

***COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

**INCLUDING STATEMENT OF LOTTERY REVENUES,
PRIZE DISBURSEMENTS AND OTHER EXPENSES**

(UNAUDITED)

FOR THE THREE (3) QUARTERS ENDED

MARCH 31, 2017

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Hon. Dennis Maes	Chair, Lottery Commissioner
Mr. Michael Weatherwax, CPA	Vice-Chair, Lottery Commissioner
Mr. Jim Bensberg	Lottery Commissioner
Ms. Stella Peterson	Lottery Commissioner
Mr. Kevin Knierim	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

Headquarters

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

June 20, 2017

Members of the Lottery Commission and
Ms. Laura Solano, Lottery Director

Pursuant to CRS 24-35-204, the Colorado Lottery is required to furnish monthly "a complete statement of lottery revenues, prize disbursements and other expenses."

The financial performance for the three quarters ended March 31, 2017 depicts total revenues of \$417.3 million, which includes gross ticket sales of \$416.7 million. Net income before proceeds distributions is \$100.8 million with an increase in net position of \$29,677. Accordingly, a total of over \$100.7 million in distributions was made by June 1, 2017 in the following manner: over \$50.3 million to the Great Outdoors Colorado Fund, nearly \$10.1 million to the Colorado Parks and Wildlife, and \$40.3 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the three quarters ended March 31, 2017 have not been audited. They have been prepared in accordance with generally accepted accounting principles, using established accounting and internal control procedures. These procedures support the production of reliable financial statements. As with any system of accounting and internal control procedures, there are inherent limitations, and the procedures cannot be relied upon to completely eliminate the occurrence of discrepancies, errors or omissions, but should reduce that risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Caligaris".

John Caligaris
Controller
Colorado Lottery

**COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**INCLUDING STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

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COLORADO LOTTERY
 FINANCIAL HIGHLIGHTS
 \$ IN MILLIONS
 FOR THE THREE QUARTERS ENDED MARCH 31, 2017 AND 2016

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the three quarters ended March 31, 2017 and 2016 and should be read in conjunction with the financial statements presented herein. The graphs included on page 2 are presented for the purpose of demonstrating the Colorado Lottery's compliance with certain statutes that pertain to its operations.

	For the Three Quarters Ended March 31,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$416.69		\$461.17	
Nonoperating revenue	0.58		0.52	
TOTAL INCOME	417.27		461.69	
LESS:				
PRIZES	\$255.72	61.4% (1)	\$287.95	62.4% (1)
RETAILER COMMISSIONS AND BONUSES	\$31.53	7.6% (2)	\$34.04	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	9.13		9.28	
Other Operating Expenses	20.13	(4)	18.97	
TOTAL ADMINISTRATIVE COSTS (Note 3)	29.26	7.0% (3)	28.25	6.1% (3)
	100.76		111.45	
NET CHANGE IN NET ASSETS	0.03		(0.20)	
PROCEEDS DISTRIBUTION	\$100.73	24.1% (3)	\$111.65	24.2% (3)

Note 1: Percent of gross ticket sales - per C.R.S. 24-35-210 (9) total disbursements for lottery prizes shall be no less than fifty percent of the total revenue accruing from the sale of lottery tickets or shares.

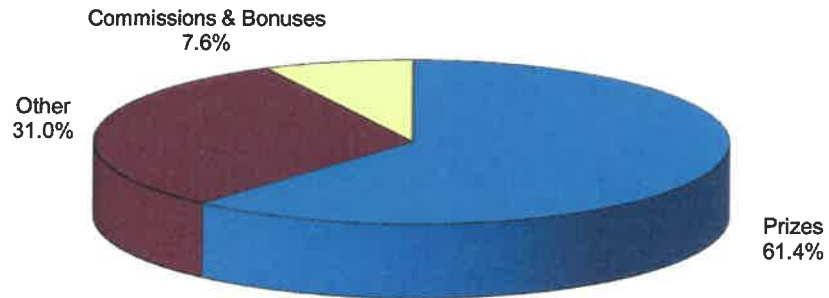
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

Note 4: Total operating expenses per the statement of revenues, expenses and changes in fund net position includes unappropriated expenses such as depreciation and accrued annual and sick leave. The actual administrative costs percentage would be slightly lower if they were removed from the calculation.

