscal Year ended June 30, 2024, free promotional tickets from a variety of jackpot games with a total face value of \$202,132 were given away.

Scratch and jackpot game tickets and promotions are valued at cost. For the Fiscal Years ended June 30, 2025 and June 30, 2024, \$109,530 and \$182,065, respectively, were recorded as costs related to direct giveaways and free tickets. These costs were included in Marketing and Communications expense in the Statements of Revenues, Expenses and Changes in Fund Net Position.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 2 – Cash and Investments**

**Cash**

Cash includes petty cash funds, imprest funds held at the Lottery claims centers, an imprest account, a depository account and cash on deposit with the State Treasurer. A detail of cash at June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Petty cash	\$ 1,200	\$ 1,200
Imprest account - Front Counters	78,000	78,000
Imprest account	195,000	195,000
Depository accounts	1,873,941	250,000
Cash on deposit with State Treasurer	<u>64,537,513</u>	<u>76,617,882</u>
Total unrestricted cash and investments	<u>66,685,654</u>	<u>77,142,082</u>
Restricted cash and investments - Licensed Agent		
Recovery Reserve Receipts on deposit with State Treasurer	1,143,646	1,042,449
Operating Reserve on deposit with State Treasurer	<u>1,400,000</u>	<u>2,200,000</u>
Total restricted cash and investments	<u>2,543,646</u>	<u>3,242,449</u>
Total cash and investments	<u><u>\$ 69,229,300</u></u>	<u><u>\$ 80,384,531</u></u>

**Cash on Deposit with State Treasurer**

Under the provisions of Section 44-40-111 (6), C.R.S., the State Treasurer shall invest the monies of the Lottery in excess of operating and prize payment expenses and all authorized transfers. Interest or any other return on investments is paid to the Lottery Fund account on a monthly basis. Actual interest payments are determined by the State Treasurer. The actual allocated interest rate for Fiscal Years 2025 and 2024 was 3.52% and 3.71%, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 2 – Cash and Investments (Continued)**

The Lottery deposits cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities approved 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, 2025, the Lottery had cash on deposit with the State Treasurer of \$67,081,159, which represented approximately 0.42 percent of the total \$15,918.2 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2024, the Lottery had cash on deposit with the State Treasurer of \$79,860,331, which represented approximately 0.44 percent of the total \$18,095.0 million fair value of deposits in the Pool. As of June 30, 2025, the Pool's resources included \$39.1 million of cash on hand and \$15,879.1 million of investments. As of June 30, 2024, the Pool's resources included nearly \$38.5 million of cash on hand and \$18,056.6 million of investments.

On the basis of the Lottery's participation in the Pool, the Lottery reports as an increase or decrease in cash its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Annual Comprehensive Financial Report for the year ended June 30, 2025.

The Lottery reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's Pool only at fiscal year-end.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 2 – Cash and Investments (Continued)**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Lottery's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Colorado; bonds of any city, county, school district or special road district of the State of Colorado; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Lottery accounts are held in Public Deposit Protection Act (PDPA) qualified institutions, thus balances held in the Lottery's accounts in excess of \$250,000 per institution are secured through PDPA with guaranteed securities.

**Statements of Cash Flows**

The Statements of Cash Flows are prepared under the direct method then adjusted for prize payments and commission and bonus payments to retailers, which are netted from cash received from retailers and applied against accounts receivable balances. For cash flow purposes, cash and investments include restricted cash and investments held by the State Treasurer in its cash and investment pool.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 3 – Schedule of Changes in Capital, Lease, and Subscription Assets**

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Capital assets being depreciated:				
Equipment and software	\$ 6,212,330	\$ 54,720	\$ (473,456)	\$ 5,793,594
Right-To-Use Equipment	2,484,541	-	-	2,484,541
Right-To-Use Buildings	4,715,074	-	-	4,715,074
Right-To-Use Subscriptions	428,275	21,509	-	449,784
Leasehold improvements	185,939	-	-	185,939
Total historical costs	<u>14,026,159</u>	<u>76,229</u>	<u>(473,456)</u>	<u>13,628,932</u>
Less accumulated depreciation for equipment and software	(995,324)	(677,596)	473,456	(1,199,464)
Less accumulated depreciation for leasehold improvements	(88,990)	(24,212)	-	(113,202)
Less accumulated depreciation for Right-To-Use Equipment	(1,987,633)	(496,908)	-	(2,484,541)
Less accumulated depreciation for Right-To-Use Buildings	(1,580,427)	(782,832)	-	(2,363,259)
Less accumulated depreciation for Right-To-Use subscription assets	<u>(321,206)</u>	<u>(107,069)</u>	<u>-</u>	<u>(428,275)</u>
Total accumulated depreciation and amortization	<u>(4,973,580)</u>	<u>(2,088,617)</u>	<u>473,456</u>	<u>(6,588,741)</u>
Total capital assets, being depreciated, net	<u>\$ 9,052,579</u>	<u>\$ (2,012,388)</u>	<u>\$ -</u>	<u>\$ 7,040,191</u>
	<u>July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
Capital assets being depreciated:				
Equipment and software	\$ 1,632,973	\$ 5,103,316	\$ (523,959)	\$ 6,212,330
Right-To-Use Equipment	2,484,541	-	-	2,484,541
Right-To-Use Buildings	2,882,851	1,832,223	-	4,715,074
Right-To-Use Subscriptions	428,275	-	-	428,275
Leasehold improvements	185,939	-	-	185,939
Total historical costs	<u>7,614,579</u>	<u>6,935,539</u>	<u>(523,959)</u>	<u>14,026,159</u>
Less accumulated depreciation for equipment and software	(1,366,707)	(149,387)	520,770	(995,324)
Less accumulated depreciation for leasehold improvements	(64,711)	(24,279)	-	(88,990)
Less accumulated depreciation for Right-To-Use Equipment	(1,490,724)	(496,909)	-	(1,987,633)
Less accumulated depreciation for Right-To-Use Buildings	(852,342)	(698,749)	(29,336)	(1,580,427)
Less accumulated depreciation for Right-To-Use subscription assets	<u>(214,138)</u>	<u>(107,068)</u>	<u>-</u>	<u>(321,206)</u>
Total accumulated depreciation and amortization	<u>(3,988,622)</u>	<u>(1,476,392)</u>	<u>491,434</u>	<u>(4,973,580)</u>
Total capital assets, being depreciated, net	<u>\$ 3,625,957</u>	<u>\$ 5,459,147</u>	<u>\$ (32,525)</u>	<u>\$ 9,052,579</u>



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 4 – Long-Term Debt**

A schedule of Long-Term Debt (including the current portion) for the Fiscal Years ended June 30, 2025 and 2024 follows:

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>June 30, 2025 Current Portion</u>
Accrued Annual and Sick Leave	\$ 936,435	\$ -	\$ (48,537) *	\$ 887,898	\$ 56,349
Expired Warrants	29	-	-	29	-
Leases	3,628,714	-	(1,265,359)	2,363,355	785,134
Subscriptions liability	<u>107,068</u>	<u>21,509</u>	<u>(107,068)</u>	<u>21,509</u>	<u>21,509</u>
Total Long-Term Debt	<u>\$ 4,672,246</u>	<u>\$ 21,509</u>	<u>\$ (1,420,964)</u>	<u>\$ 3,272,791</u>	<u>\$ 862,992</u>

  

	<u>July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>	<u>June 30, 2024 Current Portion</u>
Accrued Annual and Sick Leave	\$ 879,199	\$ 57,236 *	\$ -	\$ 936,435	\$ -
Expired Warrants	5,274	-	(5,245)	29	-
Leases	3,024,328	1,802,888	(1,198,502)	3,628,714	1,250,647
Subscriptions liability	<u>214,137</u>	<u>-</u>	<u>(107,069)</u>	<u>107,068</u>	<u>107,068</u>
Total Long-Term Debt	<u>\$ 4,122,938</u>	<u>\$ 1,860,124</u>	<u>\$ (1,310,816)</u>	<u>\$ 4,672,246</u>	<u>\$ 1,357,715</u>

\*The change in accrued annual and sick leave is presented as a net change.

