

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

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

**(UNAUDITED)**

**FOR THE TWO (2) MONTHS ENDED**

**AUGUST 31, 2016**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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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

November 9, 2016

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 statements).

The attached financial statements have not been audited.

The financial statements presented for the two months ended August 31, 2016 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 the 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 Department of Revenue

**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 TWO (2) MONTHS ENDED AUGUST 31, 2016 AND 2015**

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the two months ended August 31, 2016 and 2015 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 Two Months Ended August 31, |                   |                |                   |
|--|-------------------------------------|-------------------|----------------|-------------------|
|  | FY 2017                             |                   | FY 2016        |                   |
|  | Total                               | Actual<br>Percent | Total          | Actual<br>Percent |
| <b>INCOME</b>                              |                                     |                   |                |                   |
| Gross Ticket Sales                         | \$97.73                             |                   | \$85.58        |                   |
| Nonoperating revenue                       | 0.13                                |                   | 0.11           |                   |
| <b>TOTAL INCOME</b>                        | <b>97.86</b>                        |                   | <b>85.69</b>   |                   |
| <b>LESS:</b>                               |                                     |                   |                |                   |
| <b>PRIZES</b>                              | <b>\$56.99</b>                      | <b>58.3% (1)</b>  | <b>\$54.85</b> | <b>64.1% (1)</b>  |
| <b>RETAILER COMMISSIONS AND BONUSES</b>    | <b>\$7.38</b>                       | <b>7.6% (2)</b>   | <b>\$6.36</b>  | <b>7.4% (2)</b>   |
| <b>ADMINISTRATIVE COSTS</b>                |                                     |                   |                |                   |
| Ticket Costs and Vendor Fees               | 2.01                                |                   | 1.73           |                   |
| Other Operating Expenses                   | 4.79                                | (4)               | 4.84           |                   |
| <b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b> | <b>6.80</b>                         | <b>6.9% (3)</b>   | <b>6.57</b>    | <b>7.7% (3)</b>   |
|  | <b>26.69</b>                        |                   | <b>17.91</b>   |                   |
| <b>NET CHANGE IN NET ASSETS</b>            | <b>(0.01)</b>                       |                   | <b>(0.09)</b>  |                   |
| <b>PROCEEDS DISTRIBUTION</b>               | <b>\$26.70</b>                      | <b>27.3% (3)</b>  | <b>\$18.00</b> | <b>21.0% (3)</b>  |

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.

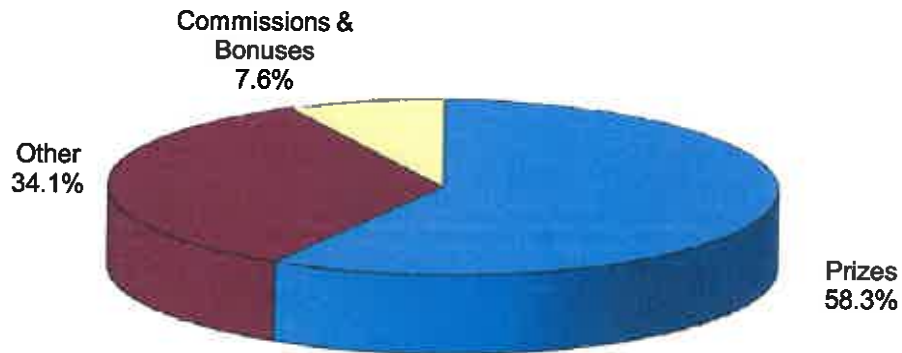
Note 2: Percent of gross ticket sales.

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.