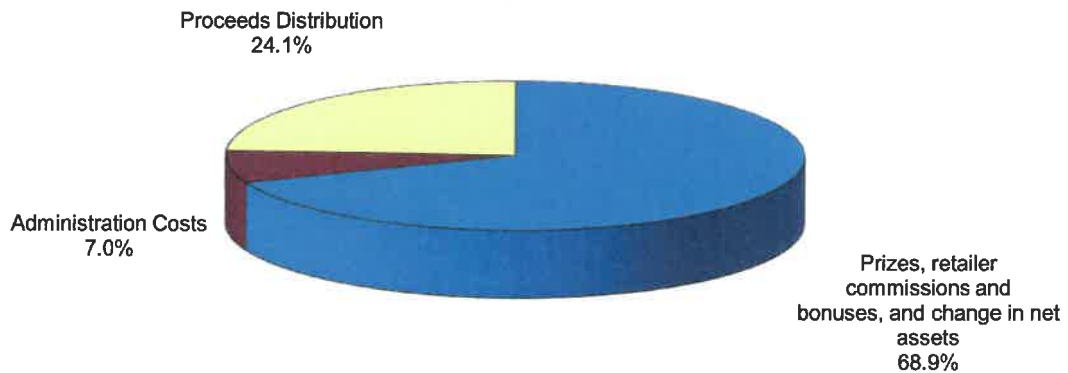
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE THREE QUARTERS ENDED MARCH 31, 2017

PERCENT OF GROSS TICKET SALES



To depict compliance with the 50% prize payment statute and the commission/bonus rules.

PERCENT OF TOTAL INCOME



To depict status of administrative expenditures to date.

COLORADO LOTTERY
STATEMENTS OF NET POSITION
MARCH 31, 2017 AND 2016
(UNAUDITED)

ASSETS	FY 2017	FY 2016
Current Assets:		
Cash and Investments	\$ 46,363,632	\$ 62,289,454
Accounts Receivable, net of the allowance for doubtful accounts of \$162,096 in 2017 and \$204,727 in 2016	21,830,293	20,357,754
Consignment Inventory, at Cost	128,488	106,601
Warehouse Inventory, at Cost	1,430,778	1,390,173
Prepaid Expenses	147,589	137,551
Total Current Assets	69,900,780	84,281,533
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	498,259	412,280
Prepaid Prize Expense with MUSL	4,517,768	4,541,395
Total Reserve and Restricted Assets	6,616,027	6,453,675
Capital Assets:		
Equipment	5,884,856	5,966,333
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,655,300)	(5,714,329)
Total Capital Assets	294,267	316,715
TOTAL ASSETS	\$ 76,811,074	\$ 91,051,923
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 483,818	\$ 695,020
Prize Liability	36,791,424	34,404,444
Payable to MUSL	956,868	288,008
Wages and Benefits	11,912	9,563
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,963,498	1,489,560
Funds Available for Distribution	33,396,092	51,140,511
Total Current Liabilities	73,603,612	88,027,106
Long-Term Liabilities:		
Accrued Annual and Sick Leave	779,784	756,333
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	814,936	795,822
TOTAL LIABILITIES	74,418,548	88,822,928
NET POSITION		
Investment in Capital Assets	294,267	316,715
Restricted-Licensed Agent Recovery Reserve	498,259	412,280
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,392,526	2,228,995
TOTAL LIABILITIES AND NET POSITION	\$ 76,811,074	\$ 91,051,923

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE THREE QUARTERS ENDED MARCH 31, 2017 AND 2016
 (UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 416,694,140	\$ 461,172,445
DIRECT OPERATING EXPENSES		
Prize Expense	255,718,521	287,947,995
Retailer Commissions and Bonuses	31,528,202	34,040,945
Cost of Tickets and Vendor Fees	9,132,255	9,282,644
Total Direct Operating Expenses	<u>296,378,978</u>	<u>331,271,584</u>
GROSS PROFIT ON SALE OF TICKETS	<u>120,315,162</u>	<u>129,900,861</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,320,204	8,396,437
Administration Fees Paid to MUSL	98,319	79,182
Wages and Benefits	7,003,504	6,949,217
Professional Services	112,581	96,906
State Agencies Services	499,763	527,450
Indirect Costs Assessments	564,151	345,195
Travel	75,984	74,402
Equipment	140,672	26,973
Depreciation	148,491	399,332
Accrued Annual and Sick Leave	32,269	(912)
Space Rental	609,234	593,087
Rents for Equipment	21,610	21,296
Motorpool Leasing	197,764	217,350
Materials and Supplies	70,452	92,104
Telephone	189,961	178,936
Equipment Maintenance	230,904	150,472
Printing	13,646	13,716
Delivery Expense	694,690	704,021
Other	104,686	99,352
Total Other Operating Expenses	<u>20,128,885</u>	<u>18,964,516</u>
OTHER OPERATING REVENUE (EXPENSE)	138,307	99,055
TOTAL OPERATING INCOME	<u>100,324,584</u>	<u>111,035,400</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	436,079	419,638
Funds Distributed for Current Year	(67,334,894)	(60,514,125)
Funds Available for Distribution for Current Year	(33,396,092)	(51,140,511)
Total Nonoperating Revenues (Expenses)	<u>(100,294,907)</u>	<u>(111,234,998)</u>
NET INCOME (LOSS)	<u>\$ 29,677</u>	<u>\$ (199,598)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>29,677</u>	<u>(199,598)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,392,526</u>	<u>\$ 2,228,995</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE THREE QUARTERS ENDED MARCH 31, 2017 & 2016
(UNAUDITED)