The short-term portion of the above long-term debt appears in the final column. This represents the amount to be paid out in the next twelve months.

**Leases**

The Lottery occupies office and warehouse space in Pueblo, Denver, Grand Junction, and Fort Collins. Rental payments are contingent upon the continuing availability of funds. The total lease liability for buildings at June 30, 2025 and 2024 is approximately \$2.4 million and \$3.1 million, respectively. The total lease liability for equipment is approximately \$0 and \$0.5 million for the years ended June 30, 2025 and 2024, respectively. There are no significant residual payments excluded from the measurement of the lease liability. There are no outflows of resources for the payment of variable payments not included in the measurement of the lease liability.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 4 – Long-Term Debt** (Continued)

Specific lease information follows:

**Pueblo**

Office – The Lottery entered into an amended lease agreement with Midtown RLLLP establishing the commencement date of July 1, 2023 and the lease expiration date of June 30, 2026. The lease rent table was updated to correspond with the lease term and otherwise amend and clarify the lease.

Warehouse – The Lottery leases primary warehouse space from Santa Fe 250, LLC. Signed on October 27, 2023 by the State Controller's Office, the Lottery executed the Second Amendment to the lease with Santa Fe 250, LLC. Effective March 1, 2024, the amendment extended the term of the lease through June 30, 2026, expanded the occupied space by nearly seven thousand square feet to accommodate larger retailer machines, and established the modified monthly rent for the term of the lease.

**Denver**

Warehouse – The Lottery entered into a new lease agreement with BKM Valley BC 243, LLC (formerly, Valley Business Corp) effective on July 19, 2021 and expiring on June 30, 2026. The lease contains a holdover provision, whereby if the Lottery fails to vacate the premises upon the expiration or sooner termination of the lease, the Lottery will continue making monthly payments for the first three (3) months increasing to 125% of rate paid as of the date of expiration or sooner termination thereafter. BKM Valley BC 243, LLC and the Lottery both agree to give each other thirty (30) days written notice prior to the termination of a holdover tenancy period. The lease contains an option to renew for two additional five-year terms each, commencing on July 1, 2026.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 4 – Long-Term Debt** (Continued)

**Fort Collins**

The Lottery shares space with the Department of Revenue for a claims center and pays their portion of the lease to Rockstone Leasing, LLC, 3842 Mason, LLC, and Midtown Associates, LLC as Tenants in Common, proportionate to the space they occupy. The lease term expires on June 30, 2026.

**Denver**

The Lottery occupies space leased by the Department of Revenue and is responsible for reimbursing the Department of Revenue for lease payments.

**Grand Junction**

The Lottery occupies space in the Grand Junction State Services Building and is responsible for reimbursing the Capitol Complex Division of the Colorado Department of Personnel and Administration for lease payments.

**Wireless Jackpot Signage**

Effective June 21, 2016, the Lottery amended the Brightstar contract providing the jackpot gaming system to include the lease of 1,500 new in-store wireless jackpot signs capable of displaying information regarding jackpot amounts. Installation of the new signs is on a schedule agreed upon from time-to-time by the parties. The Lottery executed Option Letter #3 on June 7, 2019 and extended the Brightstar contract through July 12, 2025.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 4 – Long-Term Debt (Continued)**

Contract Amendment #7 was executed on June 7, 2019 to establish new prices and rates of the original IGT contract, which also includes the amount of the lease for in-store jackpot signage. At the end of the contract in June 2025, all wireless jackpot signage expenses will be included in the new contract with Brightstar.

<b>FISCAL YEAR</b>	<b>Pueblo Warehouse</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 246,022	\$ 3,743

<b>FISCAL YEAR</b>	<b>Denver Warehouse</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 131,103	\$ 24,666
2027	137,631	22,810
2028	144,336	20,919
2029	151,392	18,821
2030	158,639	16,680
2031-2035	911,098	47,618
2036	75,125	1,566

<b>FISCAL YEAR</b>	<b>Pueblo Office</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 353,613	\$ 5,557

<b>FISCAL YEAR</b>	<b>Fort Collins Office</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 54,396	\$ 171
<b>TOTAL LEASES</b>	<b>\$ 2,363,355</b>	<b>\$ 162,551</b>

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 4 – Long-Term Debt** (Continued)

**Subscription Based Information Technology Arrangements (SBITAs)**

Effective January 17, 2014, the Lottery executed a contract with IGT to provide checkwriter software as an integrated jackpot/online/scratch validation and check writing application for use by the Lottery at claim centers for \$9,000 per month. The initial period of the contract terminated on June 30, 2021 and on June 7, 2019, the Lottery executed Option Letter #3 extending the IGT contract through July 12, 2025, including the use of the claims and payments software.

The total subscription liability at June 30, 2025 and 2024 is \$0 million and \$0.1 million, respectively. There are no significant residual payments excluded from the measurement of the subscription liability.

There are no outflows of resources for the payment of variable payments not included in the measurement of the liability. The Lottery signed a three-month extension on the contract. At the end of the contract in September 2025, all software expenses will be included in the new contract.

**Schedule of Future Subscription Payments**

	FY 2026	
	Principal	Interest
Claims & Payments Software	\$ 21,509	\$ 13

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 5 – Other Revenue**

A schedule of other revenue for the Fiscal Years ended June 30, 2025 and 2024 follows:

	<u>2025</u>	<u>2024</u>
License fees	\$ 57,960	\$ 59,010
Fines and penalties	20,400	79,950
Assignment fees	600	300
Net licensed agent recovery reserve receipts	101,201	101,209
MUSL revenue revision	616,758	218,558
Other	<u>49,022</u>	<u>24,303</u>
Total	<u>\$ 845,941</u>	<u>\$ 483,330</u>

**Note 6 – Distribution of Net Proceeds**

The net proceeds amount is equal to the Lottery's change in net position plus or minus the changes in the components of net position as described earlier. In accordance with Section 33-60-104, C.R.S., distributions of net proceeds shall be made on a quarterly basis. The State Treasurer shall distribute net lottery proceeds as follows: forty percent (40%) to the Conservation Trust Fund, ten percent (10%) to the Division of Parks and Wildlife and all the remaining net lottery proceeds in trust to the State Board of the Great Outdoors Colorado Trust Fund (GOCO) up to the statutory limit. Under Section 33-60-104(2), C.R.S., the limit is \$35 million in 1992 dollars and is adjusted annually based on the consumer price index, which was calculated to be nearly \$86.0 million for the year ended June 30, 2025 and \$81.8 million for the year ended June 30, 2024.

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 6 – Distribution of Net Proceeds (Continued)**

On June 21, 2021, House Bill 21-1318 concerning the creation and funding of the Outdoor Equity Grant Program was approved by Governor Jared Polis and established the distribution of the amounts exceeding the GOCO cap for Fiscal Year 2021 and beyond. The bill added Part 2 to article 9 of title 33, specifically Sections 33-9-201 through 33-9-206, C.R.S and Subsection (12) to Section 44-40-111, C.R.S, changing the distribution of any excess amounts over the statutory limit for Fiscal Year 2021 and beyond. Any excess over the limit to the extent available shall be transferred as follows: the first \$3 million to the Outdoor Equity Fund, the next \$3 million to the State Public School Capital Construction Assistance Fund and any remaining as twenty-five percent (25%) to the Wildlife Cash Fund, twenty-five percent (25%) to the Parks and Outdoor Recreation Cash Fund, and fifty percent (50%) to the State Public School Capital Construction Assistance Fund. The GOCO cap was not reached for Fiscal Year 2025, which resulted in no spillover funds available for distribution.