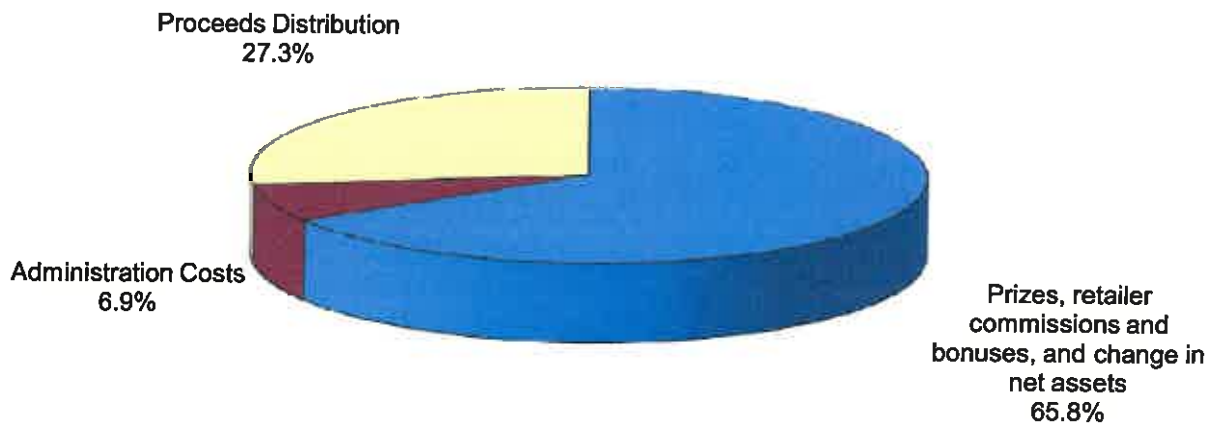
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE TWO MONTHS ENDED AUGUST 31, 2016

**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  
AUGUST 31, 2016 AND 2015  
(UNAUDITED)

| ASSETS   | <u>FY 2017</u>              | <u>FY 2016</u>              |
|--|-----------------------------|-----------------------------|
| <b>Current Assets:</b>   |                             |                             |
| Cash and Investments   | \$ 65,035,578               | \$ 53,935,542               |
| Accounts Receivable, net of the allowance for doubtful accounts of \$170,125 in 2016 and \$189,894 in 2015 | 26,357,964                  | 20,432,786                  |
| Consignment Inventory, at Cost   | 123,043                     | 104,995                     |
| Warehouse Inventory, at Cost   | 1,287,931                   | 1,386,140                   |
| Prepaid Expenses   | 257,278                     | 91,124                      |
| <b>Total Current Assets</b>  | <u><b>93,061,794</b></u>    | <u><b>75,950,587</b></u>    |
| <b>Reserve and Restricted Assets:</b>  |                             |                             |
| Cash and Investments-Operating Reserve   | 1,500,000                   | 1,500,000                   |
| Cash and Investments-Licensed Agent Recovery Reserve Receipts  | 445,012                     | 391,017                     |
| Prepaid Prize Expense with MUSL  | 4,455,642                   | 4,581,640                   |
| <b>Total Reserve and Restricted Assets</b>   | <u><b>6,400,654</b></u>     | <u><b>6,472,657</b></u>     |
| <b>Capital Assets:</b>   |                             |                             |
| Equipment  | 6,011,671                   | 6,071,861                   |
| Leasehold Improvements   | 64,711                      | 64,711                      |
| Less Accumulated Depreciation and Amortization   | <u>(5,670,779)</u>          | <u>(5,686,961)</u>          |
| <b>Total Capital Assets</b>  | <u><b>405,603</b></u>       | <u><b>449,611</b></u>       |
| <b>TOTAL ASSETS</b>  | <u><b>\$ 99,868,051</b></u> | <u><b>\$ 82,872,855</b></u> |
| <b>LIABILITIES</b>   |                             |                             |
| <b>Current Liabilities:</b>  |                             |                             |
| Accounts Payable   | \$ 811,784                  | \$ 1,082,042                |
| Prize Liability  | 36,540,511                  | 28,415,085                  |
| Payable to MUSL  | 81,169                      | 13,364                      |
| Wages and Benefits   | 35,524                      | 39,167                      |
| Accrued Annual and Sick Leave  | -                           | -                           |
| Retailer Bonus Liability   | 690,682                     | 367,370                     |
| Funds Available for Distribution   | 58,616,613                  | 49,821,062                  |
| <b>Total Current Liabilities</b>   | <u><b>96,776,283</b></u>    | <u><b>79,738,090</b></u>    |
| <b>Long-Term Liabilities:</b>  |                             |                             |
| Accrued Annual and Sick Leave  | 706,001                     | 754,648                     |
| Expired Warrants Liability   | 35,152                      | 39,489                      |
| <b>Total Long-Term Liabilities</b>   | <u><b>741,153</b></u>       | <u><b>794,137</b></u>       |
| <b>TOTAL LIABILITIES</b>   | <u><b>97,517,436</b></u>    | <u><b>80,532,227</b></u>    |
| <b>NET POSITION</b>  |                             |                             |
| Investment in Capital Assets   | 405,603                     | 449,611                     |
| Restricted-Licensed Agent Recovery Reserve   | 445,012                     | 391,017                     |
| Restricted-Operating Reserve   | 1,500,000                   | 1,500,000                   |
| Unrestricted-Other   | -                           | -                           |
| <b>TOTAL NET POSITION</b>  | <u><b>2,350,615</b></u>     | <u><b>2,340,628</b></u>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>  | <u><b>\$ 99,868,051</b></u> | <u><b>\$ 82,872,855</b></u> |

