Colorado Lottery

Financial and Compliance Audit

June 30, 2026 and 2025

Legislative Audit Committee

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Office of the State Auditor

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Deputy State Auditor	Marisa Edwards, CPA
Contract Monitor	Isaiah Rodriguez
Contractor	Forvis Mazars, LLP

REPORT NUMBER 2620F

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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, 2026. 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 Section 44-40-112, C.R.S. and 44-40-120(1)(b)(I) 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 16, 2026

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Colorado Lottery

Report Summary

Fiscal Years Ended June 30, 2026 and 2025

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, 2026. The audit of the Lottery was performed under authority of Section 44-40-112 C.R.S. and 44-40-120(1)(b)(I)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, 2026 and 2025.

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, 2026 and 2025, 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, 2026.

- To evaluate progress in implementing the prior audit recommendations, if any.

Colorado Lottery

Report Summary

Fiscal Years Ended June 30, 2026 and 2025

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 significant proposed audit adjustments for the year ended June 30, 2026.

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 137.

Colorado Lottery

Background

Years Ended June 30, 2026 and 2025

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 2026, the Lottery employed 106 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 nearly $88.0 million for the year ended June 30, 2026.

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

Colorado Lottery

Background

Years Ended June 30, 2026 and 2025

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. The spillover amount for Fiscal Year 2026 shall be transferred as follows: the first $4.0 million to the Outdoor Equity Fund, the next $3.0 million to the State Public School Capital Construction Assistance Fund, the next $750,000 to the Outdoor Recreation Economic Development Fund, and any remaining amounts divided as: 20 percent to the Wildlife Cash Fund and 20 percent to the Parks and Outdoor Recreation Cash Fund. The GOCO cap was reached for Fiscal Year 2026, which resulted in $2.7 million of spillover funds transferred to the Outdoor Equity Fund.

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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, 2026 and 2025, 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, 2026 and 2025, 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 Matters

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, 2026, and 2025, 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.

As discussed in Note 1 to the financial statements, effective July 1, 2024, the Colorado Lottery adopted new accounting guidance related to financial reporting model improvements and disclosure of certain capital assets. 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 Revenue 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 Revenue 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 16, 2026, 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 16, 2026

Colorado Lottery

Management's Discussion and Analysis

June 30, 2026 and 2025

This discussion and analysis of the Colorado Lottery's financial performance provides an overview of financial activities for the Fiscal Years ended June 30, 2026 and 2025. Please read it in conjunction with the Lottery's financial statements, which begin on page 34. These financial statements reflect only activities of the Colorado Lottery.

Overview of the Financial Statements

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, 2026 and 2025. 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, 2026 and 2025. 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, 2026 and 2025. 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 2026 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.

Financial Summary

Financial Highlights

The Colorado Lottery achieved overall ticket sales for Fiscal Year 2026 of nearly $887.9 million, the third highest in the Lottery's history. In comparison to the previous fiscal year's sales of nearly $827.9 million, sales increased by nearly $60.0 million or 7.2 percent. Jackpot sales reached $274.3 million for Fiscal Year 2026, which resulted in a $46.1 million increase, or 20.2 percent

from Fiscal Year 2025. Scratch sales achieved a record-breaking year with overall scratch ticket sales reaching nearly $613.5 million, an increase of nearly $13.9 million, or 2.3 percent from the previous year.

Funds distributed or available for distribution from Fiscal Year 2026 sales were $181.4 million, marking the third 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 2025 to Fiscal Year 2026 increased by nearly $11.6 million, or 6.8 percent. The Great Outdoors Colorado (GOCO) proceeds cap of nearly $88.0 million was reached for Fiscal Year 2026 which made spillover funds available of $2.7 million.

Gross profit (Lottery product sales minus costs tied directly to those sales) as a percentage of sales increased by 0.4 percentage points from 23.7 percent to nearly 24.1 percent in Fiscal Years 2025 and 2026, 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 Brightstar Lottery (BSL). Sales for the two billion dollar Powerball jackpot runs in Fiscal Year 2026 is the chief reason of the overall increase in the gross profit percentage. Total prize expense as a percentage of sales for all Lottery products slightly decreased from 65.2 percent to 65.1 percent, while scratch ticket costs and scratch vendor fee costs as a percentage of sales decreased from 1.5 percent to 1.0 percent in Fiscal Years 2025 and 2026, respectively. This decrease was mainly due to the shift in the overall sales mix from scratch sales to jackpot sales as the multi-state jackpots reached the high levels seen in Fiscal Year 2024, along with a slight decrease of unclaimed scratch prizes as a percentage of sales written off during the fiscal year.

Statements of Net Position

The Statements of Net Position present a financial snapshot of the Lottery at June 30, 2026 and 2025. 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.

Condensed Statements of Net Position

June 30, 2026, 2025, and 2024

	2026	2025	2024
Assets			
Current assets	$ 105,250,669	$ 106,270,109	$ 116,718,027
Reserved and restricted assets	7,324,462	7,843,313	8,495,893
Capital assets	8,119,595	7,040,191	9,052,579
Total assets	$ 120,694,726	$ 121,153,613	$ 134,266,499
Deferred Outflows			
Pensions	$ 1,654,212	$ 1,775,204	$ 2,341,315
Other postemployment benefits	53,126	42,991	53,406
Total deferred outflows	$ 1,707,338	$ 1,818,195	$ 2,394,721
Total assets and deferred outflow of resources	$ 122,402,064	$ 122,971,808	$ 136,661,220
Liabilities			
Current liabilities	$ 114,258,788	$ 115,894,514	$ 128,400,337
Long-term liabilities	4,426,520	2,409,799	3,314,531
Net pension liability	15,354,064	17,217,868	18,215,578
Net other postemployment benefits liability	172,319	296,219	442,670
Total liabilities	$ 134,211,691	$ 135,818,400	$ 150,373,116
Deferred Inflows			
Pensions	$ 1,954,067	$ 294,415	$ 626,837
Other postemployment benefits	217,499	219,228	229,087
Total deferred inflows	$ 2,171,566	$ 513,643	$ 855,924
Total liabilities and deferred inflow of resources	$ 136,383,257	$ 136,332,043	$ 151,229,040
Net Position			
Net Investment in Capital Assets	$ 3,994,668	$ 4,666,866	$ 5,313,955
Restricted	2,395,744	2,543,646	3,242,449
Unrestricted (deficit)	(20,371,605)	(20,570,747)	(23,124,224)
Total net position (deficit)	$ (13,981,193)	$ (13,360,235)	$ (14,567,820)

The Lottery's total assets at June 30, 2026 were nearly $120.7 million. Assets consisted primarily of cash and investments of $65.4 million, including restricted balances of nearly $2.4 million, receivables from Lottery retailers for the sales of Lottery products of nearly $42.1 million, prepaid prize expense with Multi-State Lottery Association (MUSL) of $4.9 million, and net capital assets, which includes equipment, software, leasehold improvements and right-to-use lease assets of $8.1 million.

Comparable figures for total assets at June 30, 2025 were nearly $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, 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.

The change in total assets from Fiscal Year 2025 to 2026 included an increase in receivables from Lottery retailers of nearly $2.7 million and net capital assets of nearly $1.1 million, offset by decreases in cash and bonding reserve investment of $3.6 million, and the operating reserve restricted asset of $0.2 million. As retail sales increase the amount due to the Lottery increases, thus the increase in receivables. The Lottery also exercised lease renewals in Fiscal Year 2026, increasing our right-to-use capital assets. The decrease in cash and investments can be partly attributed to the allocated interest decreasing from 3.52% to 3.34%.

Comparable figures of total assets decreased by nearly $13.1 million from Fiscal Year 2024 to Fiscal Year 2025. The decrease in total assets was primarily made up of increases in receivables from Lottery retailers of nearly $0.2 million, offset by decreases in net capital assets of $2.0 million, scratch ticket inventory of nearly $0.2 million, cash and investments of nearly $10.5 million, and restricted assets of over $0.6 million.

The Lottery's total liabilities at June 30, 2026 totaled $134.2 million, which consisted primarily of prize liability on all Lottery products of nearly $61.0 million, proceeds distributions due to recipients of $40.4 million, net pension liability of nearly $15.4 million recorded in accordance with GASB Statement No. 68, nearly $6.1 million due to Lottery vendors, lease and subscription liabilities of $4.6 million recorded in accordance with GASB Statement No. 87 and 96, over $3.8 million due to retailers for bonuses.

Comparable figures 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.

The Lottery's total liabilities at June 30, 2026 decreased by $1.6 million from June 30, 2025 chiefly due to increases of nearly $0.2 million due to MUSL, over $0.9 million due to Lottery vendors, and nearly $2.2 million in lease liability. Amounts payable to MUSL fluctuate with each drawing depending on whether or not the Colorado Lottery had a winner. Our lease liabilities increased due to lease extension being executed. These increases were offset by decreases of nearly $2.6 million in prize liability. Prize liability decreased when the Lottery ended the jackpot game Lucky 4 Life. Additionally, the Lottery wrote off several unclaimed Powerball prizes in Fiscal Year 2026 totaling $1.3 million.

Comparable figures at June 30, 2025 decreased by over $14.5 million from June 30, 2024 chiefly due to increases of over $0.2 million due to MUSL, over $0.8 million in retailer bonus liability, $1.3 million in funds available for distribution, offset by decreases of over $14.2 million in prize liability, $0.1 million in wages and benefits, nearly $1.4 million in lease and SBITA liability, $1.0 million in net pension liability, over $0.1 million due to Lottery vendors.

Following is a schedule of net position for Fiscal Years 2026 and 2025:

	2026	2025	Change
Net Investment in Capital Assets	$ 3,994,668	$ 4,666,866	$ (672,198)
Restricted - Licensed Agent Recovery Reserve	1,195,744	1,143,646	52,098
Restricted - Operating Reserve	1,200,000	1,400,000	(200,000)
Unrestricted (deficit) - Unrealized Gain (Loss) on Investments	(4,380,994)	(4,361,212)	(19,782)
Unrestricted (deficit) - Unfunded Pension Liability	(15,653,919)	(15,737,079)	83,160
Unrestricted (deficit) - Other Postemployment Benefits Liability	(336,692)	(472,456)	135,764
Total net position (deficit)	$ (13,981,193)	$ (13,360,235)	$ (620,958)

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.