Income available for distribution at June 30, 2025:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Income before distributions	\$ 171,017,117	\$ 202,183,275
Changes in Net Position:		
Change in licensed agent recovery reserve	(101,197)	(74,051)
Change in fair market value of investments	(1,643,561)	537,950
Change in operating reserve	800,000	-
Change in investment in capital assets	647,089	(4,926,463)
Change in unfunded pension and OPEB revenue/expense	(909,916)	(1,332,439)
Income available for distribution	<u>169,809,532</u>	<u>196,388,272</u>
Less distributions prior to year-end	<u>(129,281,413)</u>	<u>(157,175,613)</u>
Income available for distribution	<u><u>\$ 40,528,119</u></u>	<u><u>\$ 39,212,659</u></u>

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 6 – Distribution of Net Proceeds (Continued)**

	<u>Accrued at June 30, 2024</u>	<u>Proceed Distribution Expenses</u>	<u>Distributions Paid</u>	<u>Accrued at June 30, 2025</u>
Great Outdoors Colorado	\$ 3,183,797	\$ 84,904,766	\$ (67,824,504)	\$ 20,264,059
Public School Capital				
Construction Assistance Fund	8,211,266	-	(8,211,266)	-
Conservation Trust Fund	15,685,064	67,923,813	(67,397,629)	16,211,248
Division of Parks and				
Outdoor Recreation	3,921,266	16,980,953	(16,849,407)	4,052,812
Outdoor Equity Fund	3,000,000	-	(3,000,000)	-
Wildlife Cash Fund	2,605,633	-	(2,605,633)	-
Parks & Outdoor Recreation Cash Fund	2,605,633	-	(2,605,633)	-
	<u>\$ 39,212,659</u>	<u>\$ 169,809,532</u>	<u>\$ (168,494,072)</u>	<u>\$ 40,528,119</u>
	<u>Accrued at June 30, 2023</u>	<u>Proceed Distribution Expenses</u>	<u>Distributions Paid</u>	<u>Accrued at June 30, 2024</u>
Great Outdoors Colorado	\$ -	\$ 81,771,604	\$ (78,587,807)	\$ 3,183,797
Public School Capital				
Construction Assistance Fund	11,028,323	8,211,266	(11,028,323)	8,211,266
Conservation Trust Fund	15,497,251	78,555,309	(78,367,496)	15,685,064
Division of Parks and				
Outdoor Recreation	3,874,313	19,638,827	(19,591,874)	3,921,266
Outdoor Equity Fund	-	3,000,000	-	3,000,000
Wildlife Cash Fund	4,171,621	2,605,633	(4,171,621)	2,605,633
Parks & Outdoor Recreation Cash Fund	4,171,621	2,605,633	(4,171,621)	2,605,633
	<u>\$ 38,743,129</u>	<u>\$ 196,388,272</u>	<u>\$ (195,918,742)</u>	<u>\$ 39,212,659</u>



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans**

**Defined Benefit Pension Plan**

Plan Description

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

Benefits Provided as of December 31, 2024

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 percent and then multiplied by years of service credit

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans** (Continued)

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

In all cases the service retirement benefit is limited to 100 percent 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 percent or 100 percent 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 are generally eligible to 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 eligible employment before January 1, 2007 will receive the maximum annual increase (AI) or AI cap of 1.00 percent 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 percent 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 percent 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 percent based on the parameters specified in C.R.S. § 24-51-413.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans** (Continued)

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. 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.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

Contributions Provisions as of June 30, 2025

Eligible employees of the Lottery 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. Employer contribution rates for the period of July 1, 2024 through June 30, 2025 are summarized in the table below:

	<b>Fiscal Year 2024</b>		<b>Fiscal Year 2025</b>	
	<b>CY2023</b>	<b>CY2024</b>	<b>CY2024</b>	<b>CY2025</b>
	<b>7/1/23 - 12/31/23</b>	<b>1/1/24 - 6/30/24</b>	<b>7/1/24 - 12/31/24</b>	<b>1/1/25 - 6/30/25</b>
Employer Contribution Rate	11.40%	11.40%	11.40%	11.40%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	10.38%	10.38%	10.38%	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411*	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.17%	0.21%	0.21%	0.23%
<b>Total Employer Contribution Rate to the SDTF</b>	<b>20.55%</b>	<b>20.59%</b>	<b>20.59%</b>	<b>20.61%</b>

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans** (Continued)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Lottery is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Lottery were \$1,776,199 and \$1,464,641 for the Fiscal Years ended June 30, 2025 and 2024, respectively.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. For 2024, 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.

**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, 2024 and 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023 and 2022. Standard update procedures were used to roll-forward the total pension liability to December 31, 2024 and 2023. The Lottery's proportion of the net pension liability was based on the Lottery's contributions to the SDTF for the calendar year 2024 and 2023 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

At June 30, 2025 and 2024, the Lottery reported a liability of \$17,217,868 and \$18,215,578, respectively, for its proportionate share of the net pension liability.

At December 31, 2024, the Lottery proportion was .1810615753 percent, which was a decrease of .0009428114 percent from its proportion of .1801187639 percent measured as of December 31, 2023.

For the Fiscal Year ended June 30, 2025, the Lottery recognized pension expense of \$1,770,603 and for Fiscal Year ended June 30, 2024, the Lottery recognized pension expense of \$1,208,621. At June 30, 2025 and 2024, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year ended June 30, 2025		Year ended June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 505,345	\$ -	\$ 297,752	\$ 96,724
Changes of assumptions or other inputs	-	133,509	-	-
Net difference between projected and actual earnings on pension plan investments	379,255	-	1,322,997	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	52,699	160,906	-	530,113
Contributions subsequent to the measurement date	837,905	-	720,566	-
Total	<u>\$ 1,775,204</u>	<u>\$ 294,415</u>	<u>\$ 2,341,315</u>	<u>\$ 626,837</u>

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

The amount of \$837,905 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the Fiscal Year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Fiscal Year Ending June 30:**

2026	\$ 485,478
2027	988,360
2028	(596,071)
2029	<u>(234,884)</u>
	<u><u>\$ 642,883</u></u>

**Actuarial Assumptions**

The TPL in the December 31, 2023 and 2022, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.30 – 10.90%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

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<sup>1</sup> Financed by the AIR

<sup>1</sup> 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 mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

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

Post-retirement non-disabled mortality assumptions for members other than Safety Officers were based on 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 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.



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans** (Continued)

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

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

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020 to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023 to December 31, 2024.

Salary increases, including wage inflation:

Members other than Safety Officers	2.70%-13.30%
Safety Officers	3.20%-16.30%

Salary scale assumptions were altered to better reflect actual experience.