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2016 AND 2015  
 (UNAUDITED)

|   | <u>FY 2017</u>      | <u>FY 2016</u>      |
|---|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                         |                     |                     |
| Gross Ticket Sales                                | \$ 97,736,561       | \$ 85,580,292       |
| <b>DIRECT OPERATING EXPENSES</b>                  |                     |                     |
| Prize Expense                                     | 56,991,078          | 54,854,172          |
| Retailer Commissions and Bonuses                  | 7,383,902           | 6,354,257           |
| Cost of Tickets and Vendor Fees                   | 2,014,517           | 1,730,328           |
| Total Direct Operating Expenses                   | <u>66,389,497</u>   | <u>62,938,757</u>   |
| <b>GROSS PROFIT ON SALE OF TICKETS</b>            | <u>31,347,064</u>   | <u>22,641,535</u>   |
| <b>OTHER OPERATING EXPENSES</b>                   |                     |                     |
| Marketing and Communications                      | 2,347,049           | 2,228,656           |
| Administration Fees Paid to MUSL                  | 19,466              | 13,364              |
| Wages and Benefits                                | 1,582,828           | 1,601,877           |
| Professional Services                             | 22,678              | 22,142              |
| State Agencies Services                           | 103,129             | 101,743             |
| Department of Revenue Services                    | 126,700             | 76,710              |
| Travel  | 21,340              | 25,189              |
| Equipment   | 25,689              | 130,658             |
| Depreciation                                      | 32,654              | 100,079             |
| Accrued Annual and Sick Leave                     | (41,935)            | (2,683)             |
| Space Rental                                      | 131,992             | 131,965             |
| Rents for Equipment                               | 5,383               | 4,044               |
| Motorpool Leasing                                 | 46,865              | 47,525              |
| Materials and Supplies                            | 46,779              | 50,351              |
| Telephone   | 42,356              | 47,205              |
| Equipment Maintenance                             | 66,677              | 49,502              |
| Printing  | 11,053              | 8,573               |
| Delivery Expense                                  | 159,443             | 165,862             |
| Other   | 38,325              | 34,237              |
| Total Other Operating Expenses                    | <u>4,788,471</u>    | <u>4,836,999</u>    |
| <b>OTHER OPERATING REVENUE (EXPENSE)</b>          | 33,367              | 25,602              |
| <b>TOTAL OPERATING INCOME</b>                     | <u>26,591,960</u>   | <u>17,830,138</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                     |                     |
| Investment Income                                 | 97,051              | 83,342              |
| Funds Distributed for Current Year                | 0                   | 0                   |
| Funds Available for Distribution for Current Year | (26,701,245)        | (18,001,445)        |
| Total Nonoperating Revenues (Expenses)            | <u>(26,604,194)</u> | <u>(17,918,103)</u> |
| <b>NET INCOME (LOSS)</b>                          | <u>\$ (12,234)</u>  | <u>\$ (87,965)</u>  |
| <b>NET POSITION, BEGINNING OF YEAR</b>            | 2,362,849           | 2,428,593           |
| Net Change in Net Position                        | <u>(12,234)</u>     | <u>(87,965)</u>     |
| <b>NET POSITION, END OF PERIOD</b>                | <u>\$ 2,350,615</u> | <u>\$ 2,340,628</u> |



