

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

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

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 30, 2016

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

February 8, 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 five months ended November 30, 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 FIVE (5) MONTHS ENDED NOVEMBER 30, 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 five months ended November 30, 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 Five Months Ended November 30,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$230.54		\$223.57	
Nonoperating revenue	0.34		0.30	
TOTAL INCOME	230.88		223.87	
LESS:				
PRIZES	\$141.13	61.2% (1)	\$144.36	64.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$17.51	7.6% (2)	\$16.61	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.01		4.57	
Other Operating Expenses	11.41	(4)	11.84	
TOTAL ADMINISTRATIVE COSTS (Note 3)	16.42	7.1% (3)	16.41	7.3% (3)
	55.82		46.49	
NET CHANGE IN NET ASSETS	(0.03)		(0.07)	
PROCEEDS DISTRIBUTION	\$55.85	24.2% (3)	\$46.56	20.8% (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.

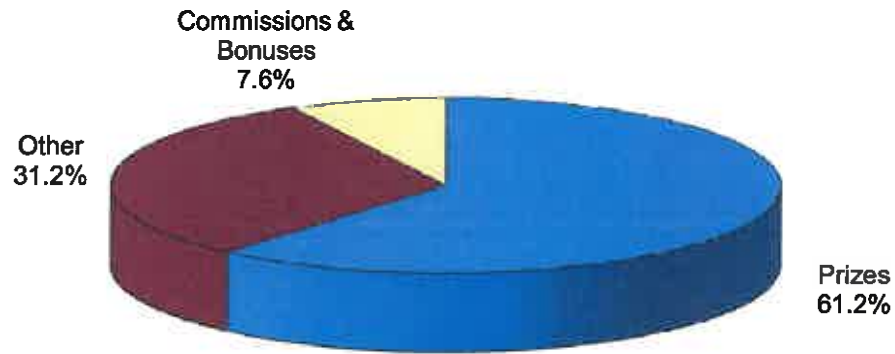
Note 2: Percent of gross ticket sales.

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.

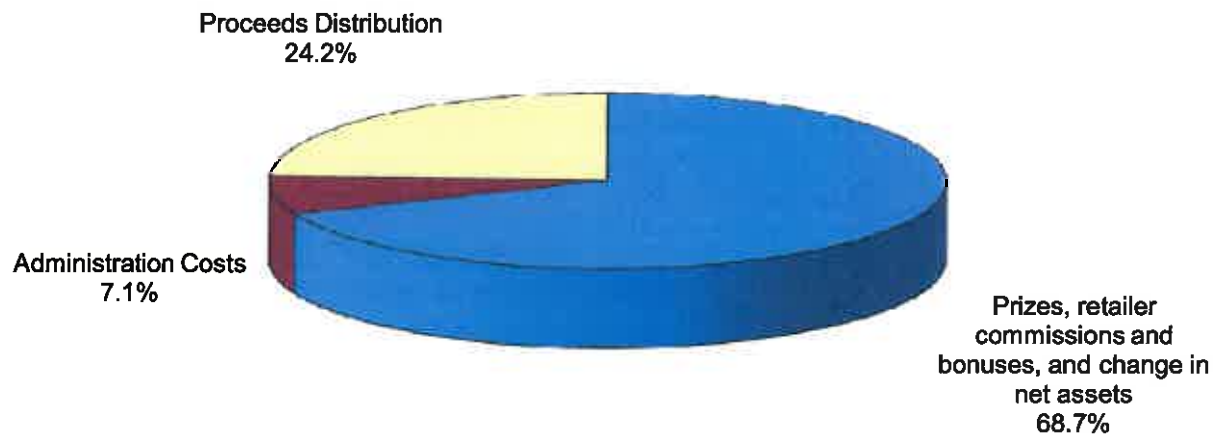
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2016

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
NOVEMBER 30, 2016 AND 2015
(UNAUDITED)