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

<b>Pre-Retirement</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
Members other than Safety Officers	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
<b>Post-Retirement (Retiree), Non-Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
Members other than Safety Officers	PubG-2010 Healthy Retiree	<b>Males:</b> 90% of the rates for all ages <b>Females:</b> 85% of the rates prior to age 85/ 105% of the rates age 85 and older
<b>Post-Retirement (Retiree), Non-Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
Safety Officers	PubS-2010 Healthy Retiree	N/A
<b>Post-Retirement (Beneficiary), Non-Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
All Beneficiaries	Pub-2010 Contingent Survivor	<b>Males:</b> 92% of the rates for all ages <b>Females:</b> 100% of the rates for all ages

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

<b>Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
	PubNS-2010 Disabled	
Members other than Safety Officers	Retiree	95% of the rates for all ages
	PubS-2010 Disabled	
Safety Officers	Retiree	N/A

The long-term expected return on plan assets is reviewed as part of regular experience studies performed at least every five years and asset/liability studies performed every three 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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans** (Continued)

The PERA Board first adopted the 7.25 percent 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 November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return*</u>
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	<u>100.00%</u>	

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent for both the measurement periods of December 31, 2024 and 2023. 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%.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

- 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, requiring 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.
- As specified in law, the State, as a non-employer contributing entity, will provide an annual direct distribution of \$225 million, commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 7 – Pension Plans (Continued)**

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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability - December 31, 2024	<u>\$ 22,941,579</u>	<u>\$ 17,217,868</u>	<u>\$ 12,396,435</u>
Proportionate share of the net pension liability - December 31, 2023	<u>\$ 23,807,743</u>	<u>\$ 18,215,578</u>	<u>\$ 13,513,329</u>

**Pension Plan Fiduciary Net Position**

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 8 – Other Retirement Plans**

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

Plan Description

Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008, 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. PERA issues a publicly available ACFR which includes additional information on the PERAPlus DC Plan. That report can be obtained at [www.copera.org/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 8 – Other Retirement Plans (Continued)**

Funding Policy

All participating employees in the PERA DC Plan and the Lottery 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, 2024 through June 30, 2025 are summarized in the tables below:

	<b>Fiscal Year 2024</b>		<b>Fiscal Year 2025</b>	
	<b>CY2023</b>	<b>CY2024</b>	<b>CY2024</b>	<b>CY2025</b>
	<b>7/1/23 - 12/31/23</b>	<b>1/1/24 - 6/30/24</b>	<b>7/1/24 - 12/31/24</b>	<b>1/1/25 - 6/30/25</b>
Employee Contribution Rates	11.00%	11.00%	11.00%	11.00%
Employer Contribution Rates	10.15%	10.15%	10.15%	10.15%



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 8 – Other Retirement Plans (Continued)**

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

	<b>Fiscal Year 2024</b>		<b>Fiscal Year 2025</b>	
	<b>CY2023</b>	<b>CY2024</b>	<b>CY2024</b>	<b>CY2025</b>
	<b>7/1/23 - 12/31/23</b>	<b>1/1/24 - 6/30/24</b>	<b>7/1/24 - 12/31/24</b>	<b>1/1/25 - 6/30/25</b>
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S., Section 24-51-411*	5.00%	5.00%	5.00%	5.00%
Automatic Adjustment Provision (AAP), as specified in C.R.S. § 24-51-413*	1.00%	1.00%	1.00%	1.00%
Defined Contribution statutory contribution as specified in C.R.S. § 24-51-1505*	0.25%	0.25%	0.25%	0.25%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.17%	0.21%	0.21%	0.23%
<b>Total employer contribution rate to the SDTF*</b>	<b>11.42%</b>	<b>11.46%</b>	<b>11.46%</b>	<b>11.48%</b>

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

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 8 – Other Retirement Plans (Continued)**

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 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 \$15,643 and \$15,021, and the Lottery recognized pension expense of \$14,434 and \$13,860 for the PERA DC Plan for the Fiscal Years ended June 30, 2025 and 2024, respectively.

**Voluntary Investment Program**

Plan Description

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 8 – Other Retirement Plans (Continued)**

**Funding Policy**

The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the years ended June 30, 2025 and 2024, program members contributed \$41,771 and \$49,713, respectively.

**Deferred Compensation Plan (PERAPlus 457 Plan)**

**Plan Description**

Employees of the Lottery may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy**

The PERAPlus 457 Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1603 of the C.R.S., as amended. Members are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended June 30, 2025 and 2024, program members contributed \$95,494 and \$93,165, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits**

**Defined Benefit Other Post Employment Benefit (OPEB) Plan**

Plan Description

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

General Information

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

**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 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.

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 9 – Other Postemployment Benefits (Continued)**

**PERA Benefit Structure**

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

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

**Contributions**

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Lottery is statutorily committed to pay the contributions.

Employer contributions recognized by the HCTF from the Lottery for the Fiscal Years ended June 30, 2025 and 2024 were \$76,172 and \$67,439, respectively.

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

At June 30, 2025, the Lottery reported a liability of \$296,219 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TOL to December 31, 2024. The Lottery's proportion of the net OPEB liability was based on the Lottery's contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At June 30, 2024, the Lottery reported a liability of \$442,670 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The Lottery's proportion of the net OPEB liability was based on the Lottery's contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the Lottery proportion was .0619488614 percent, which was a decrease of .0000735127 percent from its proportion of .0620223741 percent measured as of December 31, 2023.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

For the Fiscal Years ended June 30, 2025 and June 30, 2024, the Lottery recognized OPEB credit of \$69,723 and \$56,376, respectively. At June 30, 2025 and June 30, 2024, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year ended June 30, 2025		Year ended June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 65,340	\$ -	\$ 90,730
Changes of assumptions or other inputs	3,397	94,686	5,204	46,937
Net difference between projected and actual earnings on OPEB plan investments	1,004	-	13,691	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	40	59,202	702	91,420
Contributions subsequent to the measurement date	38,550	-	33,808	-
Total	<u>\$ 42,991</u>	<u>\$ 219,228</u>	<u>\$ 53,405</u>	<u>\$ 229,087</u>



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

The amount of \$38,550 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Fiscal Year Ending June 30:**

2026	\$ (72,276)
2027	(41,806)
2028	(46,100)
2029	(27,640)
2030	(18,015)
Thereafter	<u>(8,951)</u>
Total	<u>\$ (214,788)</u>

**Actuarial Assumptions**

The TOL in the December 31, 2023 and December 31, 2022 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.30% – 10.90%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 9 – Other Postemployment Benefits (Continued)**

Health care cost trend rates:

Service-based premium subsidy	0.00%
PERACare Medicare plans	16.00% in 2024, then 6.75% in 2025 gradually decreasing to 4.50% in 2034
	7.00% in 2023 gradually decreasing to 4.50% in 2033
MAPD PPO #2	105% in 2024, then 8.55% in 2025 gradually decreasing to 4.5% in 2034
Medicare Part A premiums	3.50% in 2024, gradually increasing to 4.5% in 2033
	3.50% in 2023, gradually increasing to 4.5% in 2035

As of the December 31, 2024 measurement date, the FNP and related components for the HCTF reflect the additional payments related to the disaffiliation of the Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust fund were \$0.020 million and \$0.486 million, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023 actuarial valuation, costs are based on 2024 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 were 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.

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

<b>Sample Age</b>	<b>MAPD PPO #1 with Medicare Part A</b>		<b>MAPD PPO #2 with Medicare Part A</b>		<b>MAPD HMO (Kaiser) with Medicare Part A</b>	
	<b>Retiree/Spouse</b>		<b>Retiree/Spouse</b>		<b>Retiree/Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 1,710	\$ 1,420	\$ 585	\$ 486	\$ 1,897	\$ 1,575
70	\$ 1,921	\$ 1,589	\$ 657	\$ 544	\$ 2,130	\$ 1,763
75	\$ 2,122	\$ 1,670	\$ 726	\$ 571	\$ 2,353	\$ 1,853

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 9 – Other Postemployment Benefits (Continued)**

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$ 6,536	\$ 5,429	\$ 4,241	\$ 3,523	\$ 7,063	\$ 5,866
70	\$ 7,341	\$ 6,073	\$ 4,764	\$ 3,941	\$ 7,933	\$ 6,563
75	\$ 8,110	\$ 6,385	\$ 5,262	\$ 4,143	\$ 8,763	\$ 6,900

The 2024 Medicare Part A premium is \$505 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. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first-year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

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

<b>Year</b>	<b>PERACARE Medical Plans<sup>1</sup></b>	<b>MAPD PPO #21</b>	<b>Medicare Part A Premiums</b>
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

<sup>1</sup>Increase in 2024 trend rates due to the effect of the Inflation Reduction Act

Mortality assumptions used in the December 31, 2023 and 2022 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than Safety Officers) were based on 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 beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

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

Disabled mortality assumptions for members other than Safety Officers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019. 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, 2023 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 2024 plan year.

