

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

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

**(UNAUDITED)**

**FOR THE FOUR (4) MONTHS ENDED**

**OCTOBER 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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Pueblo, CO 81003  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Laura Solano  
Lottery Director

January 11, 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 statements).

The attached financial statements have not been audited.

The financial statements presented for the four months ended October 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 black ink, appearing to read "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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 Four Months Ended October 31,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$186.25		\$178.91	
Nonoperating revenue	0.25		0.23	
<b>TOTAL INCOME</b>	<b>186.50</b>		<b>179.14</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$113.51</b>	<b>60.9% (1)</b>	<b>\$116.36</b>	<b>65.0% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$14.14</b>	<b>7.6% (2)</b>	<b>\$13.29</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	4.08		3.63	
Other Operating Expenses	8.94	(4)	9.70	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>13.02</b>	<b>7.0% (3)</b>	<b>13.33</b>	<b>7.4% (3)</b>
	<b>45.83</b>		<b>36.16</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.02)</b>		<b>(0.03)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$45.85</b>	<b>24.6% (3)</b>	<b>\$36.19</b>	<b>20.2% (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.

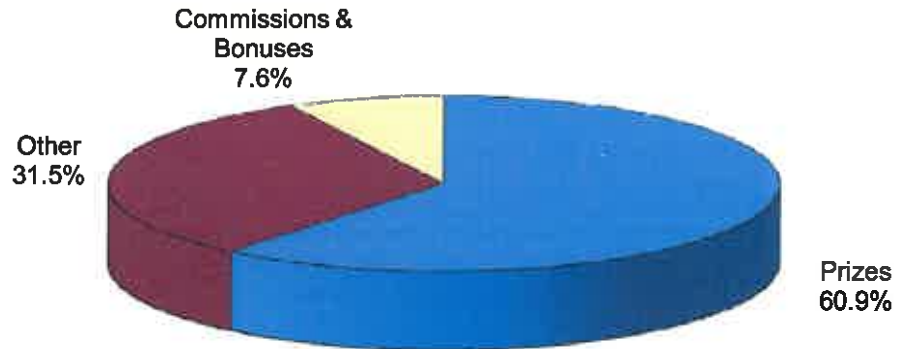
Note 2: Percent of gross ticket sales.

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.

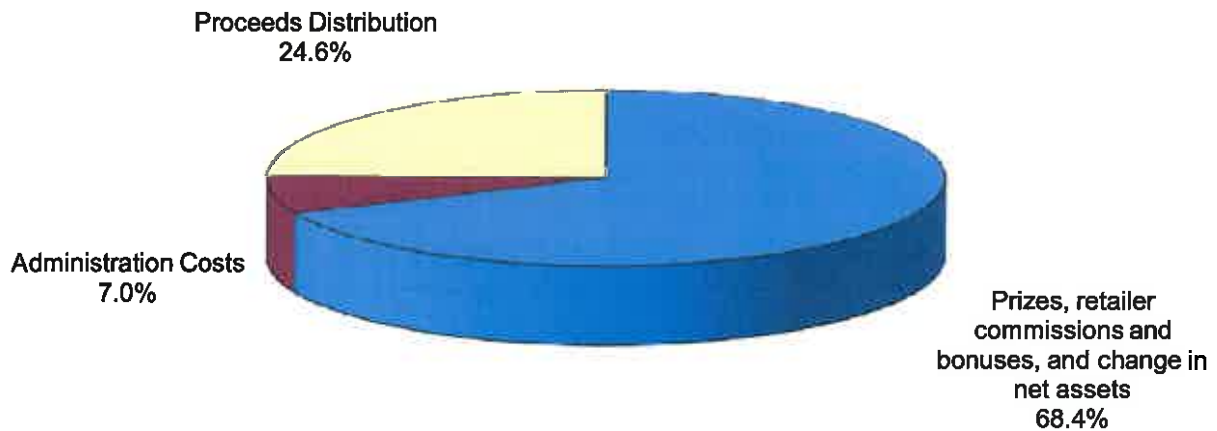
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2016