**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE TWO MONTHS ENDED AUGUST 31, 2016**  
(With Comparative Totals for the Two Months Ended August 31, 2015)

|   | Scratch            | Scratch \$50     | Lotto            | Powerball          | Jackpot Games    |                  |                  |                  | FY 17              | FY 16                        |
|---|--------------------|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|--------------------|------------------------------|
|   |                    |                  |                  |                    | Cash 5           | Mega Millions    | Pick 3           | Lucky For Life   | Total              | Scratch and<br>Jackpot Games |
| TICKET SALES  | \$58,479,110       | \$3,684,500      | \$6,067,720      | \$14,970,357       | \$3,038,304      | \$7,293,092      | \$1,507,330      | \$2,696,148      | \$97,736,561       | \$85,580,292                 |
| PRIZE EXPENSE   | (38,738,606)       | (2,762,122)      | (2,620,828)      | (5,541,749)        | (1,593,216)      | (3,662,158)      | (723,203)        | (1,349,196)      | (56,991,078)       | (54,854,172)                 |
| NET REVENUE<br>AFTER PRIZES                                     | 19,740,504         | 922,378          | 3,446,892        | 9,428,608          | 1,445,088        | 3,630,934        | 784,127          | 1,346,952        | 40,745,483         | 30,726,120                   |
| COMMISSIONS, BONUSES,<br>TICKET COSTS<br>& VENDOR FEES (Note 1) |                    |                  |                  |                    |                  |                  |                  |                  |                    |                              |
| Retailer Commission   | (4,083,634)        | (257,135)        | (363,211)        | (896,055)          | (181,880)        | (436,413)        | (90,184)         | (160,628)        | (6,469,140)        | (5,737,680)                  |
| Retailer Bonus  | (633,348)          | (40,972)         | (99,783)         | (79,388)           | (30,926)         | (49,093)         | (14,111)         | (27,141)         | (914,762)          | (616,577)                    |
| Cost of Tickets Sold  | (405,324)          | (4,450)          | N/A              | N/A                | N/A              | N/A              | N/A              | N/A              | (409,774)          | (372,015)                    |
| Telecomm Reimbursements   | 79,708             | 5,022            | 8,270            | 20,405             | 4,141            | 9,940            | 2,054            | 3,675            | 133,215            | 133,180                      |
| Vendor Fees   | (1,074,011)        | (67,667)         | (109,789)        | (245,513)          | (50,331)         | (120,971)        | (24,649)         | (45,027)         | (1,737,958)        | (1,491,493)                  |
| <b>TOTAL</b>  | <b>(6,116,609)</b> | <b>(365,202)</b> | <b>(504,513)</b> | <b>(1,200,551)</b> | <b>(258,996)</b> | <b>(596,537)</b> | <b>(126,890)</b> | <b>(229,121)</b> | <b>(9,398,419)</b> | <b>(8,084,585)</b>           |
| GROSS PROFIT ON SALE<br>OF TICKETS                              | \$13,623,895       | \$557,176        | \$2,942,379      | \$8,228,057        | \$1,186,092      | \$3,034,397      | \$657,237        | \$1,117,831      | \$31,347,064       | \$22,641,535                 |
| AVERAGE DAILY<br>TICKET SALES                                   | \$943,211          | \$59,427         | \$97,866         | \$241,457          | \$49,005         | \$117,631        | \$24,312         | \$43,486 *       | \$1,576,396        | \$1,380,327                  |

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 TWO MONTHS ENDED AUGUST 31, 2016**

|                                   | Scratch                    | Scratch \$50             | Lotto                    | Powerball                 | Cash 5                   | Mega Millions            | Pick 3                 | Lucky For Life           | FY 17                        | FY 16                      |
|-----------------------------------|----------------------------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|------------------------|--------------------------|------------------------------|----------------------------|
|                                   |                            |                          |                          |                           |                          |                          |                        |                          | Total                        | Total                      |
| Prize Expense<br>(/)/Ticket Sales | \$38,738,606<br>58,479,110 | \$2,762,122<br>3,684,500 | \$2,620,828<br>6,067,720 | \$5,541,749<br>14,970,357 | \$1,593,216<br>3,038,304 | \$3,662,158<br>7,293,092 | \$723,203<br>1,507,330 | \$1,349,196<br>2,696,148 | \$56,991,078<br>\$97,736,561 | \$54,854,172<br>85,580,292 |
| Prize %                           | 66.24%                     | 74.97%                   | 43.19%                   | 37.02%                    | 52.44%                   | 50.21%                   | 47.98%                 | 50.04%                   | 58.31%                       | 64.10%                     |