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

	2025	2024	Change
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 (deficit) - Unrealized Gain (Loss) on Investments	(4,361,212)	(6,004,773)	1,643,561
Unrestricted (deficit) - Unfunded Pension Liability	(15,737,079)	(16,501,100)	764,021
Unrestricted (deficit) - Other Postemployment Benefits Liability	(472,456)	(618,351)	145,895
Total net position (deficit)	$ (13,360,235)	$ (14,567,820)	$ 1,207,585

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

	2026	2025	2024
Total Net Position (deficit)	$ (13,981,193)	$ (13,360,235)	$ (14,567,820)
Add back Unrestricted - Unfunded Pension Liability	15,653,919	15,737,079	16,501,100
Add back Unrestricted - Unfunded Other Postemployment Benefits Liability	336,692	472,456	618,351
Net position excluding pension and OPEB effect	$ 2,009,418	$ 2,849,300	$ 2,551,631

The Lottery's net position excluding the effects of GASB 68 and GASB 75 decreased by over $0.8 million from June 30, 2025 to June 30, 2026 and increased by nearly $0.3 million from June 30, 2024 to June 30, 2025. The decrease from June 30, 2025 to June 30, 2026 was mainly due to the slight increase in the bonding reserve of over $50 thousand, offset by the $0.6 million decrease in the investment in capital asset and the $0.2 million decrease in operating reserve. 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.

Statements of Revenues, Expenses and Changes in Net Position

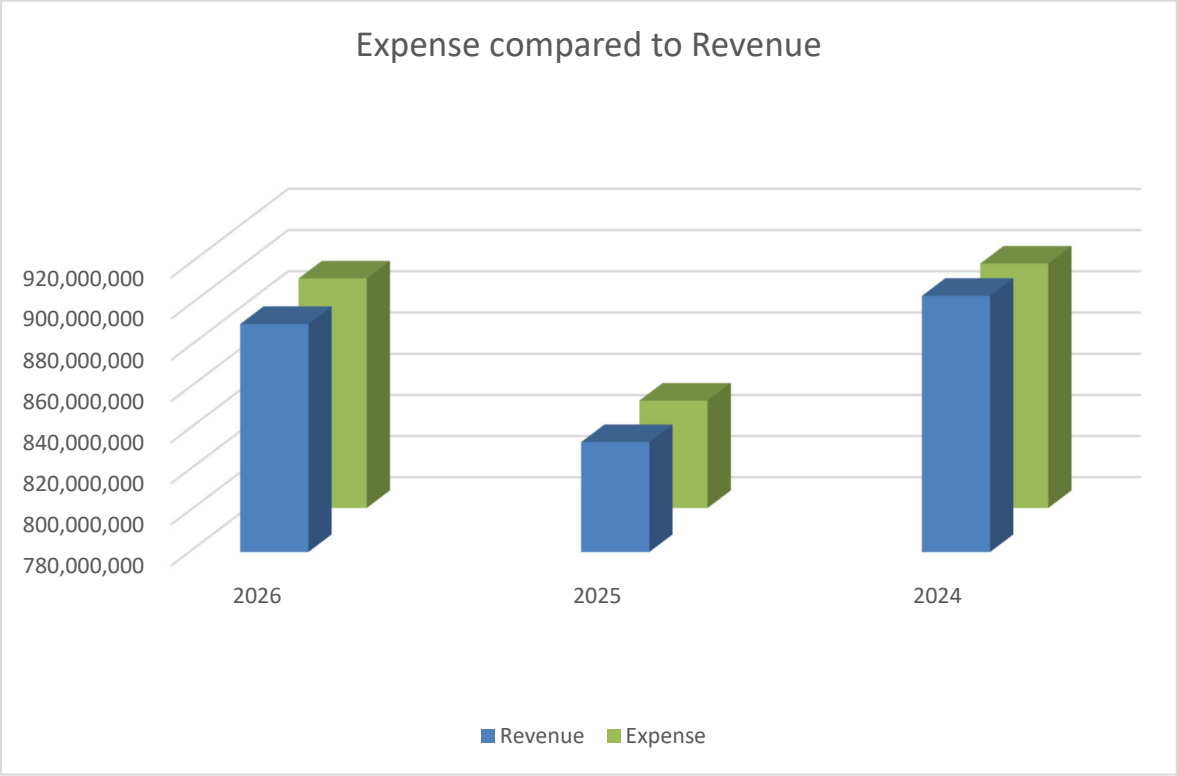
The Statements of Revenues, Expenses and Changes in Net Position present the financial activity of the Lottery over the fiscal year. The focus is on operating revenues and expenses that have a significant effect on the distributions paid to the proceeds recipients.

Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2026, 2025, and 2024

	2026	2025	2024*
Operating Revenues	$ 888,118,299	$ 828,705,660	$ 900,756,363
Direct Operating Expenses	-	-	671,807,083
Operating Expenses	710,064,047	662,456,501	671,807,083
Gross Profit on Sale of Tickets	178,054,252	166,249,159	228,949,280
Other Operating Expenses			
Marketing and communications	-	-	14,773,730
Wages and benefits	-	-	9,082,969
Other operating expenses	-	-	6,665,359
Total Other Operating Expenses	-	-	30,522,058
Other Operating Revenue	-	-	483,330
Total Operating Income	178,054,252	166,249,159	198,910,552
Operating Income	178,054,252	166,249,159	228,949,280
Nonoperating Revenue/(Loss)			
Investment Income/Loss	-	-	3,272,723
Proceeds distributions	-	-	(196,388,272)
Total Nonoperating Expenses	-	-	(193,115,549)
Noncapital Subsidy			
Proceeds distributions	(181,424,926)	(169,809,532)	-
Other Nonoperating Revenue	2,749,716	4,767,958	-
Net Income	178,054,252	166,249,159	5,795,003
Net Position, Beginning of Year	(13,360,235)	(14,567,820)	(20,362,823)
Net Change in Net Position	(620,958)	1,207,585	5,795,003
Net Position, End of Year	$ (13,981,193)	$ (13,360,235)	$ (14,567,820)

*Amounts have not been reclassified to conform with implementation of GASB Statement. No. 103.

Fiscal years ended June 30, 2026 and 2025 reflect the implementation of GASB Statement No. 103, Financial Reporting Model Improvements; while fiscal year ended June 30, 2024 does not and therefore is not comparable in this table.



Detailed Analyses

Sales Activities

Ticket sales can be split into two categories, sales from jackpot games and sales from scratch tickets. When large, multi-state jackpot games have jackpots in excess of $800 million, player engagement picks up and ticket sales increase. In Fiscal Year 2026, we had three jackpots over $800 million in comparison to two in Fiscal Year 2025. In addition, the Lottery phased out jackpot game Lucky For Life and introduced Millionaire For Life. The change in these jackpot games resulted in an increase of $3.6 million in revenue in Millionaire For Life for Fiscal Year 2026 compared to Lucky For Life in Fiscal Year 2025. These factors combined to create jackpot game Lottery sales of $274.3 million, up $46.1 million from the previous fiscal year.

Revenues from the sales of jackpot games Lottery products were down from Fiscal Year 2025 to Fiscal Year 2024. Fiscal Year 2024 had six jackpots in excess of $800 million compared to the two in Fiscal Year 2025 therefore jackpot sales were down $83.9 million.

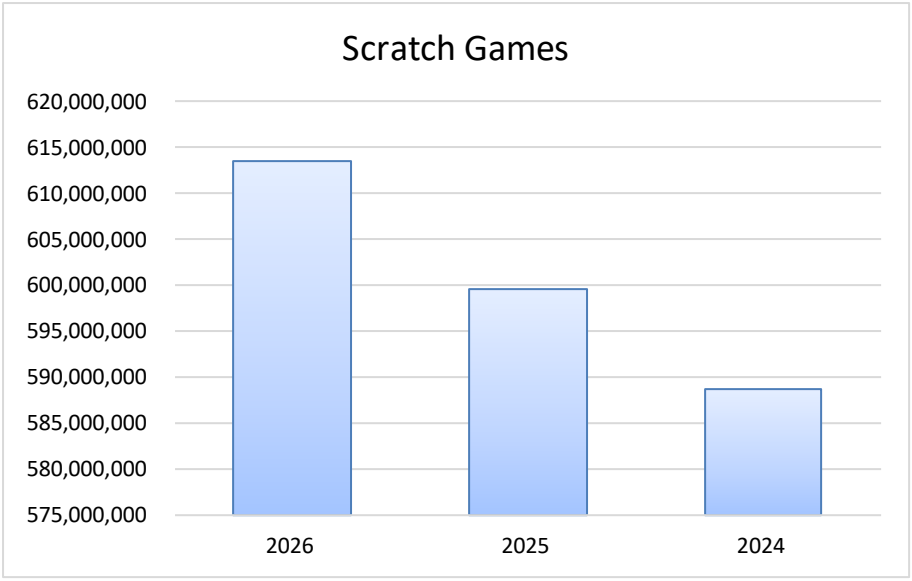
While Scratch game sales proved challenging for many lotteries in the U.S., the Colorado Lottery experienced modest growth in the Scratch category in 2026. Scratch sales saw a decline of approximately $0.5 billion from Fiscal Year 2025 to Fiscal Year 2026 nationally (-0.5%), but the Colorado Lottery grew its Scratch sales by 2.2% in Fiscal Year 2026, ranking 7th among all U.S. lotteries in Scratch sales growth. Scratch sales set the all-time record high at $613.5 million, a rise from the previous fiscal year's sales of nearly $599.7 million. This represented a nearly $13.9 million or 2.3 percent increase from the scratch sales in Fiscal Year 2025. 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 $10, $20 and $50 price points saw the year-over-year increases, while the $5, $3 and $2 price points saw the largest year-over-year decline in sales from Fiscal Year 2025. The Lottery's scratch team does extensive market research prior to game launch to create popular and engaging scratch games. In Fiscal Year 2026, such games as Orange Cash, a scratch game we partnered with the Denver Broncos to develop, and National Lampoon's Christmas Vacation, helped to drive scratch sales to their all-time high.