**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  
OCTOBER 31, 2016 AND 2015  
(UNAUDITED)

ASSETS	FY 2017	FY 2016
<b>Current Assets:</b>		
Cash and Investments	\$ 55,242,259	\$ 45,310,101
Accounts Receivable, net of the allowance for doubtful accounts of \$162,136 in 2016 and \$198,697 in 2015	24,657,142	22,042,300
Consignment Inventory, at Cost	133,314	128,069
Warehouse Inventory, at Cost	1,086,030	1,375,565
Prepaid Expenses	274,048	244,137
<b>Total Current Assets</b>	<b>81,392,793</b>	<b>69,100,172</b>
<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	462,929	388,586
Prepaid Prize Expense with MUSL	4,470,075	4,541,395
<b>Total Reserve and Restricted Assets</b>	<b>6,433,004</b>	<b>6,429,981</b>
<b>Capital Assets:</b>		
Equipment	6,023,885	6,238,217
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,703,924)	(5,793,042)
<b>Total Capital Assets</b>	<b>384,672</b>	<b>509,886</b>
<b>TOTAL ASSETS</b>	<b>\$ 88,210,469</b>	<b>\$ 76,040,039</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 552,956	\$ 1,008,723
Prize Liability	35,717,010	34,304,139
Payable to MUSL	1,793,676	678,116
Wages and Benefits	64,334	78,333
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,120,011	596,135
Funds Available for Distribution	45,849,032	36,193,437
<b>Total Current Liabilities</b>	<b>85,097,019</b>	<b>72,858,883</b>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	730,697	743,195
Expired Warrants Liability	35,152	39,489
<b>Total Long-Term Liabilities</b>	<b>765,849</b>	<b>782,684</b>
<b>TOTAL LIABILITIES</b>	<b>85,862,868</b>	<b>73,641,567</b>
<b>NET POSITION</b>		
Investment in Capital Assets	384,672	509,886
Restricted-Licensed Agent Recovery Reserve	462,929	388,586
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<b>2,347,601</b>	<b>2,398,472</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 88,210,469</b>	<b>\$ 76,040,039</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2016 AND 2015  
 (UNAUDITED)

	FY 2017	FY 2016
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 186,252,257	\$ 178,908,389
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	113,511,275	116,360,300
Retailer Commissions and Bonuses	14,139,663	13,287,761
Cost of Tickets and Vendor Fees	<u>4,077,782</u>	<u>3,631,208</u>
Total Direct Operating Expenses	<u>131,728,720</u>	<u>133,279,269</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>54,523,537</u>	<u>45,629,120</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	4,168,077	4,790,030
Administration Fees Paid to MUSL	38,932	26,728
Wages and Benefits	3,133,297	3,214,739
Professional Services	45,887	43,472
State Agencies Services	209,468	253,062
Indirect Costs Assessments	266,859	153,420
Travel	43,266	45,242
Equipment	21,541	12,254
Depreciation	65,799	206,160
Accrued Annual and Sick Leave	(17,729)	(13,839)
Space Rental	267,549	263,220
Rents for Equipment	9,897	8,811
Motorpool Leasing	92,232	96,369
Materials and Supplies	38,239	67,014
Telephone	84,453	75,022
Equipment Maintenance	103,741	80,203
Printing	8,260	7,804
Delivery Expense	308,665	322,299
Other	54,014	47,658
Total Other Operating Expenses	<u>8,942,447</u>	<u>9,699,668</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	62,974	34,087
<b>TOTAL OPERATING INCOME</b>	<u>45,644,064</u>	<u>35,963,539</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	189,720	199,777
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(45,849,032)</u>	<u>(36,193,437)</u>
Total Nonoperating Revenues (Expenses)	<u>(45,659,312)</u>	<u>(35,993,660)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (15,248)</u>	<u>\$ (30,121)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,362,849	2,428,593
Net Change in Net Position	<u>(15,248)</u>	<u>(30,121)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,347,601</u>	<u>\$ 2,398,472</u>



**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FOUR MONTHS ENDED OCTOBER 31, 2016**  
(With Comparative Totals for the Four Months Ended October 31, 2015)