	FY2017	FY2016
Operating Activities		
Cash received from retailers	\$ 415,515,437	\$ 461,344,797
Cash paid in prizes	(256,562,004)	(279,728,513)
Cash paid in retailer commissions	(27,773,566)	(30,631,979)
Cash payments to suppliers	(22,269,536)	(22,021,304)
Cash payments to employees for services	(7,742,439)	(7,740,755)
Cash paid in retailer bonus	(3,614,630)	(3,261,157)
Net cash provided by operating activities	97,553,262	117,961,089
Noncapital Financing Activities		
Distribution of net proceeds	(99,250,262)	(92,333,742)
Net cash used by noncapital financing activities	(99,250,262)	(92,333,742)
Capital and Related Financing Activities		
Acquisition of capital assets	(12,213)	(166,357)
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	(12,213)	(166,357)
Investing Activities		
Interest received	436,079	419,638
Change in fair market value of investments	-	-
Net cash provided by investing activities	436,079	419,638
Increase (Decrease) in Cash and Investments	(1,273,134)	25,880,628
Cash and Investments, Beginning of Year (including \$1,924,591 and \$1,878,903, respectively, in restricted accounts)	49,735,025	38,321,106
Cash and Investments, End of Period, (including \$2,084,273 and \$1,903,915 respectively, in restricted accounts)	\$ 48,461,891	\$ 64,201,734
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 100,324,584	\$ 111,035,400
<i>Depreciation</i>	148,491	399,332
<i>Loss (gain) on disposition of equipment</i>	7,713	-
<i>Change in:</i>		
<i> Accounts Receivable</i>	(952,314)	(139,831)
<i> Ticket Inventory</i>	(87,351)	(371,650)
<i> Prepaid Expenses</i>	(75,634)	(61,818)
<i> Prepaid Prize Expense with MUSL</i>	23,627	40,245
<i> Liabilities(excluding funds available for distribution)</i>	(1,835,854)	7,059,411
<i>Net cash provided by operating activities</i>	\$ 97,553,262	\$ 117,961,089
Statement of Net Position Classification		
Cash and investments	\$ 46,363,632	\$ 62,289,454
Cash and investments- Licensed Agent Recovery Reserve	498,259	412,280
Cash and investments- Operating Reserve	1,600,000	1,500,000
Cash and Investments, End of Period	\$ 48,461,891	\$ 64,201,734

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE THREE (3) QUARTERS ENDED MARCH 31, 2017
(With Comparative Totals for the Three (3) Quarters Ended March 31, 2016)

	Scratch	Scratch \$50	Lotto	Powerball	Jackpot Games				FY 17	FY 16
					Cash 5	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$264,813,858	\$19,450,500	\$23,613,967	\$55,116,285	\$12,994,256	\$20,415,992	\$8,063,388	\$12,225,894	\$416,694,140	\$461,172,445
PRIZE EXPENSE	(176,666,062)	(14,581,262)	(12,180,552)	(24,621,405)	(6,883,966)	(8,804,076)	(4,033,383)	(7,947,815)	(255,718,521)	(287,947,995)
NET REVENUE AFTER PRIZES	<u>88,147,796</u>	<u>4,869,238</u>	<u>11,433,415</u>	<u>30,494,880</u>	<u>6,110,290</u>	<u>11,611,916</u>	<u>4,030,005</u>	<u>4,278,079</u>	<u>160,975,619</u>	<u>173,224,450</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(18,494,409)	(1,354,308)	(1,412,597)	(3,299,876)	(778,115)	(1,221,708)	(482,364)	(730,189)	(27,773,566)	(30,631,979)
Retailer Bonus	(2,707,973)	(200,729)	(155,412)	(279,859)	(123,414)	(116,985)	(70,370)	(99,894)	(3,754,636)	(3,408,966)
Cost of Tickets Sold	(2,173,783)	(23,492)	N/A	N/A	N/A	N/A	N/A	N/A	(2,197,275)	(1,864,129)
Telecomm Reimbursements	368,379	27,056	32,849	76,671	18,076	28,400	11,217	17,007	579,655	578,010
Vendor Fees	(4,934,176)	(362,391)	(405,512)	(911,756)	(216,809)	(343,937)	(132,782)	(207,272)	(7,514,635)	(7,996,525)
TOTAL	<u>(27,941,962)</u>	<u>(1,913,864)</u>	<u>(1,940,672)</u>	<u>(4,414,820)</u>	<u>(1,100,262)</u>	<u>(1,654,230)</u>	<u>(674,299)</u>	<u>(1,020,348)</u>	<u>(40,660,457)</u>	<u>(43,323,589)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$60,205,834</u>	<u>\$2,955,374</u>	<u>\$9,492,743</u>	<u>\$26,080,060</u>	<u>\$5,010,028</u>	<u>\$9,957,686</u>	<u>\$3,355,706</u>	<u>\$3,257,731</u>	<u>\$120,315,162</u>	<u>\$129,900,861</u>
AVERAGE DAILY TICKET SALES	<u>\$966,474</u>	<u>\$70,987</u>	<u>\$86,182</u>	<u>\$201,154</u>	<u>\$47,424</u>	<u>\$74,511</u>	<u>\$29,428</u>	<u>\$44,620 *</u>	<u>\$1,520,782</u>	<u>\$1,676,991</u>