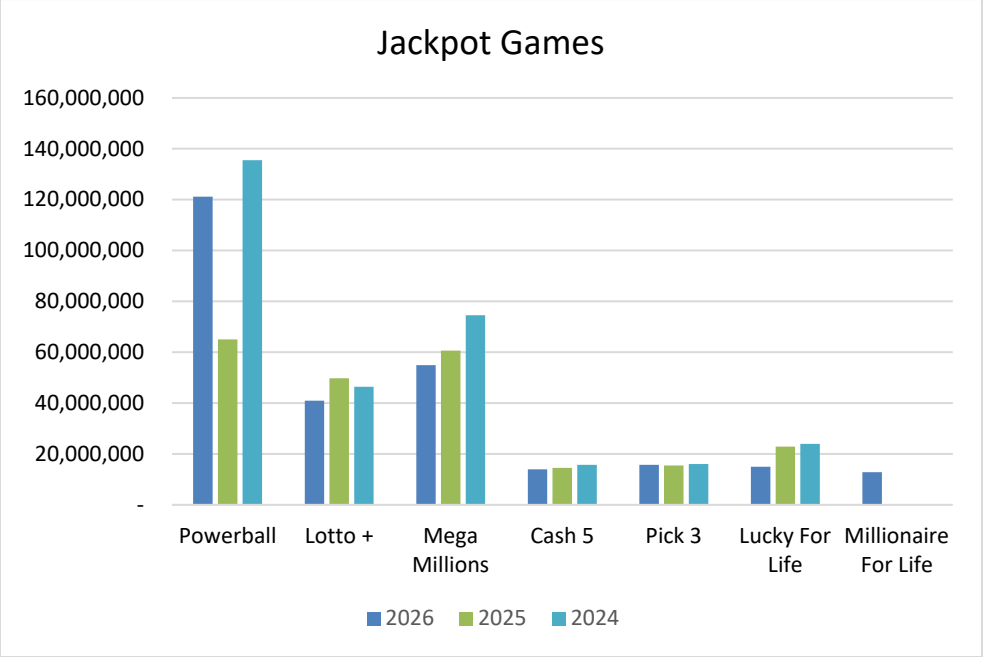
Fiscal Year 2025 scratch sales were at nearly $599.7 million, a rise from the previous fiscal year's sales of $588.6 million. This represented a $11.0 million or a 1.2 percent increase from the scratch sales in Fiscal Year 2024.

The following tables and charts compare Lottery product sales between fiscal years.

Product Sales	2026	2025	Difference
Scratch	$ 613,527,126	$ 599,670,979	$ 13,856,147
Powerball/PP/DP	121,118,577	65,003,601	56,114,976
Lotto +	40,924,935	49,746,851	(8,821,916)
Mega Millions	54,898,802	60,631,732	(5,732,930)
Cash 5	12,051,241	12,567,339	(516,098)
Cash 5 EZ Match	1,900,265	1,937,607	(37,342)
Pick 3	15,704,421	15,442,900	261,521
Lucky For Life	14,925,816	22,858,710	(7,932,894)
Millionaire For Life	12,800,810	-	12,800,810
Total	$ 887,851,993	$ 827,859,719	$ 59,992,274

Product Sales	2025	2024	Difference
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	$ 827,859,719	$ 900,756,363	$ (72,896,644)





Powerball includes Power Play and Double Power Play. Cash 5 includes Cash 5 EZ.

Other Operating Revenues

Other operating revenues mainly represent the net change in the bonding reserve, 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.

Investment Income

Investment income, recorded on the Statement of Revenue, Expense and Changes in Net Position with Nonoperating Revenue (Expense), for the years ended June 30, 2026 and June 30, 2025 totaled $2.7 million and nearly $4.8 million, respectively. A decrease of nearly $2.1 million in the Lottery's share of unrealized gains on investments held by the Treasury.

Investment income for the years ended June 30, 2025 and June 30, 2024 totaled $4.8 million and nearly $3.3 million, respectively. An increase of nearly $2.1 million in the Lottery's share of unrealized gains on investments held by the Treasury.

Major Expenses

The Lottery incurred nearly $674.2 million or 95.0 percent of its total expenses of nearly $710.1 million for Fiscal Year ended June 30, 2026 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. Game-related expenses increase and decrease in line with ticket sales. Since ticket sales increased in Fiscal Year 2026, game-related expenses increased as well. Of the $674.2 million spent in Fiscal Year 2026 for the direct support of the Lottery games, over $578.0 million was for prize expense associated with those games. In comparison, the Lottery incurred $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. 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.

The following chart illustrates total prize expenses for Fiscal Year 2026 relative to other game related expenses.



Total prize expense in Fiscal Year 2026 increased nearly $38.4 million from Fiscal Year 2025. This increase was tied to the overall increase of sales of nearly $60.0 million recorded in Fiscal Year 2026.

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. As a percentage of sales, the overall game-related expenses other than prize expense decreased to 10.8 percent in Fiscal Year 2026 from 11.1 percent in Fiscal Year 2025. This decrease was mainly due to the decrease in bonuses earned and due to retailers and the decrease of the cost of tickets, offset by increases in the additional charges for the contracted scratch ticket services and vendor fees to Brightstar Lottery and Scientific Games.

Following are tables comparing the game-related expenses between Fiscal Years 2026 and 2025:

Game-Related Expenses	2026	% of Sales	2025	% of Sales	Difference	Change in % of Sales
Prize Expense						
Scratch	$ 441,452,302	72.0 %	$ 425,773,084	71.0 %	$ 15,679,218	1.0 %
Powerball/PP/DP	58,483,721	48.3	27,645,022	42.5	30,838,699	5.8
Lotto +	24,531,287	59.9	28,188,294	56.7	(3,657,007)	3.2
Mega Millions	26,824,089	48.9	29,402,245	48.5	(2,578,156)	0.4
Cash 5	6,258,033	51.9	6,864,077	54.6	(606,044)	(2.7)
Cash 5 EZ Match	1,090,705	57.4	1,124,454	58.0	(33,749)	(0.6)
Pick 3	7,694,446	49.0	7,318,719	47.4	375,727	1.6
Lucky For Life	4,640,582	31.1	13,302,516	58.2	(8,661,934)	(27.1)
Millionaire For Life	7,040,708	55.0	-	-	7,040,708	55.0
Total prize expense	578,015,873	65.1	539,618,411	65.2	38,397,462	(0.1)
Retailer compensation						
Commissions	59,310,435	6.7	55,596,818	6.7	3,713,617	-
Bonuses	8,192,920	0.9	8,329,233	1.0	(136,313)	(0.1)
Ticket costs	8,770,775	1.0	12,748,985	1.5	(3,978,210)	(0.5)
Vendor fees	19,923,997	2.2	14,961,626	1.8	4,962,371	0.4
Total direct operating expense	$ 674,214,000	75.9 %	$ 631,255,073	76.3 %	$ 42,958,927	(0.4) %

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

Game-Related Expenses	2025	% of Sales	2024	% of Sales	Difference	Change in % of Sales
Prize Expense						
Scratch	$ 425,773,084	71.0 %	$ 419,177,428	71.2 %	$ 6,595,656	(0.2) %
Powerball/PP/DP	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 game related expenses	$ 631,255,073	76.3 %	$ 671,807,083	74.9 %	$ (40,552,010)	1.4 %

Non game-related expenses totaled nearly $35.9 million in Fiscal Year 2026 compared to $31.2 million in Fiscal Year 2025, a $4.7 million or nearly 15.2 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.

Distributions to the Proceeds Recipients

Under provisions of the Colorado Revised Statutes, the Lottery's proceeds are distributed to the Great Outdoors Colorado Trust Fund, The Conservation Trust Fund and the Division of Parks and Outdoor Recreation. The Lottery's distribution for Fiscal Year 2026 totaled $181.4 million.

This represented an increase of $11.6 million or 6.8 percent over the Fiscal Year 2025 proceeds amount of $169.8 million. Like game-related expenses, distributions move in line with revenue, therefore the increase in Fiscal Year 2026 revenue resulted in an increase in distributions.

Significant Capital Asset and Long-Term Financing Activity

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, 2026, 2025, and 2024 amounted to over $8.1 million, $7.0 million, and $9.0 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 nearly $1.1 million net increase in capital assets from Fiscal Year 2025 to Fiscal Year 2026 was due to extensions in right-to-use building leases and new equipment. The Lottery's right-to-use assets include the leases of the Lottery's offices and warehouse space. Right-to-use assets increased by nearly $2.6 million from Fiscal Year 2025 to Fiscal Year 2026 due to the extension of the Lottery headquarters building, the Pueblo warehouse, the Denver warehouse and the Fort Collins building contracts. Capital assets decreased by $2.0 million from Fiscal Year 2024 to Fiscal Year 2025 chiefly due to the disposal of $0.4 million of depreciable capital assets and $1.6 million in depreciation of current capital assets. The Lottery did not enter into any other long-term financing in either Fiscal Year 2026 or 2025.

Capital, Lease, and Subscription Assets as of June 30, 2026, 2025, and 2024

	2026	2025	2024
Capital Assets, Leases, and Subscription Assets			
Equipment	$ 5,834,712	$ 5,793,594	$ 6,212,330
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	7,308,418	4,715,074	4,715,074
Right-To-Use SBITA	449,784	449,784	428,275
Less: Accumulated Depreciation and Amortization	(8,143,799)	(6,588,741)	(4,973,580)
Net capital assets	$ 8,119,595	$ 7,040,191	$ 9,052,579

Current Known Facts, Decisions or Conditions

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.

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 1982, the Lottery has proudly contributed over $4.6 billion into initiatives preserving and enhancing Colorado's natural beauty, in all 64 Colorado counties. This commitment translates into approximately 20 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 2027, 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 2027, targeting $901,246,000. This represents a 2.5% increase over the Fiscal Year 2026 initial forecast of $879,461,000 and the first time the Lottery has set a goal above $900 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.

The financial health of the Colorado Lottery is closely- 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.

Looking ahead to Fiscal Year 2027, the Scratch games sales goal is set just north of $629 million, which would break the Scratch sales record for the Colorado Lottery set in Fiscal Year 2026. 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 2026 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 2027, including partnerships with Colorado's beloved Denver Broncos, as well as compelling licensed properties National Lampoon's Christmas Vacation, Loteria, Pac-Man and Monopoly.