ASSETS	<u>FY 2017</u>	<u>FY 2016</u>
Current Assets:		
Cash and Investments	\$ 62,696,145	\$ 56,361,234
Accounts Receivable, net of the allowance for doubtful accounts of \$160,078 in 2016 and \$201,335 in 2015	25,944,820	22,802,224
Consignment Inventory, at Cost	119,561	105,079
Warehouse Inventory, at Cost	1,567,575	1,403,737
Prepaid Expenses	248,755	236,239
Total Current Assets	<u>90,576,856</u>	<u>80,908,513</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	475,366	395,975
Prepaid Prize Expense with MUSL	4,481,847	4,541,395
Total Reserve and Restricted Assets	<u>6,457,213</u>	<u>6,437,370</u>
Capital Assets:		
Equipment	5,884,856	6,238,217
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,589,078)	(5,846,030)
Total Capital Assets	<u>360,489</u>	<u>456,898</u>
TOTAL ASSETS	<u>\$ 97,394,558</u>	<u>\$ 87,802,781</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 597,183	\$ 1,142,474
Prize Liability	35,695,117	35,753,161
Payable to MUSL	727,305	436,093
Wages and Benefits	79,460	97,917
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,338,125	686,183
Funds Available for Distribution	55,846,513	46,562,317
Total Current Liabilities	<u>94,283,703</u>	<u>84,678,145</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	739,848	732,274
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	<u>775,000</u>	<u>771,763</u>
TOTAL LIABILITIES	<u>95,058,703</u>	<u>85,449,908</u>
NET POSITION		
Investment in Capital Assets	360,489	456,898
Restricted-Licensed Agent Recovery Reserve	475,366	395,975
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,335,855</u>	<u>2,352,873</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 97,394,558</u>	<u>\$ 87,802,781</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2016 AND 2015
 (UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 230,543,590	\$ 223,568,927
DIRECT OPERATING EXPENSES		
Prize Expense	141,134,370	144,358,548
Retailer Commissions and Bonuses	17,512,240	16,613,733
Cost of Tickets and Vendor Fees	5,005,960	4,570,874
Total Direct Operating Expenses	<u>163,652,570</u>	<u>165,543,155</u>
GROSS PROFIT ON SALE OF TICKETS	<u>66,891,020</u>	<u>58,025,772</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	5,365,495	5,749,698
Administration Fees Paid to MUSL	48,665	33,410
Wages and Benefits	3,895,873	4,022,518
Professional Services	59,393	54,216
State Agencies Services	299,714	305,261
Indirect Costs Assessments	326,964	191,775
Travel	50,139	50,494
Equipment	101,616	13,293
Depreciation	82,269	259,148
Accrued Annual and Sick Leave	(8,248)	(24,818)
Space Rental	336,161	329,172
Rents for Equipment	12,462	11,200
Motorpool Leasing	114,206	122,206
Materials and Supplies	42,628	70,954
Telephone	105,441	103,263
Equipment Maintenance	122,867	98,505
Printing	10,430	30,420
Delivery Expense	380,508	364,680
Other	61,832	55,457
Total Other Operating Expenses	<u>11,408,415</u>	<u>11,840,852</u>
OTHER OPERATING REVENUE (EXPENSE)	89,786	54,541
TOTAL OPERATING INCOME	<u>55,572,391</u>	<u>46,239,461</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	247,128	247,136
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(55,846,513)	(46,562,317)
Total Nonoperating Revenues (Expenses)	<u>(55,599,385)</u>	<u>(46,315,181)</u>
NET INCOME (LOSS)	<u>\$ (26,994)</u>	<u>\$ (75,720)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>(26,994)</u>	<u>(75,720)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,335,855</u>	<u>\$ 2,352,873</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2016
(With Comparative Totals for the Five Months Ended November 30, 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	\$142,294,032	\$9,903,500	\$15,406,787	\$32,731,406	\$7,311,780	\$12,091,853	\$4,060,620	\$6,743,612	\$230,543,590	\$223,568,927
PRIZE EXPENSE	(95,323,358)	(7,424,258)	(7,361,532)	(14,001,175)	(3,869,868)	(5,956,131)	(2,125,790)	(5,072,258)	(141,134,370)	(144,358,548)
NET REVENUE AFTER PRIZES	<u>46,970,674</u>	<u>2,479,242</u>	<u>8,045,255</u>	<u>18,730,231</u>	<u>3,441,912</u>	<u>6,135,722</u>	<u>1,934,830</u>	<u>1,671,354</u>	<u>89,409,220</u>	<u>79,210,379</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(9,937,303)	(690,847)	(921,305)	(1,959,555)	(437,763)	(723,555)	(242,907)	(402,355)	(15,315,590)	(15,007,225)
Retailer Bonus	(1,549,556)	(108,813)	(104,270)	(180,384)	(74,288)	(79,736)	(38,594)	(61,009)	(2,196,850)	(1,608,508)
Cost of Tickets Sold	(1,191,782)	(11,961)	N/A	N/A	N/A	N/A	N/A	N/A	(1,203,743)	(993,328)
Telecomm Reimbursements	201,232	14,006	21,788	46,289	10,340	17,100	5,743	9,537	326,035	325,695
Vendor Fees	(2,634,087)	(183,330)	(267,760)	(539,197)	(121,422)	(201,978)	(66,764)	(113,714)	(4,128,252)	(3,903,241)
TOTAL	<u>(15,111,496)</u>	<u>(980,945)</u>	<u>(1,271,547)</u>	<u>(2,632,847)</u>	<u>(623,133)</u>	<u>(988,169)</u>	<u>(342,522)</u>	<u>(567,541)</u>	<u>(22,518,200)</u>	<u>(21,184,607)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$31,859,178</u>	<u>\$1,498,297</u>	<u>\$6,773,708</u>	<u>\$16,097,384</u>	<u>\$2,818,779</u>	<u>\$5,147,553</u>	<u>\$1,592,308</u>	<u>\$1,103,813</u>	<u>\$66,891,020</u>	<u>\$58,025,772</u>
AVERAGE DAILY TICKET SALES	<u>\$930,026</u>	<u>\$64,729</u>	<u>\$100,698</u>	<u>\$213,931</u>	<u>\$47,789</u>	<u>\$79,032</u>	<u>\$26,540</u>	<u>\$44,076 *</u>	<u>\$1,506,821</u>	<u>\$1,461,235</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 FIVE MONTHS ENDED NOVEMBER 30, 2016