**Colorado Lottery**  
**Notes to Financial Statements**  
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**Note 9 – Other Postemployment Benefits (Continued)**

- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023 and 2022 valuations were based on the 2020 experience analysis, dated October 28, 2020 and November 4, 2020, for the period January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020 to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023 to December 31, 2024.

- Salary increase, including wage inflation, 2.70% - 13.30%
- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

<b>Plan</b>	<b>With Medicare Part A</b>	<b>Without Medicare Part A</b>
MAPD PPO #1	\$ 1,824	\$ 6,972
MAPD PPO #2	624	4524
MAPD HMO (Kaiser)	2040	7596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

<b>Pre-Retirement</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
<b>Post-Retirement (Retiree), Non-Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	<b>Males:</b> 90% of the rates for all ages <b>Females:</b> 85% of the rates prior to age 85/ 105% of the rates age 85 and older
<b>Post-Retirement (Beneficiary), Non-Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
All Beneficiaries	Pub-2010 Contingent Survivor	<b>Males:</b> 92% of the rates for all ages <b>Females:</b> 100% of the rates for all ages
<b>Disabled</b>	<b>Mortality Table</b>	<b>Adjustments, as Applicable</b>
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies performed at least every five years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in Experience Study report dated October 28, 2020.

Several factors were 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 weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return*</u>
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	<u>100.00%</u>	

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

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

Sensitivity of the Lottery'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:

	<b>1% Decrease in trend rate (6.25%)</b>	<b>Current trend rate (7.25%)</b>	<b>1% Increase in trend rate (8.25%)</b>
Initial PERACare Medicare trend rate	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO #2 trend rate <sup>1</sup>	7.55%	8.55%	9.55%
Ultimate MAPD PPO #2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.5%
Proportionate share of net OPEB liability	<b>\$ 288,238</b>	<b>\$ 296,219</b>	<b>\$ 305,251</b>

<sup>1</sup>For the January 1, 2025 plan year

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

Discount Rate

The discount rate used to measure the TOL was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023 and the financial status of the HCTF as of the current measurement date (December 31, 2024). 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, 2024 and 2023 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 9 – Other Postemployment Benefits (Continued)**

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

**Sensitivity of the Lottery’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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability - December 31, 2024	<u>\$ 363,021</u>	<u>\$ 296,219</u>	<u>\$ 238,628</u>
Net OPEB Liability - December 31, 2023	<u>\$ 429,965</u>	<u>\$ 442,670</u>	<u>\$ 456,490</u>

**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/forms-resources/financial-reports-and-studies](http://www.copera.org/forms-resources/financial-reports-and-studies).

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments**

**Prize Annuities** – The Lottery purchases annuity contracts in the name of individual jackpot prize winners. Although the annuity contracts are in the name of the individual winners, the Lottery retains title to the annuity contracts.

The Lottery remains liable for the payment of the guaranteed prizes in the event the insurance companies issuing the annuity contracts default. The following estimated prize payments for which annuity contracts have been purchased are due in varying amounts and are estimated to continue through September 22, 2078 based on updated life expectancy tables.

Specified prize payments	\$	70,310,508
Lifetime prize payments		<u>10,854,000</u>
Total guaranteed prize payments	\$	<u><u>81,164,508</u></u>

**Prize Commitment** – The Lottery also acts as a transfer agent for the single Powerball Jackpot Winner on October 10, 2007. These funds are held in trust at the MUSL in securities deemed appropriate by the Grand Prize Trust Agreement. The future value of this prize was \$10,854,000 as of June 30, 2025.

**Self-insurance** – The State of Colorado currently self-insures its agencies, officials and employees for the risks of losses to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Lottery participates in the Risk Management Fund. State agency premiums are based on an assessment of risk exposure and historical experience. The State Risk Management Fund is a Special Purpose General Fund used for claims adjustment, investigation, defense and authorization for the settlement and payment of claims or judgments against the state. The State insures its property through private carriers and is self-insured against general liability risks for both its officials and employees. It is also self-funded for employee healthcare plans; however, the risk resides with the employees.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Worker's Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related injuries. The State utilizes the services of Broadspire Services, Inc. to administer its plan. The State reimburses Broadspire Services, Inc. for the current cost of claims paid and related administrative expenses.

Risk management 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 claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

The limits of liability for which the State accepts responsibility pursuant to Section 24-10-114(1), C.R.S., are as follows:

<b>Liability</b>	<b>Limits of Liability</b>
General and automobile	Each person \$350,000 Each occurrence \$990,000

Before January 1, 1999, the Group Benefit Plans Fund provided an employer-paid short-term disability plan for all employees. On January 1, 1999, PERA began covering short-term disability claims for state employees eligible under its retirement plan. The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premium less the aggregate of incurred claims, claim reserve, retention charge and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

**Furniture and Equipment** – The State of Colorado carries a \$5,000 deductible replacement policy on all state-owned furniture and equipment per Colorado Revised Statutes 24-30-1510.5(3)(a)(IV). For each loss incurred, the Lottery is responsible for the first \$5,000 of the deductible. Any loss in excess of \$5,000 is covered by the insurance carrier up to replacement cost.

**Gaming Operations Commitments** – The Lottery enters into long-term contracts with certain significant vendors related to providing jackpot data processing services and the design, production, and promotion of scratch tickets in support of the Lottery's gaming operations. The Lottery entered into a contract with IGT for jackpot data processing services, effective November 9, 2014 through June 30, 2021. On June 7, 2019, upon approval of the State Controller, the Lottery exercised its option to extend the contract beginning July 11, 2021 and ending July 12, 2025 and its option to increase the quantity of the services provided by IGT. Effective June 7, 2019, Amendment #7 was also signed modifying the maximum amount payable under the contract, which includes a fixed amount plus the percentage of sales covering the contract period through July 12, 2025. Effective June 4, 2024, upon approval by the State Controller's authorized delegate, the Lottery entered into a new contract with IGT.



**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

The initial term of the contract is from the effective date through July 13, 2025, considered the implementation period. Following the implementation period, the contract term for production operations will be from July 13, 2025 through July 12, 2032, with the option to extend for periods of one year or less. Payments for the jackpot data processing contract were \$16,156,483 for Fiscal Year ended June 30, 2025 and \$17,267,104 for Fiscal Year ended June 30, 2024.

For scratch ticket production, the Lottery entered into new contracts with its three scratch ticket vendors beginning July 1, 2017 and ending June 30, 2024. The contracts each contain an option to extend for continued performance for up to a maximum of two (2) two-year extensions. On June 29, 2022 the Lottery exercised its option with Scientific Games, one of the three scratch ticket vendors, to utilize the Scientific Games Enhanced Partnership (SGEP), modifying the business entity assignment, extending the contract expiration date to June 30, 2027, and increasing the contract maximum amount by \$67,800,000. Payments under these contracts were \$12,574,422 for the Fiscal Year ended June 30, 2025 and \$10,147,048 for the Fiscal Year ended June 30, 2024.

The Lottery was approved as a member of the MUSL on February 26, 2001 and thus entered into an agreement with MUSL on June 6, 2001 to become a member and participate in Powerball games. MUSL is an American non-profit, government-benefit association created to facilitate the operation of multi-jurisdictional lottery games. As a member, the Lottery agrees to abide by the terms of the Multi-State Agreement dated September 16, 1987 and to any amendments to that agreement duly made by the board. The Lottery will remain a member indefinitely. Pursuant to this agreement, the Lottery will make payments to MUSL for administrative fees, weekly prize expenses, promotional purchases, miscellaneous reimbursements and assessments and contributions to the prize reserves.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

On November 15, 2012, the MUSL Powerball Group unanimously agreed to accept the recommendations of the Finance & Audit Committee and the Executive Committee and set the Prize Reserve Account (PRA) cap to \$80 million reduced from the previous \$100 million cap.