- **Enhanced Retailer Recruitment and Retailer Optimization:** In partnership with our vendor Scientific Games, efforts to expand the Lottery's retail footprint across the State have seen great success, ensuring greater accessibility for players across the State. Additionally, tools such as Scientific Games SciQ units and digital menu boards are being deployed on a greater scale.

- **Further Deployment of Larger Vending Machines:** Additional touch screen vending machines are currently being deployed across our retailer network, enhancing convenience and visibility.

- **Additional Higher-Price Point Games:** The Lottery will launch a fourth $50 game as well as options at the $20 price point, giving our players varied and compelling value propositions at the higher price-point.

The Jackpot games sales goal for Fiscal Year 2027 is $271,548,000. While large $1 billion+ jackpots can 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 2027 takes into account only a long-term average of these giant jackpots, as they are completely random and impossible to predict. With years of studying player behavior under our belts, both locally in Colorado and nationally, we know that many players of the multi-state games Powerball and Mega Millions wait until the jackpots grow in excess of $1 billion before they decide to play. To capitalize on periods of heightened jackpot excitement, the Lottery will continue to successfully implement "trigger" advertising campaigns, engaging players when multi-state jackpots reach certain predetermined levels. Additionally, the Lottery plans to refresh the creative design on its many Jackpot billboards across the state, heightening awareness of growing Powerball and Mega Millions jackpots. An exception to this limitation was the launch of a new multi-state game, Millionaire for Life, in February 2026. While early results have been promising, approximately 35% higher sales than Lucky for Life, the game it replaced, the exact impact on the Lottery's growth potential is unclear. Millionaire for Life is more than double the price ($5 vs. $2), and early results point to sensitivity to the $5 price point. The Lottery is optimistic that the player base of Lucky For Life will ultimately embrace the new Millionaire for Life, with its more compelling top prize of $1 million per year for life.

In Fiscal Year 2027, the Lottery will continue to prioritize the adoption of industry best practices. Its strategic partnerships with leading vendors, Brightstar (formerly 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 2027 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 and prediction markets, 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 2027 through strategic planning, innovative product offerings, and dedicated operational execution.

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Colorado Lottery

Statements of Net Position

June 30, 2026 and 2025

	2026	2025
ASSETS		
Current Assets:		
Cash and Investments	$ 63,025,931	$ 66,685,654
Accounts Receivable, net of the allowance for doubtful accounts of $253,546 in 2026 and $199,697 in 2025	42,080,360	39,410,903
Consignment Inventory, at Cost	-	711
Warehouse Inventory, at Cost	65,598	104,585
Prepaid Expenses	78,780	68,256
Total Current Assets	105,250,669	106,270,109
Reserved and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	1,195,744	1,143,646
Prepaid Prize Expense with MUSL	4,928,718	5,299,667
Total Reserved and Restricted Assets	7,324,462	7,843,313
Capital Assets:		
Equipment	5,834,712	5,793,594
Right-To-Use Equipment	2,484,541	2,484,541
Leasehold Improvements	185,939	185,939
Right-To-Use Buildings	7,308,418	4,715,074
Right-To-Use Subscription Based IT Arrangements	449,784	449,784
Less Accumulated Depreciation and Amortization	(8,143,799)	(6,588,741)
Total Capital Assets	8,119,595	7,040,191
TOTAL ASSETS	120,694,726	121,153,613
DEFERRED OUTFLOWS		
Pensions	1,654,212	1,775,204
Other Postemployment Benefits	53,126	42,991
TOTAL DEFERRED OUTFLOWS	1,707,338	1,818,195
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 122,402,064	$ 122,971,808

Colorado Lottery

Statements of Net Position

June 30, 2026 and 2025

	2026	2025
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 6,070,143	$ 5,144,981
Prize Liability	60,983,809	63,579,694
Payable to MUSL	1,126,612	937,282
Accrued Annual and Sick Leave	13,653	56,349
Wages and Benefits	991,483	944,835
Retailer Bonus Liability	3,844,618	3,896,611
Lease Liability	810,488	785,134
Subscription Based IT Arrangements Liability	-	21,509
Funds Available for Distribution	40,417,982	40,528,119
Total Current Liabilities	114,258,788	115,894,514
Long-Term Liabilities:		
Accrued Annual and Sick Leave	681,010	831,549
Expired Warrants Liability	-	29
Lease Liability	3,745,510	1,578,221
Net Pension Liability	15,354,064	17,217,868
Other Postemployment Benefits Liability	172,319	296,219
Total Long-Term Liabilities	19,952,903	19,923,886
TOTAL LIABILITIES	134,211,691	135,818,400
DEFERRED INFLOWS		
Pensions	1,954,067	294,415
Other Postemployment Benefits	217,499	219,228
TOTAL DEFERRED INFLOWS	2,171,566	513,643
NET POSITION		
Net Investment in Capital Assets	3,994,668	4,666,866
Restricted-Licensed Agent Recovery Reserve	1,195,744	1,143,646
Restricted-Operating Reserve	1,200,000	1,400,000
Unrestricted (deficit)	(20,371,605)	(20,570,747)
TOTAL NET POSITION (DEFICIT)	(13,981,193)	(13,360,235)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 122,402,064	$ 122,971,808

See Notes to Financial Statements

Colorado Lottery

Statements of Revenues, Expenses and Changes in Fund Net Position

For the Years Ended June 30, 2026 and 2025

	2026	2025
OPERATING REVENUES		
Gross ticket sales	$ 887,851,993	$ 827,859,719
License, permits and fees	62,496	57,960
Other operating revenue	203,810	787,981
Total operating revenues	888,118,299	828,705,660
OPERATING EXPENSES		
Prizes and awards	578,015,873	539,618,411
Salaries and fringe benefits	11,898,572	10,658,821
Depreciation and amortization	1,555,057	2,088,617
Cost of tickets and vendor fees	28,694,772	27,710,611
Retailer commissions and bonuses	67,503,355	63,926,051
Marketing and communications	16,447,287	13,175,238
Other	5,949,131	5,278,752
Total operating expenses	710,064,047	662,456,501
Operating income	178,054,252	166,249,159
NONCAPITAL SUBSIDIES		
Proceeds distributions	(181,424,926)	(169,809,532)
Total Noncapital Subsidies	(181,424,926)	(169,809,532)
Total operating loss and noncapital subsidies	(3,370,674)	(3,560,373)
OTHER NONOPERATING REVENUE (EXPENSE)		
Investment income	2,749,716	4,767,958
Total Other Nonoperating Revenues (Expenses)	2,749,716	4,767,958
(Decrease) Increase in fund net position	(620,958)	1,207,585
FUND NET POSITION (DEFICIT) - BEGINNING OF YEAR	(13,360,235)	(14,567,820)
FUND NET POSITION (DEFICIT) - END OF YEAR	$ (13,981,193)	$ (13,360,235)

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Colorado Lottery

Statements of Cash Flows

For the Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities		
Cash received from retailers	$ 886,152,387	$ 828,643,153
Cash paid in prizes	(580,422,428)	(555,595,589)
Cash paid in retailer commissions	(59,310,435)	(55,596,818)
Cash payments to suppliers	(50,340,853)	(44,176,961)
Cash payments to employees for services	(12,264,083)	(11,718,688)
Cash paid in retailer bonus	(8,244,913)	(7,501,197)
Net cash provided by operating activities	175,569,675	154,053,900
Cash Flows from Noncapital Financing Activities		
Distribution of net proceeds	(181,535,063)	(168,494,072)
Net cash used by noncapital financing activities	(181,535,063)	(168,494,072)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(41,118)	(54,720)
Principal paid on lease liability	(400,700)	(1,265,360)
Principal paid on subscription liability	(21,509)	(107,069)
Interest paid on lease liability	(128,613)	(55,609)
Interest paid on subscription liability	(13)	(259)
Net cash used by capital and related financing activities	(591,953)	(1,483,017)
Cash Flows from Investing Activities		
Interest received	2,769,498	3,124,397
Increase (decrease) from realized gain (loss) on investments	(19,782)	1,643,561
Net cash provided by investing activities	2,749,716	4,767,958
Increase (Decrease) in Cash and Investments	(3,807,625)	(11,155,231)
Cash and Investments, Beginning of Year (including $2,543,646 and $3,242,449 in restricted accounts for 2026 and 2025, respectively)	69,229,300	80,384,531
Cash and Investments, End of Year (including $2,395,744 and $2,543,646 in restricted accounts for 2026 and 2025, respectively)	$ 65,421,675	$ 69,229,300

Colorado Lottery

Statements of Cash Flows

For the Years Ended June 30, 2026 and 2025

	2026	2025
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 178,054,252	$ 166,249,159
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and Amortization	1,555,057	2,088,617
Pension related deferred outflows of resources	120,992	566,111
Pension related deferred inflows of resources	1,659,652	(332,414)
Net pension liability	(1,863,804)	(997,710)
OPEB related deferred outflows of resources	(10,135)	10,415
OPEB related deferred inflows of resources	(1,729)	(9,858)
Net OPEB liability	(123,900)	(146,451)
Interest expense	128,626	55,867
Change in:		
Accounts Receivable	(2,669,457)	(181,597)
Warehouse and Consignment Inventory	39,698	174,565
Prepaid Expenses	(10,524)	(1,478)
Prepaid Prize Expense with MUSL	370,949	(46,223)
Liabilities (excluding funds available for distribution)	(1,680,002)	(13,375,103)
Net cash provided by operating activities	$ 175,569,675	$ 154,053,900
Reconciliation of Cash and Investments		
Cash and investments	$ 63,025,931	$ 66,685,654
Restricted cash and investments- Licensed Agent Recovery Reserve	1,195,744	1,143,646
Restricted cash and investments- Operating Reserve	1,200,000	1,400,000
Cash and Investments, End of Year	$ 65,421,675	$ 69,229,300

	2026	2025
Supplementary Information - Noncash Transactions:		
Disposal of capital assets	-	473,456
Acquisition of lease assets	2,593,344	-
Acquisition of subscription assets	-	21,509

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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, Lucky for Life and Millionaire 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, 2026 and 2025. 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.

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.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Lucky for Life and Millionaire 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.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $253,546 and $199,697 as of June 30, 2026 and 2025, respectively.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Warehouse Inventory

Warehouse inventory represents unsold scratch tickets in possession of the Lottery that were produced and delivered 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.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $24,827 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 2026. At fiscal year-end, a deficit of $410,926 existed between the total set prize and grand prize reserve requirements of nearly $2.8 million and the amount held by MUSL. During Fiscal Year 2025, 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.