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE TWO MONTHS ENDED AUGUST 31, 2016

|                                   | FY17<br>Budget<br>(Note 1) | Amount<br>Expended<br>(Note 3) | Amount<br>Available  | Percent<br>Expended<br>(Note 2) |
|-----------------------------------|----------------------------|--------------------------------|----------------------|---------------------------------|
| Personal Services                 | \$9,490,911                | 1,324,553                      | \$8,166,358          | 14.0%                           |
| Amortization Equal                | 330,351                    | 49,995                         | 280,356              | 15.1%                           |
| Suppl Amortization Equalization   | 326,910                    | 48,908                         | 278,002              | 15.0%                           |
| Worker's Compensation             | 90,340                     | 15,057                         | 75,283               | 16.7%                           |
| Health and Life                   | 949,966                    | 164,241                        | 785,725              | 17.3%                           |
| Short Term Disability             | 13,076                     | 2,088                          | 10,988               | 16.0%                           |
| Operating                         | 1,203,156                  | 228,716                        | 974,440              | 19.0%                           |
| Variable Vehicle                  | 163,062                    | 20,608                         | 142,454              | 12.6%                           |
| Leased Space                      | 884,416                    | 130,671                        | 753,745              | 14.8%                           |
| Leased Space-Grand Junction       | 6,714                      | 988                            | 5,726                | 14.7%                           |
| Risk Management                   | 30,631                     | 5,105                          | 25,526               | 16.7%                           |
| Vehicle Lease Payments            | 154,295                    | 23,609                         | 130,686              | 15.3%                           |
| Travel                            | 113,498                    | 21,340                         | 92,158               | 18.8%                           |
| Marketing, Communications & Sales | 14,700,000                 | 2,347,049                      | 12,352,951           | 16.0%                           |
| Payments to Other Agencies        | 239,410                    | 3,318                          | 236,092              | 1.4%                            |
| Legal Services                    | 34,999                     | 7,647                          | 27,352               | 21.8%                           |
| Indirect Costs                    | 760,199                    | 126,700                        | 633,499              | 16.7%                           |
| Ticket Costs-Scratch              | 6,578,000                  | 569,266                        | 6,008,734            | 8.7%                            |
| Research                          | 250,000                    | 0                              | 250,000              | 0.0%                            |
| Vendor Fees                       | 12,571,504                 | 1,737,958                      | 10,833,546           | 13.8%                           |
| Prize Payments                    | 424,104,016                | 56,991,078                     | 367,112,938          | 13.4%                           |
| Retailer Compensation             | 52,241,350                 | 7,383,902                      | 44,857,448           | 14.1%                           |
| Multi-State Lottery Funds         | 177,433                    | 19,466                         | 157,967              | 11.0%                           |
| CORE Modernization                | 36,223                     | 6,037                          | 30,186               | 16.7%                           |
| OIT Payments                      | 552,999                    | 92,164                         | 460,835              | 16.7%                           |
| <b>TOTAL</b>                      | <u>\$526,003,459</u>       | <u>\$71,320,464</u>            | <u>\$454,222,160</u> | <u>13.56%</u>                   |

FY17 Staffing - FTE - (Note 4) 117.10 (Appropriated) 107.50 (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                 | 56,991,078 |
| Commissions and Bonuses       | 7,383,902  |
| Cost of Tickets & Vendor Fees | 1,990,535  |
| Operating Expenses            | 4,812,453  |

**Total Expenses per Statement of Revenues, Expenses and Changes in Net Position** 71,177,968

Plus: Telecommunications offset classified as revenue 133,215

Less: Non-appropriated expenses and other adjustments

|   |          |
|---|----------|
| Depreciation  | (32,654) |
| Accrued Annual and Sick Leave                       | 41,935   |
| Loss on Disposal of Equipment classified as revenue |          |

**Sub-Total** 71,320,464

Plus: Capitalized Fixed Assets 0

\$71,320,464

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 August 31, 2016 is 16.7%.

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