The total amount contributed by the Lottery to the Powerball prize reserves as of June 30, 2025 was \$2,821,629 and is based on a percentage of sales. This amount is shown as prepaid prize expense – MUSL on the Statements of Net Position. MUSL reserves the right to hold funds which do not exceed 110% of the required balance. If the actual balance in the reserves should exceed 110% of the required balance, MUSL will refund any funds in excess of the 110% threshold. As of June 30, 2025, there were no excess funds held by MUSL over and above Colorado's required reserves balance of \$2,716,374, and the allowed 10% surplus of \$271,637.

In 2009, the Powerball and Mega Millions governing bodies entered discussions regarding cross-selling the Powerball and Mega Millions games, whereby each state currently selling Mega Millions tickets would also sell Powerball tickets and those states currently selling Powerball tickets would also sell Mega Million tickets. On March 10, 2010, the Lottery commission voted to allow the Colorado Lottery to participate in the cross-selling of the Mega Millions game. The rule became effective as of April 30, 2010 and the first day of ticket sales was May 16, 2010. MUSL agreed to undertake the administrative functions associated with the Mega Millions game for the states currently participating in their Powerball game.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

MUSL immediately began collecting a percentage of sales to fund the newly formed Mega Millions prize reserve fund. On March 22, 2013, the MUSL Mega Millions Game Group set the maximum prize reserve fund at \$45 million. With the change to the Mega Millions game on October 25, 2017 the Group set the maximum prize reserve balance at \$100 million. The Group also determined to set the additional prize reserve contribution at two percent of sales effective beginning with the drawing of October 31, 2017. Additional contributions continued until maximum balance amounts were reached. On March 31, 2025, MUSL calculated a new required reserve balance for the Lottery of \$2,725,839. The Lottery's balance in the reserve held by MUSL as of June 30, 2025 was \$2,478,035, with no excess funds held by MUSL over and above Colorado's required reserves balance and the allowed 10% surplus.

In addition, MUSL may deposit and hold any Unreserved Account Funds in trust for the benefit of member lotteries. These funds will not be comingled with any other funds held in trust and can be used only for authorized uses of the unreserved funds. MUSL held a nominal \$3 amount in the unreserved fund as of June 30, 2025.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

**Other Major Vendor Commitments** – The Lottery entered into a contract with an advertising agency to provide advertising services to promote the Lottery’s products beginning on August 5, 2022 and expiring on June 30, 2023, the initial term. The Lottery has the option to extend the performance beyond the initial term for a period, or for successive periods, of one year or less through June 30, 2030. The initial term was for not to exceed \$14,187,250, with each successive fiscal year not to exceed \$15,477,000 for a total of \$122,526,250. On October 21, 2022, Amendment #1 was executed reducing the initial term amount from that point forward to \$11,232,619, with each successive fiscal year not to exceed \$13,700,000 for a total of \$107,132,620. In Fiscal Year 2024, the Lottery entered into a new contract which included new yearly contract maximum amounts. In Fiscal Year 2025, the current year’s contract maximum amount was \$15,477,000. Payments totaling \$12,458,929 were made for the Fiscal Year ended June 30, 2025.

**Litigation** – At times, various suits and claims may be pending against the Lottery. Although the outcome of such suits and claims cannot be predicted with certainty, the Lottery believes that the final outcome of these matters will not materially affect the financial statements of the Lottery.

The Colorado Lottery is one of several states due to receive restitution from two individuals, after they were convicted of various charges in connection with manipulating computer coding used to generate winning lottery numbers and then collecting the resulting jackpot prizes. The affected computer coding and host machines have since been replaced with independently certified code and hardware.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 10 – Contingencies and Commitments (Continued)**

According to the first individual's plea agreement and resulting court order, a total restitution of \$2,222,864, with interest as applied at Iowa's standard statutory rate, will be paid to four states, with the Colorado Lottery's share being \$1,137,980. The second plea agreement and resulting court order agrees to a total restitution of \$804,095, with interest as applied at Iowa's standard statutory rate, to two states, with the Colorado Lottery's share being \$568,990, joint and several with the first individual.

The Lottery's attorneys have interpreted the court order as follows: \$568,990 (the first half of the \$1,137,980) will be paid to Colorado from either or both individuals. If the second individual pays the entire \$568,990 due Colorado, all of the first individual's restitution payments will go to the other states until they have been fully paid. Only after all states are paid, would the first individual's restitution payments be directed to Colorado. The Colorado Lottery's total potential recovery from restitution is \$1,137,980.

The likelihood of collecting any of the restitution from either individual is unknown. The Lottery collected \$849 in Fiscal Year 2025 and has not recorded any estimated revenue from possible future payments. If the Lottery receives any future restitution payments, the payments will be recorded as revenue in the period the payments are received.

**Colorado Lottery**  
**Notes to Financial Statements**  
**Years Ended June 30, 2025 and 2024**

**Note 11 – Tax, Spending and Debt Limitations**

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and all local governments. In the same general election, Article XXVII was passed creating the State Board of the Great Outdoors Colorado Trust Fund. The simultaneous passage of these two constitutional amendments raised questions as to whether there are irreconcilable conflicts between the two amendments.

The General Assembly determined in Section 24-77-102 (17) (b) (IX), C.R.S., that the net proceeds from the Lottery are excluded from the scope of “state fiscal year spending” for purposes of TABOR. The Colorado Supreme Court, in response to an interrogatory from the General Assembly, approved that determination.

TABOR is complex and subject to further legislative and judicial interpretation. The Lottery believes it is in compliance with both of these constitutional amendments.

**Note 12 – Related-Party Transactions**

The Lottery, as an agency of the State of Colorado, paid fees to other agencies of the State for auditing, legal and other services, and vehicle and office rent. The Lottery also pays fees to the Department of Revenue for indirect costs and the Governor’s Office of Information Technology for information and communications technology (ICT) services. Interagency charges were \$2,287,407 and \$2,042,327 for the Fiscal Years ended June 30, 2025 and 2024, respectively.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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## Colorado Lottery

### Schedule of the Colorado Lottery's Proportionate Share of the Net Pension Liability

#### Colorado Public Employees' Retirement Association

	Last 10 Calendar Years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Lottery's proportion of the net pension liability	0.1810615753%	0.1801187639%	0.1879320216%	0.1914317953%	0.1945221248%	0.2121807562%	0.2234220529%	0.2290545580%	0.2238160821%	0.2398382458%
Lottery's proportionate share of the net pension liability	\$ 17,217,868	\$ 18,215,578	\$ 20,433,052	\$ 14,118,170	\$ 18,450,021	\$ 20,589,605	\$ 25,422,465	\$ 45,852,060	\$ 41,110,831	\$ 25,257,445
Lottery's covered payroll	\$ 7,177,540	\$ 6,940,740	\$ 6,425,900	\$ 6,218,822	\$ 6,494,631	\$ 6,867,065	\$ 6,862,079	\$ 6,774,739	\$ 6,440,000	\$ 6,745,555
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	239.89%	262.44%	317.98%	227.02%	284.08%	299.83%	370.48%	676.81%	638.37%	383.22%
Plan fiduciary net position as a percentage of the total pension liability	67.44%	64.37%	60.63%	73.05%	65.34%	62.24%	55.11%	43.20%	42.60%	56.10%

**Colorado Lottery**  
**Schedule of the Colorado Lottery's Contributions**  
**Colorado Public Employees' Retirement Association**

	Last 10 Fiscal Years									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,776,199	\$ 1,464,641	\$ 1,756,456	\$ 1,277,013	\$ 1,252,131	\$ 1,394,068	\$ 1,414,350	\$ 1,290,829	\$ 1,159,077	\$ 1,142,872
Contributions in relation to the contractually required contribution	<u>(1,776,199)</u>	<u>(1,464,641)</u>	<u>(1,756,456)</u>	<u>(1,277,013)</u>	<u>(1,252,131)</u>	<u>(1,394,068)</u>	<u>(1,414,350)</u>	<u>(1,290,829)</u>	<u>(1,159,077)</u>	<u>(1,142,872)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 8,013,220	\$ 7,177,540	\$ 6,779,600	\$ 6,203,739	\$ 6,344,872	\$ 6,444,337	\$ 7,191,084	\$ 6,821,281	\$ 6,594,985	\$ 6,520,365
Contributions as a percentage of covered payroll	22.17%	20.41%	25.91%	20.58%	19.73%	21.63%	19.67%	18.92%	17.58%	17.53%

\* The amounts presented for each fiscal year were determined as of 6/30.