During Fiscal Year 2026, a total of $70,752 was added to the Mega Millions Prize Reserve to cover the payment of low-tier prizes, decreasing the game's prize expense. No amount was paid to or refunded by MUSL during Fiscal Year 2026 to meet the reserve balance requirement as determined by MUSL. At fiscal year-end, a deficit of $54,479 in funds existed between the total reserve requirement of $2.6 million and the amount held by MUSL. 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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Lottery leases office and warehouse space at multiple locations. 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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2025 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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2026 and 2025 of $991,483 and $944,835, 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 65.1% and 65.2% of ticket sales of all Lottery products paid as prizes in Fiscal Years 2026 and 2025, 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).

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2026 and 2025 was $60,983,809 and $63,579,694, respectively.

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 $8,982,010 for Fiscal Year ended June 30, 2026 and $9,577,195 for Fiscal Year ended June 30, 2025.

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.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $5,226,979 for Fiscal Year ended 2026 and $6,780,581 for Fiscal Year ended 2025.

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 2026 and 2025 is recorded as a reduction of bonus expense.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2026, and June 30, 2025, the Lottery had restricted $1,195,744 and $1,143,646, 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 restrict “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 2026 and January 2025. As of June 30, 2026, and June 30, 2025, the Lottery had reported $1,200,000 and $1,400,000, respectively.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2022, the Lottery Commission approved a balance in net position "equal to the net value of Lottery's capital assets". As of June 30, 2026 and 2025, the Lottery reported $3,994,668 and $4,666,866, respectively.

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. Liabilities are recognized for these unused leave balances that are for services previously rendered and are more likely than not to be used for time off or otherwise paid in cash or settle through noncash means.

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 $632 and $12,222 were awarded in Fiscal Years ended June 30, 2026 and 2025, respectively. These costs were included in Marketing and Communications expense in the Statements of Revenues, Expenses and Changes in Fund Net Position.

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, 2026 and 2025, scratch and jackpot tickets with a total face value of $166,810 and $168,687, 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, 2026, free promotional tickets from a variety of jackpot games with a total face value of $184,586 were given away with several different buy x qualifiers. 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.

Scratch and jackpot game tickets and promotions are valued at cost. For the Fiscal Years ended June 30, 2026 and 2025, $235,342 and $109,530, 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.

New Accounting Standards

Effective July 1, 2024, the Lottery adopted Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements and GASB Statement No. 104, Disclosure of Certain Capital Assets. Statement No. 103 establishes new accounting and financial reporting requirements for the management discussion and analysis, defines operating and nonoperating revenues and expenses and results in certain other changes to financial reporting. GASB Statement No. 104 clarifies disclosure of certain capital assets. GASB

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 103 does not alter the measurement focus, basis of accounting, or beginning net position, but it materially changes financial statement presentation, classifications, and disclosures. It specifically defines what qualifies as nonoperating and treats everything else as operating, and adds a new subtotal for operating income and noncapital subsidies. Additionally, GASB 103 redesigned the Management Discussion and Analysis down from eight sections to five strict categories in a mandated order, reducing redundancy. GASB Statement No. 104 did not materially impact financial reporting and did not impact beginning net position.

Operating and Nonoperating Revenue and Expenses

Effective July 1, 2024, the Lottery adopted Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. GASB 103 defines operating revenues and expenses as all revenues and expenses other than those specifically defined as nonoperating. The Lottery's operating revenues include ticket sales, licensing, and bonding fees. Operating expenses include prizes and awards, personnel costs, retailer commissions and bonuses, depreciation and amortization, and other related expenses. Under GASB 103, nonoperating revenues and expenses include expenses related to lease activities and investment income. Noncapital subsidies, includes distributions, and are reported separately after operating income. The Lottery distributed noncapital subsidies of $181,424,926 during the fiscal year, resulting in a loss before nonoperating revenues and expenses of $3,370,674. During the year ended June 30, 2026, nonoperating revenues and expenses consisted of investment income of $2,749,716.

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, 2026 and 2025 is as follows:

	2026	2025
Petty cash	$ 1,200	$ 1,200
Imprest account - Front Counters	78,000	78,000
Imprest account	195,000	195,000
Depository accounts	250,000	1,873,941
Cash on deposit with State Treasurer	62,501,731	64,537,513
Total unrestricted cash and investments	63,025,931	66,685,654
Restricted cash and investments - Licensed Agent		
Recovery Reserve Receipts on deposit with State Treasurer	1,195,744	1,143,646
Operating Reserve on deposit with State Treasurer	1,200,000	1,400,000
Total restricted cash and investments	2,395,744	2,543,646
Total cash and investments	$ 65,421,675	$ 69,229,300

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 2026 and 2025 was 3.34% and 3.52%, respectively.

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, 2026, the Lottery had cash on deposit with the State Treasurer of $69,278,469, which represented approximately 0.45 percent of the total $14,212.8 million fair value of deposits in the State Treasurer's Pool (Pool). 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 Pool. As of June 30, 2026, the Pool's resources included $37.0 million of cash on hand and $14,175.8 million of investments. As of June 30, 2025, the Pool's resources included nearly $39.1 million of cash on hand and $15,879.1 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, 2026.

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.

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.

NOTE 3 – SCHEDULE OF CHANGES IN CAPITAL, LEASE, AND SUBSCRIPTION ASSETS

	July 1, 2025	Increases	Decreases	June 30, 2026
Capital assets being depreciated and amortized:				
Equipment and software	$ 5,793,594	$ 41,118	$ -	$ 5,834,712
Right-To-Use Equipment	2,484,541	-	-	2,484,541
Right-To-Use Buildings	4,715,074	2,593,344	-	7,308,418
Right-To-Use subscription asset	449,784	-	-	449,784
Leasehold improvements	185,939	-	-	185,939
Total historical costs	13,628,932	2,634,462	-	16,263,394
Less accumulated depreciation for equipment and software	(1,199,464)	(689,071)	-	(1,888,535)
Less accumulated depreciation for leasehold improvements	(113,202)	(24,246)	-	(137,448)
Less accumulated depreciation for for Right-To-Use Equipment	(2,484,541)	-	-	(2,484,541)
Less accumulated depreciation for for Right-To-Use Buildings	(2,363,259)	(820,232)	-	(3,183,491)
Less accumulated amortization for Right-To-Use subscription asset	(428,275)	(21,509)	-	(449,784)
Total accumulated depreciation and amortization	(6,588,741)	(1,555,058)	-	(8,143,799)
Total capital assets, being depreciated and amortized, net	$ 7,040,191	$ 1,079,404	$ -	$ 8,119,595

	July 1, 2024	Increases	Decreases	June 30, 2025
Capital assets being depreciated and amortized:				
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 subscription asset	428,275	21,509	-	449,784
Leasehold improvements	185,939	-	-	185,939
Total historical costs	14,026,159	76,229	(473,456)	13,628,932
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 for Right-To-Use Equipment	(1,987,633)	(496,908)	-	(2,484,541)
Less accumulated depreciation for for Right-To-Use Buildings	(1,580,427)	(782,832)	-	(2,363,259)
Less accumulated amortization for Right-To-Use subscription asset	(321,206)	(107,069)	-	(428,275)
Total accumulated depreciation and amortization	(4,973,580)	(2,088,617)	473,456	(6,588,741)
Total capital assets, being depreciated and amortized, net	$ 9,052,579	$ (2,012,388)	$ -	$ 7,040,191

NOTE 4 – LONG-TERM DEBT

A schedule of Long-Term Debt (including the current portion) for the Fiscal Years ended June 30, 2026 and 2025 follows:

	July 1, 2025	Increases	Decreases	June 30, 2026	June 30, 2026 Current Portion
Accrued Annual and Sick Leave	$ 887,898	$ -	$ (193,235) *	$ 694,663	$ 13,653
Expired Warrants	29	-	(29)	-	-
Leases	2,363,355	2,593,343	(400,700)	4,555,998	810,488
Subscriptions liability	21,509	-	(21,509)	-	-
Total Long Term Debt	$ 3,272,791	$ 2,593,343	$ (615,473)	$ 5,250,661	$ 824,141

	July 1, 2024	Increases	Decreases	June 30, 2025	June 30, 2025 Current Portion
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	107,068	21,509	(107,068)	21,509	21,509
Total Long Term Debt	$ 4,672,246	$ 21,509	$ (1,420,964)	$ 3,272,791	$ 862,992

* Accrued annual and sick leave are shown 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 12 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, 2026 and 2025 is approximately $4.6 million and $2.4 million, respectively. The total lease liability for equipment is approximately $0 and $0.5 million for the years ended June 30, 2026 and 2025, respectively. There are no significant residual payments excluded from the measurement of the lease liability.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

There are no outflows of resources for the payment of variable payments not included in the measurement of the lease liability.

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, 2031. 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, 2031 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, 2031.

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, 2031.

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. The Lottery entered into a new contract effective July 13, 2025 whereby there is no longer a subscription asset associated with the use of the software.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

	Pueblo Headquarters	
Fiscal Year	**Principal**	**Interest**
2027	$ 376,752	$ 55,950
2028	401,180	44,824
2029	427,158	32,735
2030	453,975	20,001
2031	482,172	6,472

	Pueblo Warehouse	
Fiscal Year	**Principal**	**Interest**
2027	$ 258,324	$ 38,145
2028	275,329	30,561
2029	292,990	22,318
2030	311,382	13,638
2031	330,907	4,414

	Denver Warehouse	
Fiscal Year	**Principal**	**Interest**
2027	$ 124,709	$ 3,493
2028	129,332	2,765
2029	134,111	1,996
2030	139,026	1,205
2031	144,084	386

	Fort Collins Office	
Fiscal Year	**Principal**	**Interest**
2027	$ 50,702	$ 1,430
2028	52,746	1,133
2029	54,847	819
2030	57,016	495
2031	59,257	159
TOTAL LEASES	$ 4,555,999	$ 282,939

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 Lottery entered into a new contract with IGT effective July 13, 2025, but the payment terms changed and there is no longer a fee associated with the use of the 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 and therefore no subscription-based IT arrangements will be recorded.

