

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

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

**(UNAUDITED)**

**FOR THE SEVEN (7) MONTHS ENDED**

**JANUARY 31, 2017**

**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

April 12, 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 seven months ended January 31, 2017 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  
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**INCLUDING STATEMENT OF LOTTERY REVENUES  
PRIZE DISBURSEMENTS AND OTHER EXPENSES  
(UNAUDITED)**

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COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE SEVEN (7) MONTHS ENDED JANUARY 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 seven months ended January 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 Seven Months Ended January 31,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$320.85		\$372.32	
Nonoperating revenue	0.45		0.42	
<b>TOTAL INCOME</b>	<b>321.30</b>		<b>372.74</b>	
<b>LESS:</b>				
PRIZES	\$197.25	61.5% (1)	\$232.04	62.3% (1)
RETAILER COMMISSIONS AND BONUSES	\$24.46	7.6% (2)	\$27.42	7.4% (2)
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	7.03		7.43	
Other Operating Expenses	15.74	(4)	15.44	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>22.77</b>	<b>7.1% (3)</b>	<b>22.87</b>	<b>6.1% (3)</b>
	76.82		90.41	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.05</b>		<b>(0.17)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$76.77</b>	<b>23.9% (3)</b>	<b>\$90.58</b>	<b>24.3% (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.

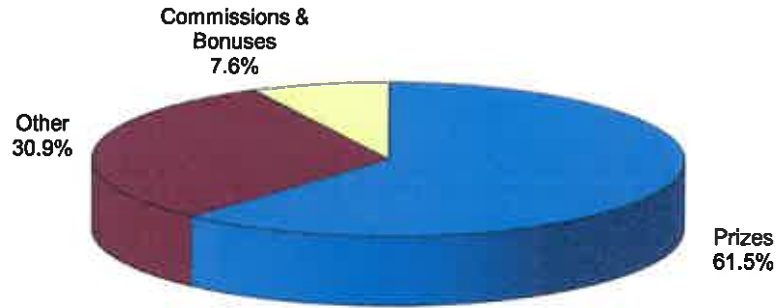
Note 2: Percent of gross ticket sales.

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.

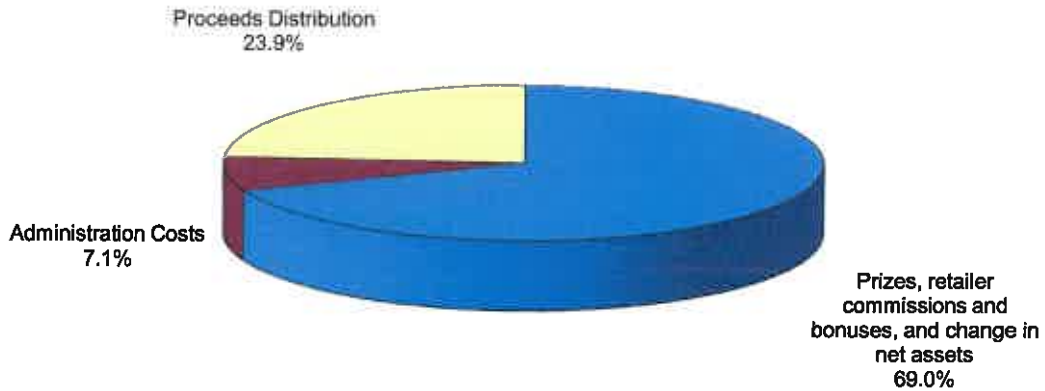
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2017