**Colorado Lottery**  
**Schedule of the Colorado Lottery's Proportionate Share of the Net OPEB Liability**  
**Colorado Public Employees' Retirement Association – Healthcare Trust Fund**

	Last 10 Calendar Years*							
	2024	2023	2022	2021	2020	2019	2018	2017
Lottery's proportion of the net OPEB liability	0.0619488614%	0.0620223741%	0.0636208020%	0.0657689945%	0.0684116693%	0.0738222796%	0.0790674504%	0.0820966264%
Lottery's proportionate share of the net OPEB liability	\$ 296,219	\$ 442,670	\$ 519,450	\$ 567,129	\$ 650,065	\$ 829,761	\$ 1,075,746	\$ 1,066,928
Lottery's covered payroll	\$ 7,177,540	\$ 6,940,740	\$ 6,425,900	\$ 6,218,822	\$ 6,494,631	\$ 6,867,065	\$ 6,862,079	\$ 6,774,739
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	4.13%	6.38%	8.08%	9.12%	10.01%	12.08%	15.68%	15.75%
Plan fiduciary net position as a percentage of the total OPEB liability	59.83%	46.16%	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%

\* Calendar Year 2017 was the 1st year of implementation, therefore only eight years are shown.

**Colorado Lottery**  
**Schedule of the Colorado Lottery's Contributions**  
**Colorado Public Employees' Retirement Association – Healthcare Trust Fund**

	Last 10 Fiscal Years*							
	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 38,550	\$ 67,439	\$ 65,649	\$ 61,367	\$ 62,119	\$ 65,251	\$ 75,412	\$ 68,826
Contributions in relation to the contractually required contribution	<u>(38,550)</u>	<u>(67,439)</u>	<u>(65,649)</u>	<u>(61,367)</u>	<u>(62,119)</u>	<u>(65,251)</u>	<u>(75,412)</u>	<u>(68,826)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 8,013,220	\$ 7,177,540	\$ 6,779,600	\$ 6,203,739	\$ 6,344,872	\$ 6,444,337	\$ 7,191,084	\$ 6,821,281
Contributions as a percentage of covered payroll	0.48%	0.94%	0.97%	0.99%	0.98%	1.01%	1.05%	1.01%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Fiscal year 2018 was the 1st year of implementation, therefore only eight years are shown.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

Changes of pension benefit terms and actuarial assumptions:

**Change in assumptions or other input effective for the December 31, 2024 measurement period are as follows:**

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.
- Senate Bill (SB) 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500 million (actual dollars) on or after July 1, 2025, and before October 1, 2025. These dollars are to be proportioned over time to replace reductions to future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an AAP assessment ratio below the 98% benchmark.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

**Change in assumptions or other input effective for the December 31, 2023 measurement period are as follows:**

- Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.
- SB 23-163, enacted and effective June 6, 2023, states beginning July 1, 2023, a wildlife officer and a parks and recreation officer employed by the Division of Parks and Wildlife in the Department of Natural Resources, is classified as a "State Trooper" for the purpose of determining their service retirement eligibility.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.
- There were no changes made to the actuarial methods or assumptions.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

**Change in assumptions or other input effective for the December 31, 2022 measurement period are as follows:**

- House Bill (HB) 22-1029, effective upon enactment in 2022, required the State Treasurer to issue, in addition to the regularly schedule \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars) with reductions to future direct distributions. The July 1, 2023 direct distribution will be 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 a negative investment return in 2022.
- There were no changes made to the actuarial methods or assumptions.

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

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

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

- 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.



**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

- 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.
- 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.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

**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%.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

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

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

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

Changes of OPEB benefit terms and actuarial assumptions:

**Changes in assumptions or other input effective for the December 31, 2024 measurement period are as follows:**

- As of the December 31, 2024 measurement date, the FNP and related disclosure components for HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.
- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

**Changes in assumptions or other input effective for the December 31, 2023 measurement period are as follows:**

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.
- There were no changes made to the actuarial methods or assumptions.

**There were no changes in assumptions or other inputs effective for the December 31, 2022 measurement period for OPEB.**

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

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

- 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.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

- 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.

**Colorado Lottery**  
**Notes to Required Supplementary Information**  
**Fiscal Years Ended June 30, 2025 and 2024**

- 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.**

## **SUPPLEMENTARY INFORMATION**



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**Colorado Lottery**

**Schedule of Revenue and Costs for Scratch and Jackpot Games**

**For the Fiscal Years Ended June 30, 2025 and 2024**

Colorado Lottery  
Schedule of Revenue and Costs for Scratch and Jackpot Games  
For the Fiscal Year Ended June 30, 2025  
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)

	Colorado Lottery									FY 2025	FY 2024
	Schedule of Revenue and Costs for Scratch and Jackpot Games										
	For the Fiscal Year Ended June 30, 2025										
	(With Comparative Totals for the Fiscal Year Ended June 30, 2024)										
	Scratch	Scratch \$50	Lotto +	Powerball	Cash 5	Jackpot Games Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$460,421,429	\$139,249,550	\$49,746,851	\$65,003,601	\$12,567,339	\$1,937,607	\$60,631,732	\$15,442,900	\$22,858,710	\$827,859,719	\$900,756,363
PRIZE EXPENSE	(\$314,991,501)	(\$110,781,583)	(\$28,188,294)	(\$27,645,022)	(\$6,864,077)	(\$1,124,454)	(\$29,402,245)	(\$7,318,719)	(\$13,302,516)	(539,618,411)	(577,812,741)
NET REVENUE AFTER PRIZES	145,429,928	28,467,967	21,558,557	37,358,579	5,703,262	813,153	31,229,487	8,124,181	9,556,194	288,241,308	322,943,622
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)											
Retailer Commission	(\$32,186,294)	(\$9,732,820)	(\$2,980,983)	(\$3,896,668)	(\$753,268)	(\$116,080)	(\$3,634,658)	(\$925,970)	(\$1,370,077)	(55,596,818)	(59,857,647)
Retailer Bonus	(\$5,234,418)	(\$1,552,800)	(\$413,289)	(\$368,122)	(\$119,939)	(\$19,216)	(\$314,509)	(\$128,364)	(\$178,576)	(8,329,233)	(7,307,727)
Cost of Tickets Sold	(\$10,059,223)	(\$2,689,762)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(12,748,985)	(10,780,383)
Telecomm Reimbursements	\$441,535	\$133,537	\$47,706	\$62,337	\$12,052	\$1,858	\$58,145	\$14,809	\$21,921	793,900	777,645
Vendor Fees	(8,763,132)	(2,650,316)	(946,749)	(1,236,869)	(239,124)	(36,863)	(1,153,693)	(293,838)	(434,942)	(15,755,526)	(16,826,230)
TOTAL	(55,801,532)	(16,492,161)	(4,293,315)	(5,439,322)	(1,100,279)	(170,301)	(5,044,715)	(1,333,363)	(1,961,674)	(91,636,662)	(93,994,342)
GROSS PROFIT ON SALE OF TICKETS	\$89,628,396	\$11,975,806	\$17,265,242	\$31,919,257	\$4,602,983	\$642,852	\$26,184,772	\$6,790,818	\$7,594,520	\$196,604,646	\$228,949,280
AVERAGE DAILY TICKET SALES	\$1,261,428	\$381,506	\$136,293	\$178,092	\$34,431	\$5,309	\$166,114	\$42,309	\$62,627	\$2,268,109	\$2,461,083