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	FY 17 Total	FY 16 Total
Prize Expense (/)/Ticket Sales	<u>\$95,323,358</u> <u>142,294,032</u>	<u>\$7,424,258</u> <u>9,903,500</u>	<u>\$7,361,532</u> <u>15,406,787</u>	<u>\$14,001,175</u> <u>32,731,406</u>	<u>\$3,869,868</u> <u>7,311,780</u>	<u>\$5,956,131</u> <u>12,091,853</u>	<u>\$2,125,790</u> <u>4,060,620</u>	<u>\$5,072,258</u> <u>6,743,612</u>	<u>\$141,134,370</u> <u>\$230,543,590</u>	<u>\$144,358,548</u> <u>223,568,927</u>
Prize %	<u>66.99%</u>	<u>74.97%</u>	<u>47.78%</u>	<u>42.78%</u>	<u>52.93%</u>	<u>49.26%</u>	<u>52.35%</u>	<u>75.22%</u>	<u>61.22%</u>	<u>64.57%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2016

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	3,263,770	\$6,227,141	34.4%
Amortization Equal	330,351	123,241	207,110	37.3%
Suppl Amortization Equalization	326,910	120,562	206,348	36.9%
Worker's Compensation	90,340	37,642	52,698	41.7%
Health and Life	949,966	401,524	548,442	42.3%
Short Term Disability	13,076	5,161	7,915	39.5%
Operating	1,203,156	437,207	765,949	36.3%
Variable Vehicle	163,062	51,755	111,307	31.7%
Leased Space	884,416	332,438	551,978	37.6%
Leased Space-Grand Junction	6,714	2,471	4,243	36.8%
Risk Management	30,631	12,763	17,868	41.7%
Vehicle Lease Payments	154,295	58,995	95,300	38.2%
Travel	113,498	50,139	63,359	44.2%
Marketing, Communications & Sales	14,700,000	5,365,495	9,334,505	36.5%
Payments to Other Agencies	239,410	43,649	195,761	18.2%
Legal Services	34,999	25,656	9,343	73.3%
Indirect Costs Assessments	760,199	326,964	433,235	43.0%
Ticket Costs-Scratch	6,578,000	1,596,752	4,981,248	24.3%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	4,128,252	8,443,252	32.8%
Prize Payments	424,104,016	141,134,370	282,969,646	33.3%
Retailer Compensation	52,241,350	17,512,240	34,729,110	33.5%
Multi-State Lottery Funds	177,433	48,665	128,768	27.4%
CORE Modernization	36,223	15,093	21,130	41.7%
OIT Payments	552,999	230,409	322,590	41.7%
TOTAL	<u>\$526,003,459</u>	<u>\$175,325,213</u>	<u>\$350,355,656</u>	<u>33.33%</u>

FY17 Staffing - FTE - (Note 4) 117.10 (Appropriated) 108.00 (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	141,134,370
Commissions and Bonuses	17,512,240
Cost of Tickets & Vendor Fees	5,005,960
Operating Expenses	11,408,415
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>175,060,985</u>
Plus: Telecommunications offset classified as revenue	326,035
Less: Non-appropriated expenses and other adjustments	
Depreciation	(82,269)
Accrued Annual and Sick Leave	8,248
Loss on Disposal of Equipment classified as revenue	
Sub-Total	<u>175,312,999</u>
Plus: Capitalized Fixed Assets	12,214
	<u>\$175,325,213</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 November 30, 2016 is 41.7%.

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