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

* Lucky For Life game started July 17, 2016

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE THREE (3) QUARTERS ENDED MARCH 31, 2017

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	FY 17	FY 16
									Total	Total
Prize Expense (/)/Ticket Sales	\$176,666,062 264,813,858	\$14,581,262 19,450,500	\$12,180,552 23,613,967	\$24,621,405 55,116,285	\$6,883,966 12,994,256	\$8,804,076 20,415,992	\$4,033,383 8,063,388	\$7,947,815 12,225,894	\$255,718,521 \$416,694,140	\$287,947,995 461,172,445
Prize %	<u>66.71%</u>	<u>74.97%</u>	<u>51.58%</u>	<u>44.67%</u>	<u>52.98%</u>	<u>43.12%</u>	<u>50.02%</u>	<u>65.01%</u>	<u>61.37%</u>	<u>62.44%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE THREE QUARTERS ENDED MARCH 31, 2017

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	5,835,259	\$3,655,652	61.5%
Amortization Equal	330,351	232,620	97,731	70.4%
Supplemental Amortization Equalization	326,910	229,384	97,526	70.2%
Worker's Compensation	90,340	67,755	22,585	75.0%
Health and Life	949,966	735,622	214,344	77.4%
Short Term Disability	13,076	9,491	3,585	72.6%
Operating	1,203,156	730,773	472,383	60.7%
Variable Vehicle	163,062	87,124	75,938	53.4%
Leased Space	884,416	602,820	281,596	68.2%
Leased Space-Grand Junction	6,714	4,448	2,266	66.2%
Risk Management	30,631	22,973	7,658	75.0%
Vehicle Lease Payments	154,295	106,055	48,240	68.7%
Travel	113,498	75,984	37,514	66.9%
Marketing, Communications & Sales	14,700,000	9,320,204	5,379,796	63.4%
Payments to Other Agencies	239,410	43,444	195,966	18.1%
Legal Services	34,999	41,582	(6,583)	118.8%
Indirect Costs Assessments	760,199	564,151	196,048	74.2%
Ticket Costs-Scratch	6,578,000	2,907,702	3,670,298	44.2%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	7,514,635	5,056,869	59.8%
Prize Payments	424,104,016	255,718,521	168,385,495	60.3%
Retailer Compensation	52,241,350	31,528,202	20,713,148	60.4%
Multi-State Lottery Funds	177,433	98,319	79,114	55.4%
CORE Modernization	36,223	27,167	9,056	75.0%
OIT Payments	552,999	414,737	138,262	75.0%
TOTAL	<u>\$526,003,459</u>	<u>\$316,918,972</u>	<u>\$208,946,225</u>	<u>60.25%</u>

FY17 Staffing - FTE - (Note 4) 117.10 (Appropriated) 114.50 (Projected)

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	255,718,521
Commissions and Bonuses	31,528,202
Cost of Tickets & Vendor Fees	9,132,255
Operating Expenses	20,128,885

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 316,507,863

Plus: Telecommunications offset classified as revenue	579,655
Less: Non-appropriated expenses and other adjustments	
Depreciation	(148,491)
Accrued Annual and Sick Leave	(32,269)
Loss on Disposal of Equipment classified as revenue	

Sub-Total 316,906,758

Plus: Capitalized Fixed Assets	12,214
	<u>\$316,918,972</u>

Note 1 - FY17 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through March 31, 2017 is 75.0%.

Note 3 - Amount expended includes expenditures for both capitalized and non-capitalized equipment.

Note 4 - The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2017