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

**Colorado Lottery**

**Schedule of Percent of Prize Expense to Gross Ticket Sales**

**For the Fiscal Years Ended June 30, 2025 and 2024**

Colorado Lottery  
Schedule of Percentage of Prize Expense to Gross Ticket Sales  
For the Fiscal Year Ended June 30, 2025

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	FY 2025 Total	FY 2024 Total
Prize Expense	\$314,991,501	\$110,781,583	\$28,188,294	\$27,645,022	\$6,864,077	\$1,124,454	\$29,402,245	\$7,318,719	\$13,302,516	\$539,618,411	\$577,812,741
(/)/Ticket Sales	460,421,429	139,249,550	49,746,851	65,003,601	12,567,339	1,937,607	60,631,732	15,442,900	22,858,710	827,859,719	900,756,363
Prize %	<u>68.41%</u>	<u>79.56%</u>	<u>56.66%</u>	<u>42.53%</u>	<u>54.62%</u>	<u>58.03%</u>	<u>48.49%</u>	<u>47.39%</u>	<u>58.19%</u>	<u>65.18%</u>	<u>64.15%</u>

**Colorado Lottery**  
**Budgetary Comparison**  
**For the Fiscal Year Ended June 30, 2025**

Colorado Lottery  
Budgetary Comparison  
For the Fiscal Year Ended June 30, 2025

	Fiscal Year 2025 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2025 Final Budget	Fiscal Year 2025 Actual Expenditures	Under Expended	Percent Under Expended
Prize Payments	\$ 590,000,000	\$ -	\$ 590,000,000	\$ 539,618,411	\$ 50,381,589	8.54%
Retailer Compensation	85,000,000	-	85,000,000	63,926,051	21,073,949	24.79%
Vendor Fees & Ticket Costs-Scratch	37,549,578	-	37,549,578	30,572,480	6,977,098	18.58%
Multi-State Lottery Fund	177,433	-	177,433	23,134	154,299	86.96%
Personal Services (Includes AED, SAED, Health & LIFE, STD)	12,053,938	28,972	12,082,910	11,950,358	132,552	1.10%
Marketing, Communications & Sales	14,900,000	-	14,900,000	13,175,238	1,724,762	11.58%
Operating (Includes Travel)	1,540,533	-	1,540,533	1,004,043	536,490	34.82%
Payments to Other Agencies	239,410	-	239,410	6,360	233,050	97.34%
Indirect Costs Assessments	890,727	-	890,727	719,104	171,623	19.27%
Worker's Compensation	32,848	-	32,848	32,848	-	0.00%
Vehicle Lease Payments	225,261	-	225,261	170,377	54,884	24.36%
Variable Vehicle	166,700	25,000	191,700	190,658	1,042	0.54%
EDO - Operating Expenses	14,825	-	14,825	9,142	5,683	38.33%
EDO - Personal Services	19,834	-	19,834	-	19,834	100.00%
Leased Space - Grand Junction & Ft. Collins	64,572	-	64,572	64,572	-	0.00%
Leased Space	1,186,261	-	1,186,261	887,218	299,043	25.21%
OIT Payments	799,981	95,000	894,981	892,473	2,508	0.28%
CORE Operations	16,507	-	16,507	16,507	-	0.00%
Risk Management	34,782	-	34,782	34,782	-	0.00%
Legal Services	83,916	-	83,916	83,916	-	0.00%
PERA Direct Distribution	126,006	-	126,006	126,006	-	0.00%
<b>TOTAL</b>	<b>\$ 745,123,112</b>	<b>\$ 148,972</b>	<b>\$ 745,272,084</b>	<b>\$ 663,503,678</b>	<b>\$ 81,768,406</b>	<b>10.97%</b>

FY25 Staffing - FTE - (Note 1) 106.5 (Appropriated) 105.5 (Actual)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Net Position" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Net Position

Prize Expense	\$ 539,618,411
Commissions and Bonuses	63,926,051
Cost of Tickets & Vendor Fees	27,710,611
Operating Expenses	31,201,428

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 662,456,501

Plus: Telecommunications offset classified as revenue 793,900

Less: Non-appropriated expenses-reclass of non-fixed asset	(270)
Depreciation & Amortization	(701,809)
Accrued Annual and Sick Leave	45,440
Loss on Disposal of Equipment classified as revenue	-
PERA Pension Revenue	764,024
OPEB Revenue	145,895

\$ 663,503,681

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**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**

**Independent Auditor's Report**

Legislative Audit Committee and Lottery Commission  
State of Colorado Department of Revenue, Lottery Division  
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the Colorado Lottery, an enterprise fund of the State of Colorado, which comprise the statement of net position as of June 30, 2025, and the related statements of revenue, expenses, and changes in fund net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 8, 2025, which contains an emphasis of matter paragraph regarding the financial statements of the Colorado Lottery, not representing the State as a whole.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Colorado Lottery'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colorado Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Colorado Lottery's internal control.

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

**Forvis Mazars, LLP**

**Denver, Colorado**

**October 8, 2025**

## **Forvis Mazars Report to the Legislative Audit Committee and Lottery Commission**

State of Colorado Department of Revenue, Lottery Division  
Results of the 2025 Financial Statement Audit,  
Including Required Communications  
June 30, 2025

### **Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)**

#### **Overview and Responsibilities**

##### **Scope of Our Audit**

This report covers audit results related to your financial statements and supplementary information:

- As of and for the year ended June 30, 2025
- Conducted in accordance with our contract dated May 9, 2025

##### **Our Responsibilities**

Forvis Mazars is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Audit Scope & Inherent Limitations to Reasonable Assurance**

An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.



### **Extent of Our Communication**

In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

### **Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

### **Your Responsibilities**

Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

### **Distribution Restriction**

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- Legislative Audit Committee and Lottery Commission
- State of Colorado Office of the State Auditor
- Colorado Lottery Management

### **Government Auditing Standards**

#### **Additional GAGAS Reporting**

We also provided reports as of June 30, 2025, on the following as required by GAGAS:

- Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS

### **Reporting Limitations**

Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

## **Qualitative Aspects of Significant Accounting Policies & Practices**

### **Significant Accounting Policies**

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Governmental Accounting Standards Board Statement No. 101, Compensated Absences (GASB 101)

### **Unusual Policies or Methods**

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

### **Alternative Accounting Treatments**

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

### **Management Judgments & Accounting Estimates**

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Management's estimate of prize expense and the corresponding prize liability is based on the anticipated payout percentage approved by the Lottery Commissioners. The prize expense and corresponding liability are incurred as tickets are sold or activated by Lottery approved retailers.
- Defined benefit pension plan and post-employment benefit plan assumptions and related net pension liability and postemployment benefits liability, including deferred inflows and deferred outflows of resources.

### **Financial Statement Disclosures**

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Distribution of net proceeds
- Pension plan
- Other postemployment benefit plan
- Contingencies and commitments
- Related-parties transactions

### **Our Judgment About the Quality of the Colorado Lottery's Accounting Principles**

During the course of the audit, we made the following observations regarding the Colorado Lottery's application of accounting principles:

- No matters are reportable

### **Adjustments Identified by Audit**

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

### **Proposed & Recorded Adjustments**

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable

### **Uncorrected Misstatements**

Some adjustments proposed were **not recorded** because their effect is not currently considered material. We request that all identified misstatements be corrected:

- No uncorrected misstatements to report

## **Other Required Communications**

### **Other Material Communications**

Listed below are other material communications between management and us related to the audit:

- Management representation letter

**Forvis Mazars, LLP**

**Denver, Colorado**

**October 8, 2025**

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