	Jackpot Games								FY 17	FY 16
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$115,027,475	\$7,742,000	\$13,446,600	\$24,927,342	\$5,914,054	\$10,557,469	\$3,059,977	\$5,577,340	\$186,252,257	\$178,908,389
PRIZE EXPENSE	(77,166,646)	(5,803,868)	(6,028,367)	(10,316,970)	(3,172,976)	(5,244,244)	(1,542,582)	(4,235,622)	(113,511,275)	(116,360,300)
NET REVENUE AFTER PRIZES	37,860,829	1,938,132	7,418,233	14,610,372	2,741,078	5,313,225	1,517,395	1,341,718	72,740,982	62,548,089
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(8,030,464)	(539,857)	(803,899)	(1,491,897)	(354,074)	(631,660)	(183,027)	(332,538)	(12,367,416)	(11,995,824)
Retailer Bonus	(1,250,481)	(84,969)	(91,462)	(135,996)	(60,034)	(70,244)	(28,275)	(50,786)	(1,772,247)	(1,291,937)
Cost of Tickets Sold	(1,006,202)	(9,351)	N/A	N/A	N/A	N/A	N/A	N/A	(1,015,553)	(766,941)
Telecomm Reimbursements	164,538	11,074	19,234	35,657	8,460	15,102	4,377	7,978	266,420	251,560
Vendor Fees	(2,123,021)	(142,888)	(235,019)	(409,759)	(98,076)	(175,943)	(50,164)	(93,779)	(3,328,649)	(3,115,827)
TOTAL	(12,245,630)	(765,991)	(1,111,146)	(2,001,995)	(503,724)	(862,745)	(257,089)	(469,125)	(18,217,445)	(16,918,969)
GROSS PROFIT ON SALE OF TICKETS	\$25,615,199	\$1,172,141	\$6,307,087	\$12,608,377	\$2,237,354	\$4,450,480	\$1,260,306	\$872,593	\$54,523,537	\$45,629,120
AVERAGE DAILY TICKET SALES	\$935,183	\$62,943	\$109,322	\$202,661	\$48,082	\$85,833	\$24,878	\$45,344 *	\$1,514,246	\$1,454,540

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 FOUR MONTHS ENDED OCTOBER 31, 2016**

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	FY 17 Total	FY 16 Total
Prize Expense	\$77,166,646	\$5,803,868	\$6,028,367	\$10,316,970	\$3,172,976	\$5,244,244	\$1,542,582	\$4,235,622	\$113,511,275	\$116,360,300
(/)/Ticket Sales	115,027,475	7,742,000	13,446,600	24,927,342	5,914,054	10,557,469	3,059,977	5,577,340	\$186,252,257	178,908,389
Prize %	67.09%	74.97%	44.83%	41.39%	53.65%	49.67%	50.41%	75.94%	60.94%	65.04%

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2016

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	2,623,964	\$6,866,947	27.6%
Amortization Equal	330,351	98,850	231,501	29.9%
Suppl Amortization Equalization	326,910	96,701	230,209	29.6%
Worker's Compensation	90,340	30,113	60,227	33.3%
Health and Life	949,966	322,945	627,021	34.0%
Short Term Disability	13,076	4,135	8,941	31.6%
Operating	1,203,156	305,470	897,686	25.4%
Variable Vehicle	163,062	41,560	121,502	25.5%
Leased Space	884,416	264,575	619,841	29.9%
Leased Space-Grand Junction	6,714	1,977	4,737	29.4%
Risk Management	30,631	10,210	20,421	33.3%
Vehicle Lease Payments	154,295	47,216	107,079	30.6%
Travel	113,498	43,266	70,232	38.1%
Marketing, Communications & Sales	14,700,000	4,168,077	10,531,923	28.4%
Payments to Other Agencies	239,410	4,820	234,590	2.0%
Legal Services	34,999	20,321	14,678	58.1%
Indirect Costs Assessments	760,199	266,859	493,340	35.1%
Ticket Costs-Scratch	6,578,000	1,335,752	5,242,248	20.3%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	3,328,649	9,242,855	26.5%
Prize Payments	424,104,016	113,511,275	310,592,741	26.8%
Retailer Compensation	52,241,350	14,139,663	38,101,687	27.1%
Multi-State Lottery Funds	177,433	38,932	138,501	21.9%
CORE Modernization	36,223	12,074	24,149	33.3%
OIT Payments	552,999	184,327	368,672	33.3%
<b>TOTAL</b>	<b><u>\$526,003,459</u></b>	<b><u>\$140,901,731</u></b>	<b><u>\$384,733,056</u></b>	<b><u>26.79%</u></b>

FY17 Staffing - FTE - (Note 4) 117.10 (Appropriated) 107.00 (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	113,511,275
Commissions and Bonuses	14,139,663
Cost of Tickets & Vendor Fees	4,077,782
Operating Expenses	8,942,447

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 140,671,167

Plus: Telecommunications offset classified as revenue 266,420

Less: Non-appropriated expenses and other adjustments

Depreciation	(65,799)
Accrued Annual and Sick Leave	17,729
Loss on Disposal of Equipment classified as revenue	

**Sub-Total 140,889,517**

Plus: Capitalized Fixed Assets 12,214  
\$140,901,731

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 October 31, 2016 is 33.3%.

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