There were no new SBITAs identified for the Lottery in Fiscal Year 2026.

NOTE 5 – OTHER OPERATING REVENUE

A schedule of other operating revenue for the Fiscal Years ended June 30, 2026 and 2025 follows:

	2026	2025
Fines and penalties	$ 77,873	$ 20,400
Assignment fees	-	600
Net licensed agent recovery reserve	105,949	101,201
Other	19,988	665,780
Total	$ 203,810	$ 787,981

NOTE 6 – PROCEEDS DISTRIBUTION

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 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 $88.0 million for the year ended June 30, 2026 and $86.0 million for the year ended June 30, 2025.

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

NOTE 6 – PROCEEDS DISTRIBUTION (CONTINUED)

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 beginning Fiscal Year 2024 as follows: the first $4.0 million to the Outdoor Equity Fund, the next $3.0 million to the State Public School Capital Construction Assistance Fund, the next $750,000 to the Outdoor Recreation Economic Development Fund, and any remaining amounts divided as: 20 percent to the Wildlife Cash Fund and 20 percent to the Parks and Outdoor Recreation Cash Fund. The GOCO cap was reached for Fiscal Year 2026, which resulted in spillover funds of $2,723,056. In Fiscal Year 2025, the GOCO cap was not reached and therefore no spillover funds were distributed.

In the table below, income before distributions is calculated by combining operating income and investment income.

Income available for distribution at June 30:

	2026	2025
Income before distributions	$ 180,803,968	$ 171,017,117
Changes in Net Position:		
Change in licensed agent recovery reserve	(52,098)	(101,197)
Change in fair market value of investments	19,782	(1,643,561)
Change in operating reserve	200,000	800,000
Change in investment in capital assets	672,198	647,089
Change in unfunded pension and OPEB revenue/expense	(218,924)	(909,916)
Income available for distribution	181,424,926	169,809,532
Less distributions prior to year-end	(141,006,944)	(129,281,413)
Income available for distribution	$ 40,417,982	$ 40,528,119

NOTE 6 – PROCEEDS DISTRIBUTION (CONTINUED)

	Accrued at June 30, 2025	Proceed Distribution Expenses	Distributions Paid	Accrued at June 30, 2026
Great Outdoors Colorado	$ 20,264,059	$ 87,989,409	$ (90,767,533)	$ 17,485,935
Public School Capital Construction Assistance Fund	-	-	-	-
Conservation Trust Fund	16,211,248	72,569,968	(72,614,024)	16,167,192
Division of Parks and Outdoor Recreation	4,052,812	18,142,493	(18,153,506)	4,041,799
Outdoor Equity Fund	-	2,723,056	-	2,723,056
Wildlife Cash Fund	-	-	-	-
Parks & Outdoor Recreation Cash Fund	-	-	-	-
	$ 40,528,119	$ 181,424,926	$ (181,535,063)	$ 40,417,982

	Accrued at June 30, 2024	Proceed Distribution Expenses	Distributions Paid	Accrued at June 30, 2025
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)	-
	$ 39,212,659	$ 169,809,532	$ (168,494,072)	$ 40,528,119

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.

Benefits Provided as of December 31, 2025

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

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.

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.

Contributions Provisions as of June 30, 2026

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, 2026 are summarized in the table below:

	Fiscal Year 2025		**Fiscal Year 2026**	
	CY2024	CY2025	CY2025	CY2026
	7/1/24 - 12/31/24	1/1/25 - 6/30/25	7/1/25 - 12/31/25	1/1/26 - 6/30/26
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)§ 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. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	0.21%	0.23%	0.23%	0.25%
Total employer contribution rate to the SDTF	**20.59%**	**20.61%**	**20.61%**	**20.63%**

* Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-401(42)

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 $1,836,052 and $1,776,199 for the Fiscal Years ended June 30, 2026 and 2025, 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 2025, 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 DPS Division Trust Fund. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual Direct Distribution.

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, 2025 and 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024 and 2023. Standard update procedures were used to roll-forward the total pension liability to December 31, 2025 and 2024. The Lottery's proportion of the net pension liability was based on the Lottery's contributions to the SDTF for the calendar year 2025 and 2024 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2026 and 2025, the Lottery reported a liability of $15,354,064 and $17,217,868, respectively, for its proportionate share of the net pension liability.

NOTE 7 – PENSION PLANS (CONTINUED)

At December 31, 2025, the Lottery proportion was .185688047 percent, which was an increase of .004626471 percent from its proportion of .1810615753 percent measured as of December 31, 2024.

For the Fiscal Year ended June 30, 2026, the Lottery recognized pension expense of $1,659,932 and for Fiscal Year ended June 30, 2025 the Lottery recognized pension expense of $1,770,603. At June 30, 2026 and 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year ended June 30, 2026		Year ended June 30, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 546,556	$ -	$ 505,345	$ -
Changes in assumption or other inputs	-	46,842	-	133,509
Net difference between projected and actual earnings on pension plan investments	-	1,890,228	379,255	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	275,702	16,997	52,699	160,906
Contributions subsequent to the measurement date	831,954	-	837,905	-
Total	$ 1,654,212	$ 1,954,067	$ 1,775,204	$ 294,415

NOTE 7 – PENSION PLANS (CONTINUED)

The amount of $831,954 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, 2027. 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:	
2027	$ 939,307
2028	(858,361)
2029	(726,822)
2030	(485,933)
	$ (1,131,809)

Actuarial Assumptions

The TPL in the December 31, 2024 and 2023, 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	2.70 – 13.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%

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[1]	Financed by the AIR

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

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale.

Pre-retirement mortality assumptions for members other than Safety Officers were based upon the PubG-2010 Employee Table.

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:** 90% of the rates for all ages
- **Females:** 85% of the rates prior to age 85 and 105% of the rates for ages 85 and older

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

- **Males:** 92% of the rates for all ages
- **Females:** 100% of the rates for all ages

NOTE 7 – PENSION PLANS (CONTINUED)

Disabled mortality assumptions for members other than Safety Officers were based upon the PubNS-2010 Disabled Retiree Table using 95% of the rates for all ages.

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the PERA Board on January 17, 2025.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study dated January 3, 2025.

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.

NOTE 7 – PENSION PLANS (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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for both the measurement periods of December 31, 2025 and 2024. 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%.

NOTE 7 – PENSION PLANS (CONTINUED)

- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, reflecting the prior increases as required by SB 18-200 and 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.

- As specified in law for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. Employer contributions also include current and 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.

- Calculations regarding employee and employer contribution rate increases for the State and Local Government Divisions are based on closed group projections using a blended mix of members other than Safety Officers and Safety Officers. The blend is determined by the projected payroll of the current members in each group. Because Safety Officers are expected to retire earlier, their projected payroll declines more rapidly over time, and the remaining projected payroll becomes increasingly weighted toward members other than Safety Officers. As a result, the blended contribution rate trends back toward the lower rate over time.

NOTE 7 – PENSION PLANS (CONTINUED)

- 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. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual Direct Distribution. 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 because, per statute, AIR amounts cannot be used to pay benefits until they are transferred out of AIR to the appropriate accounts for retirement and survivor benefit payments. Estimated transfers from the AIR and the related benefit payments were included in the projections.

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

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

NOTE 7 – PENSION PLANS (CONTINUED)

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 discount rate (6.25%)	Current discount rate (7.25%)	1% Increase in discount rate (8.25%)
Proportionate share of the net pension liability - December 31, 2025	$ 21,453,979	$ 15,354,064	$ 10,217,761

	1% Decrease in discount rate (6.25%)	Current discount rate (7.25%)	1% Increase in discount rate (8.25%)
Proportionate share of the net pension liability - December 31, 2024	$ 22,941,579	$ 17,217,868	$ 12,396,435

Pension Plan Fiduciary Net Position

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

NOTE 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.

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, 2025 through June 30, 2026 are summarized in the tables below:

	Fiscal Year 2025		Fiscal Year 2026	
	CY2024	CY2025	CY2025	CY2026
	7/1/24 - 12/31/24	1/1/25 - 6/30/25	7/1/25 - 12/31/25	1/1/26 - 6/30/26
Employee Contribution Rate	11.00%	11.00%	11.00%	11.00%
Employer Contribution Rate	10.15%	10.15%	10.15%	10.15%

* Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-401(42)

NOTE 8 – OTHER RETIREMENT PLANS (CONTINUED)

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

	Fiscal Year 2025		Fiscal Year 2026	
	CY2024	CY2025	CY2025	CY2026
	7/1/24 - 12/31/24	1/1/25 - 6/30/25	7/1/25 - 12/31/25	1/1/26 - 6/30/26
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 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 Supplement as specified in C.R.S. § 24-51-415	0.21%	0.23%	0.23%	0.25%
Additional statutory contribution as specified in C.R.S. § 24-51-401 and § 24-51-1505	0.25%	0.25%	0.25%	0.25%
Total employer contribution rate to the SDTF	**11.46%**	**11.48%**	**11.48%**	**11.50%**

* Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-401(42)

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $0 and $15,643, and the Lottery recognized pension expense of $0 and $14,434 for the PERA DC Plan for the Fiscal Years ended June 30, 2026 and 2025, respectively.

NOTE 8 – OTHER RETIREMENT PLANS (CONTINUED)

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.

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, 2026 and 2025, program members contributed $43,086 and $41,771, 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

NOTE 8 – OTHER RETIREMENT PLANS (CONTINUED)

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.

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, 2026 and 2025, program members contributed $99,252 and $95,494, respectively.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Plan Description

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.

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.

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.

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, 2026 and 2025 were $78,247 and $76,172, respectively.

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

At June 30, 2026, the Lottery reported a liability of $172,319 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2025, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll-forward the TOL to December 31, 2025. The Lottery's proportion of the net OPEB liability was based on the Lottery's contributions to the HCTF for the calendar year 2025 relative to the total contributions of participating employers to the HCTF.

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 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2025, the Lottery proportion was .063951641 percent, which was an increase of .002002779 percent from its proportion of .0619488614 percent measured as of December 31, 2024.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the Fiscal Years ended June 30, 2026 and 2025, the Lottery recognized OPEB credit of $53,756 and $69,723, respectively. At June 30, 2026 and 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year ended June 30, 2026		Year ended June 30, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 69,724	$ -	$ 65,340
Changes in assumption or other inputs	1,892	83,644	3,397	94,686
Net difference between projected and actual earnings on pension plan investments	-	27,522	1,004	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	12,503	36,609	40	59,202
Contributions subsequent to the measurement date	38,731	-	38,550	-
Total	$ 53,126	$ 217,499	$ 42,991	$ 219,228

The amount of $38,731 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, 2027. 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:	
2027	$ (54,346)
2028	(58,957)
2029	(40,044)
2030	(30,193)
2031	(14,553)
Thereafter	(5,011)
	$ (203,104)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The TOL in the December 31, 2024, 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	2.70% - 13.30%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.00% in 2025 gradually decreasing to 4.50% in 2035
Medicare Part A premiums	3.50% in 2025, gradually increasing to 4.5% in 2033

Each year the per capita health care costs are developed by plan option. As of the December 31, 2024, actuarial valuation, costs are based on 2025 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. MAPD premium costs are not age graded, an allowed exception under Section 3.7.7 (c) of Actuarial Standard of Practice No. 6.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	$ 4,188	$ 8,928
MAPD PPO #2	2,028	5,508
MAPD HMO (Kaiser)	2,040	7,596

The 2025 Medicare Part A premium is $518 per month.

The TOL in the December 31, 2023, 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	3.00% - 10.90%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%

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
	3.5% 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.

The 2024 Medicare Part A premium is $505 per month.

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

As of the December 31, 2024, the PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the following table:

Year	PERACare Medical Plans	Medicare Part A Premiums
2025	8.00%	3.50%
2026	7.65%	3.75%
2027	7.30%	3.75%
2028	6.95%	4.00%
2029	6.60%	4.00%
2030	6.25%	4.25%
2031	5.90%	4.25%
2032	5.55%	4.25%
2033	5.20%	4.50%
2034	4.85%	4.50%
2035+	4.50%	4.50%

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

As of December 31, 2023, the PERA benefit structure health care cost trend rates used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medical Plans[1]	MAPD PPO #21	Medicare Part A Premiums
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%	4.50%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

[1] Increase in 2024 trend rates due to the effect of the Inflation Reduction Act

Mortality assumptions used in the December 31, 2024, valuation for the Division Trust Funds as discussed below, reflect generational mortality and were applied, as applicable, in the December 31, 2024, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale. 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.

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:** 90% of the rates for all ages
- **Females:** 85% of the rates prior to age 85 and 105% of the rates for ages 85 and older

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

- **Males**: 92% of the rates for all ages
- **Females**: 100% of the rates for all ages

Disabled mortality assumptions for members other than Safety Officers were based upon the PubNS-2010 Disabled Retiree Table using 95% 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, 2024, 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 were updated to reflect costs for the 2025 plan year.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- The health care cost trend rates applicable to health plan premiums were revised to reflect the current expectation of future increases in those premiums.

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 actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the Board on January 17, 2025.

Mortality assumptions used in the December 31, 2023, valuation for the determination of the total OPEB liability for each of the Division Trust Funds, 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.

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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- **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.

- 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- 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.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

NOTE 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

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:

	1% Decrease in trend rate (6.25%)	Current trend rate (7.25%)	1% Increase in trend rate (8.25%)
Initial PERACare Medicare trend rate[1]	6.65%	7.65%	8.65%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate[1]	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Proportionate share of net OPEB liability	$ 165,156	$ 172,319	$ 180,427

[1] For the January 1, 2026, plan year

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, 2024, and the financial status of the HCTF as of the current measurement date (December 31, 2025). 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, 2025 and 2024 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. The current employer contribution rate for the HCTF is 1.02% of salary. HB26-1400, effective July 1, 2026, reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

- 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

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

Based on the above assumptions and methods, the 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 in discount rate (6.25%)	Current discount rate (7.25%)	1% Increase in discount rate (8.25%)
Proportionate share of the net OPEB liability December 31, 2025	$ 237,248	$ 172,319	$ 116,318

	1% Decrease in discount rate (6.25%)	Current discount rate (7.25%)	1% Increase in discount rate (8.25%)
Proportionate share of the net OPEB liability December 31, 2024	$ 363,021	$ 296,219	$ 238,628

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.

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, 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	$	68,244,618
Lifetime prize payments		10,132,000
Total guaranteed prize payments		$78,376,618

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 $10,132,000 as of June 30, 2026.

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

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

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 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:

Liability	Limits of Liability
General and automobile	Each person $350,000 Each occurrence $990,000

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

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.

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

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

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, 2026. Effective June 4, 2024, upon approval by the State Controller's authorized delegate, the Lottery entered into a new contract with IGT. The initial term of the contract is from the effective date through July 13, 2026, considered the implementation period. Following the implementation period, the contract term for production operations will be from July 13, 2026 through July 12, 2032, with the option to extend for periods of one year or less. Payments for the jackpot data processing contract were $18,182,588 for Fiscal Year ended June 30, 2026 and $16,156,483 for Fiscal Year ended June 30, 2025.

For scratch ticket production, the Lottery entered into new contracts with its three scratch ticket vendors beginning July 1, 2017 and ending June 30, 2025. 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 $10,907,051 for the Fiscal Year ended June 30, 2026 and $12,574,422 for Fiscal Year ended June 30, 2025.

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

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

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.

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, 2026 was $2,379,928 and is based on a percentage of sales. This amount is shown within 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, 2026, there were no excess funds held by MUSL over and above Colorado's required reserves balance of $2,790,854, and the allowed 10% surplus of $279,085.

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.

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, 2026 MUSL calculated a new required reserve balance for the Lottery of $2,603,266. The Lottery's balance in the reserve held by MUSL as of June 30, 2026 was $2,548,787, 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, 2026.

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 2025, the Lottery entered into a new contract which included new

NOTE 10 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

yearly contract maximum amounts. In Fiscal Year 2026, the current year's contract maximum amount was $16,875,000. Payments totaling $15,502,238 were made for the Fiscal Year ended June 30, 2026.

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.

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.

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

The likelihood of collecting any of the restitution from either individual is unknown. The Lottery collected $1,060 in Fiscal Year 2026 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.

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 $2,405,277 and $2,287,407 for the Fiscal Years ended June 30, 2026 and 2025, respectively.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Lottery's proportion of the net pension liability	0.1856880470%	0.1810615753%	0.1801187639%	0.1879320216%	0.1914317953%	0.1945221248%	0.2121807562%	0.2234220529%	0.2290545580%	0.2238160821%
Lottery's proportionate share of the net pension liability	$ 15,354,064	$ 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
Lottery's covered payroll	$ 8,013,220	$ 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
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	191.61%	239.89%	262.44%	317.98%	227.02%	284.08%	299.83%	370.48%	676.81%	638.37%
Plan fiduciary net position as a percentage of the total pension liability	72.61%	67.44%	64.37%	60.63%	73.05%	65.34%	62.24%	55.11%	43.20%	42.60%

Colorado Lottery

Schedule of the Colorado Lottery's Contributions

Colorado Public Employees' Retirement Association

Last 10 Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,836,052	$ 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
Contributions in relation to the contractually required contribution	(1,836,052)	(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)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lottery's covered payroll	$ 8,253,125	$ 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
Contributions as a percentage of covered payroll	22.25%	22.17%	20.41%	25.91%	20.58%	19.73%	21.63%	19.67%	18.92%	17.58%

* 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

Last 10 Calendar Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Lottery's proportion of the net OPEB liability	0.0639516411%	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	$ 172,319	$ 296,219	$ 442,670	$ 519,450	$ 567,129	$ 650,065	$ 829,761	$ 1,075,746	$ 1,066,928
Lottery's covered payroll	$ 8,013,220	$ 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	2.15%	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	7607.00%	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 nine years are shown.

Colorado Lottery

Schedule of the Colorado Lottery's Contributions

Colorado Public Employees' Retirement Association – Healthcare Trust Fund

Last 10 Fiscal Years*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 78,247	$ 76,172	$ 67,439	$ 65,649	$ 61,367	$ 62,119	$ 65,251	$ 75,412	$ 68,826
Contributions in relation to the contractually required contribution	(78,247)	(76,172)	(67,439)	(65,649)	(61,367)	(62,119)	(65,251)	(75,412)	(68,826)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lottery's covered payroll	$ 8,253,125	$ 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	0.95%	0.95%	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 nine years are shown.

Changes of pension benefit terms and actuarial assumptions:

Changes in Plan Provisions effective for the December 31, 2025 measurement period are as follows:

- Senate Bill (SB) 24-169, enacted May 24, 2024, and effective July 1, 2025, modifies the definition of "State Trooper" to include a duly sworn employee of the Division of Fire Prevention and Control in the Department of Public Safety. The bill applies the "State Trooper" member and employer contribution rates and benefit structure to eligible employees whose duties include structural or wildfire management, wildfire response, live-fire training, or wildfire leadership, as determined by the Executive Director of the Department of Public Safety.

- SB 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling $500,000,000 on or after July 1, 2025, and before October 1, 2025. These dollars are held by PERA in a custodial capacity on behalf of the State of Colorado 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 automatic adjustment provision (AAP) assessment ratio below the 98% benchmark and the alternative allocation method results in an AAP ratio that meets or exceeds the 98% benchmark.

- **Subsequent Event:** HB 26-1400, enacted June 1, 2026, and effective July 1, 2026, modifies the allocation of the direct distribution. Beginning with the direct distribution on July 1, 2026, and annually thereafter, PERA is required to allocate the direct distribution to the Division Trust Funds on an actuarial basis. HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

Change in assumptions or other input effective for the December 31, 2025 measurement period are as follows:

- There were no changes made to the actuarial methods or 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.

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.

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.

- 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.

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

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

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

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

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

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

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

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

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

Changes of OPEB benefit terms and actuarial assumptions:

There were no changes in plan provisions, terms, methods or assumptions for the December 31, 2025 measurement period for OPEB compared to the prior year.

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.

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.

- 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 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, 2026 and 2025

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026
(With Comparative Totals for the Fiscal Year Ended June 30, 2025)

			Jackpot Games								FY 2026	FY 2025
	Scratch	Scratch $50	Lotto +	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Millionaire 4 Life	Total	Scratch and Jackpot Games
TICKET SALES	$456,852,176	$156,674,950	$40,924,935	$121,118,577	$12,051,241	$1,900,265	$54,898,802	$15,704,421	$14,925,816	$12,800,810	$887,851,993	$827,859,719
PRIZE EXPENSE	($315,855,623)	($125,596,679)	($24,531,287)	($58,483,721)	($6,258,033)	($1,090,705)	($26,824,089)	($7,694,446)	($4,640,582)	($7,040,708)	(578,015,873)	(539,618,411)
NET REVENUE AFTER PRIZES	140,996,553	31,078,271	16,393,648	62,634,856	5,793,208	809,560	28,074,713	8,009,975	10,285,234	5,760,102	309,836,120	288,241,308
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)												
Retailer Commission	($31,920,179)	($10,949,303)	($2,452,090)	($7,259,877)	($722,283)	($113,893)	($3,290,156)	($941,619)	($894,403)	($766,632)	(59,310,435)	(55,596,818)
Retailer Bonus	($4,693,068)	($1,736,774)	($357,405)	($643,982)	($108,591)	($18,299)	($293,394)	($129,561)	($126,074)	($85,772)	(8,192,920)	(8,329,233)
Cost of Tickets Sold	($6,659,517)	($2,111,258)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(8,770,775)	(12,748,985)
Telecomm Reimbursements	$407,053	$139,598	$36,464	$107,916	$10,738	$1,693	$48,915	$13,993	$13,299	$11,406	791,075	793,900
Vendor Fees	(10,650,300)	(3,652,508)	(953,531)	(2,832,766)	(281,109)	(44,357)	(1,275,195)	(367,314)	(356,298)	(301,694)	(20,715,072)	(15,755,526)
TOTAL	(53,516,011)	(18,310,245)	(3,726,562)	(10,628,709)	(1,101,245)	(174,856)	(4,809,830)	(1,424,501)	(1,363,476)	(1,142,692)	(96,198,127)	(91,636,662)
GROSS PROFIT ON SALE OF TICKETS	$87,480,542	$12,768,026	$12,667,086	$52,006,147	$4,691,963	$634,704	$23,264,883	$6,585,474	$8,921,758	$4,617,410	$213,637,993	$196,604,646
AVERAGE DAILY TICKET SALES	$1,251,650	$429,246	$112,123	$331,832	$33,017	$5,206	$150,408	$43,026	$40,893	$35,071	$2,432,472	$2,268,109

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, 2026 and 2025

COLORADO LOTTERY
SCHEDULE OF PERCENTAGE OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Scratch	Scratch $50	Lotto	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Millionaire 4 Life	FY 2026 Total	FY 2025 Total
Prize Expense	$315,855,623	$125,596,679	$24,531,287	$58,483,721	$6,258,033	$1,090,705	$26,824,089	$7,694,446	$4,640,582	$7,040,708	$578,015,873	$539,618,411
(/)Ticket Sales	456,852,176	156,674,950	40,924,935	121,118,577	12,051,241	1,900,265	54,898,802	15,704,421	14,925,816	12,800,810	887,851,993	827,859,719
Prize %	69.14%	80.16%	59.94%	48.29%	51.93%	57.40%	48.86%	49.00%	31.09%	55.00%	65.10%	65.18%

COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Fiscal Year 2026 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2026 Final Budget	Fiscal Year 2026 Actual Expenditures	Under (Over) Expended	Percent Under Expended
Prize Payments	$ 600,000,000	$ -	$ 600,000,000	$ 578,015,873	$ 21,984,127	3.66%
Retailer Compensation	85,000,000	-	85,000,000	67,503,355	17,496,645	20.58%
Vendor Fees & Ticket Costs-Scratch	52,136,622	-	52,136,622	31,121,208	21,015,414	40.31%
Multi-State Lottery Fund	177,433	-	177,433	11,399	166,034	93.58%
Personal Services (Includes AED, SAED, Health & LIFE, STD)	13,679,440	-	13,679,440	12,376,753	1,302,687	9.52%
Marketing, Communications & Sales	18,200,000	-	18,200,000	16,447,287	1,752,713	9.63%
Operating (Includes Travel)	1,655,676	-	1,655,676	1,200,279	455,397	27.51%
Payments to Other Agencies	239,410	-	239,410	121,934	117,476	49.07%
Indirect Costs Assessments	923,329	-	923,329	803,186	120,143	13.01%
Worker's Compensation	28,724	-	28,724	28,724	-	0.00%
Vehicle Lease Payments	224,160	(42,197)	181,963	185,193	(3,230)	-1.78%
Variable Vehicle	202,019	(12,500)	189,519	175,028	14,491	7.65%
EDO - Operating Expenses	3,000	-	3,000	1,755	1,245	41.50%
Leased Space - Grand Junction &Capitol Complex	4,957	-	4,957	4,957	-	0.00%
Leased Space	1,296,953	-	1,296,953	1,279,239	17,714	1.37%
OIT Payments	1,044,008	-	1,044,008	960,487	83,521	8.00%
CORE Operations	13,001	-	13,001	13,001	-	0.00%
Risk Management	53,698	-	53,698	53,698	-	0.00%
Legal Services	127,441	-	127,441	127,441	-	0.00%
PERA Direct Distribution	129,555	-	129,555	129,555	-	0.00%
TOTAL	$ 775,139,426	$ (54,697)	$ 775,084,729	$ 710,560,352	$ 64,524,377	8.32%

FY26 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	$	578,015,873
Commissions and Bonuses		67,503,355
Cost of Tickets & Vendor Fees		28,694,772
Operating Expenses		35,850,046
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position		710,064,046
Plus: Telecommunications offset classified as revenue		791,075
Less: Non-appropriated expenses-reclass of non-fixed asset		-
Depreciation & Amortization		(713,315)
Accrued Annual and Sick Leave		199,621
Loss on Disposal of Equipment classified as revenue		-
PERA Pension Revenue		83,160
OPEB Revenue		135,765
Sub-Total		710,560,352
Plus: Capitalized purchases		-
Capitalized wages		-
	$	710,560,352

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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, 2026 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 16, 2026, which contains an emphasis of matters paragraph regarding the financial statements of the Colorado Lottery not representing the State as a whole and the adoption of new accounting guidance.

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 16, 2026

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Forvis Mazars Report to the Legislative Audit Committee and Lottery Commission

State of Colorado Department of Revenue, Lottery Division
Results of the 2026 Financial and Compliance Audit, Including Required Communications
June 30, 2026

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, 2026
- Conducted in accordance with our contract dated May 11, 2026

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, 2026, 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:

- Governmental Accounting Standards Board Statement No. 103, Financial Reporting Model Improvements (GASB 103)
- Governmental Accounting Standards Board Statement No. 104, Disclosure of Certain Capital Assets (GASB 104)

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
- Adoption of new accounting standards

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:

- Adjustment to remove right-to-use lease and subscription assets from the financials and to adjust the ending balance of right-to-use assets. See uncorrected misstatements schedule on page 143.

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 16, 2026

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Colorado Lottery
Summary of Uncorrected Misstatements and Omitted Disclosures, as applicable
As of and for the Year Ended June 30, 2026

Summary of Misstatements in the Financial Statements

	Debit (Credit) Required to Correct the Financial Statements					
Description	Assets and Deferred Outflows	Liabilities and Deferred Inflows	Net Position	Revenue	Expenses	Change in Net Position
Unrecorded misstatements - factual	403,620	102,029	(505,679)	-	(505,679)	(505,679)
Unrecorded misstatements - projected	-	-	-	-	-	-
Unrecorded misstatements - judgmental	-	-	-	-	-	-
Total uncorrected misstatements (Iron Curtain)	403,620	102,029	(505,679)	-	(505,679)	(505,679)
Impact of correcting prior period misstatements in prior periods (From Prior Period Table Below)				-	-	-
Total uncorrected misstatements, assuming prior year misstatements were corrected in prior periods (Rollover)				-	(505,679)	(505,679)

Financial Statement Impact

	Debit (Credit)			
	As Reported	Misstatements	Subsequent to Misstatements	% Change
Current Assets	$ 105,250,669	$ -	$ 105,250,669	- %
Non-Current Assets and Deferred Outflows	17,151,395	403,620	17,555,015	2.35 %
Current Liabilities	(114,258,788)	7,509	(114,251,279)	(0.01)%
Non-Current Liabilities and Deferred Inflows	(22,124,469)	94,520	(22,029,949)	(0.43)%
Current Ratio	(0.92)		(0.92)	- %
Total Assets and Deferred Outflows	122,402,064	403,620	122,805,684	0.33 %
Total Liabilities and Deferred Inflows	(136,383,257)	102,029	(136,281,228)	(0.07)%
Net Position	(13,981,193)	(505,679)	(14,486,872)	3.62 %
Operating and Other Non Operating Revenue	(890,868,015)	-	(890,868,015)	- %
	-	-	-	- %
(Decrease) Increase in fund net position	(620,958)	-	(620,958)	- %

Summary of Cash Flow Impact

Description of Omission or Other Misstatement	Relevant Statement of Cash Flow Line Item(s) or Area(s)	$ Amount if Applicable
Amortization Expense	Adjustments to reconcile operating income to net cash provided by operating activities	505,679

Unrecorded Misstatements Detail

Account Number	Account Name	Financial Statement Line	Debit	Credit	Description
1831	Accumulated Amortization	Accumulated Depreciation and Amortization	449,784	-	
1834	Right to Use - SBITA	Right-to-Use Subscription Based IT Arrangements	-	449,784	
1825	Accumulated Amortization - RTU Leased Equipment	Accumulated Depreciation and Amortization	2,484,541	-	

1824	Right to Use - Leased Equipment	Right-to-Use Equipment	-	2,484,541	
1829	Accumulated Amortization - RTU Leased Buildings	Accumulated Depreciation and Amortization	3,183,491	-	
1829	Accumulated Amortization - RTU Leased Buildings	Accumulated Depreciation and Amortization	-	2,779,871	
2621	Lease Component Liability - Current	Lease Liability (Current)	8,821	-	
2821	Lease Component Liability - Noncurrent	Lease Liability (Noncurrent)	94,550	-	
2420	Accrued Interest Payable	Accounts Payable	-	1,312	
6850	Lease & SBITA Component Amortization	Depreciation and Amortization	-	505,679	

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