**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  
JANUARY 31, 2017 AND 2016  
(UNAUDITED)

ASSETS	<u>FY 2017</u>	<u>FY 2016</u>
<b>Current Assets:</b>		
Cash and Investments	\$ 48,947,885	\$ 68,292,657
Accounts Receivable, net of the allowance for doubtful accounts of \$166,441 in 2017 and \$199,494 in 2016	25,590,625	23,781,639
Consignment Inventory, at Cost	126,432	117,404
Warehouse Inventory, at Cost	1,698,659	1,350,834
Prepaid Expenses	198,173	185,788
<b>Total Current Assets</b>	<u>76,561,774</u>	<u>93,728,322</u>
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	481,887	408,976
Prepaid Prize Expense with MUSL	4,487,818	4,541,395
<b>Total Reserve and Restricted Assets</b>	<u>6,569,705</u>	<u>6,450,371</u>
<b>Capital Assets:</b>		
Equipment	5,884,856	5,966,333
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,623,163)	(5,628,901)
<b>Total Capital Assets</b>	<u>326,404</u>	<u>402,143</u>
<b>TOTAL ASSETS</b>	<u>\$ 83,457,883</u>	<u>\$ 100,580,836</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 563,554	\$ 1,281,304
Prize Liability	36,799,490	32,527,983
Payable to MUSL	176,954	589,534
Wages and Benefits	27,423	137,083
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,791,932	1,298,281
Funds Available for Distribution	40,911,194	61,664,423
<b>Total Current Liabilities</b>	<u>80,270,547</u>	<u>97,498,608</u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	743,893	731,620
Expired Warrants Liability	35,152	39,489
<b>Total Long-Term Liabilities</b>	<u>779,045</u>	<u>771,109</u>
<b>TOTAL LIABILITIES</b>	<u>81,049,592</u>	<u>98,269,717</u>
<b>NET POSITION</b>		
Investment in Capital Assets	326,404	402,143
Restricted-Licensed Agent Recovery Reserve	481,887	408,976
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<u>2,408,291</u>	<u>2,311,119</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 83,457,883</u>	<u>\$ 100,580,836</u>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2017 AND 2016  
 (UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 320,850,563	\$ 372,324,405
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	197,253,855	232,042,007
Retailer Commissions and Bonuses	24,455,338	27,421,372
Cost of Tickets and Vendor Fees	<u>7,034,640</u>	<u>7,425,412</u>
Total Direct Operating Expenses	<u>228,743,833</u>	<u>266,888,791</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>92,106,730</u>	<u>105,435,614</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	7,307,227	7,041,659
Administration Fees Paid to MUSL	73,641	46,775
Wages and Benefits	5,422,639	5,570,612
Professional Services	86,424	75,557
State Agencies Services	396,789	414,722
Indirect Costs Assessments	440,831	268,485
Travel	61,382	61,846
Equipment	139,635	16,583
Depreciation	116,354	368,507
Accrued Annual and Sick Leave	(3,666)	(25,855)
Space Rental	470,734	460,741
Rents for Equipment	17,032	15,770
Motorpool Leasing	155,244	168,897
Materials and Supplies	57,094	80,326
Telephone	148,069	138,125
Equipment Maintenance	202,367	125,125
Printing	28,679	13,480
Delivery Expense	535,580	521,668
Other	86,968	80,785
Total Other Operating Expenses	<u>15,743,023</u>	<u>15,443,808</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	113,587	84,077
<b>TOTAL OPERATING INCOME</b>	<u>76,477,294</u>	<u>90,075,883</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	335,359	331,572
Funds Distributed for Current Year	(35,856,017)	(28,915,110)
Funds Available for Distribution for Current Year	<u>(40,911,194)</u>	<u>(61,664,423)</u>
Total Nonoperating Revenues (Expenses)	<u>(76,431,852)</u>	<u>(90,247,961)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 45,442</u>	<u>\$ (172,078)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,362,849	2,428,593
Net Change in Net Position	<u>45,442</u>	<u>(172,078)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,408,291</u>	<u>\$ 2,256,515</u>



COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES  
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2017  
(With Comparative Totals for the Seven (7) Months Ended January 31, 2016)

	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	\$202,580,235	\$14,407,150	\$19,729,161	\$42,184,533	\$10,174,464	\$16,292,888	\$6,079,508	\$9,402,624	\$320,850,563	\$372,324,405
PRIZE EXPENSE	(136,565,766)	(10,800,464)	(10,043,053)	(18,348,258)	(5,360,943)	(6,802,926)	(3,066,962)	(6,265,483)	(197,253,855)	(232,042,007)
NET REVENUE AFTER PRIZES	66,014,469	3,606,686	9,686,108	23,836,275	4,813,521	9,489,962	3,012,546	3,137,141	123,596,708	140,282,398
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(14,143,453)	(1,002,428)	(1,179,911)	(2,525,057)	(609,223)	(974,765)	(363,723)	(561,281)	(21,359,841)	(24,655,309)
Retailer Bonus	(2,215,985)	(158,295)	(136,781)	(234,854)	(102,529)	(104,299)	(57,158)	(85,596)	(3,095,497)	(2,766,063)
Cost of Tickets Sold	(1,730,598)	(17,401)	N/A	N/A	N/A	N/A	N/A	N/A	(1,747,999)	(1,438,751)
Telecomm Reimbursements	290,681	20,674	28,310	60,531	14,599	23,379	8,724	13,492	460,390	444,475
Vendor Fees	(3,744,344)	(286,307)	(339,807)	(695,549)	(169,144)	(273,139)	(99,930)	(158,811)	(5,747,031)	(6,431,136)
TOTAL	(21,543,699)	(1,423,757)	(1,628,189)	(3,394,929)	(866,297)	(1,328,824)	(512,087)	(792,196)	(31,489,978)	(34,846,784)
GROSS PROFIT ON SALE OF TICKETS	\$44,470,770	\$2,182,929	\$8,057,919	\$20,441,346	\$3,947,224	\$8,161,138	\$2,500,459	\$2,344,945	\$92,106,730	\$105,435,614
AVERAGE DAILY TICKET SALES	\$942,234	\$67,010	\$91,764	\$196,207	\$47,323	\$75,781	\$28,277	\$43,733 *	\$1,492,328	\$1,731,741

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 SEVEN (7) MONTHS ENDED JANUARY 31, 2017

	Jackpot Games								FY 17	FY 16
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	Total	Total
Prize Expense (/)/Ticket Sales	\$136,565,766 202,580,235	\$10,800,464 14,407,150	\$10,043,053 19,729,161	\$18,348,258 42,184,533	\$5,360,943 10,174,464	\$6,802,926 16,292,888	\$3,066,962 6,079,508	\$6,265,483 9,402,624	\$197,253,855 \$320,850,563	\$232,042,007 372,324,405
Prize %	67.41%	74.97%	50.90%	43.50%	52.69%	41.75%	50.45%	66.64%	61.48%	62.32%

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2017

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	4,526,721	\$4,964,190	47.7%
Amortization Equal	330,351	176,644	153,707	53.5%
Supplemental Amortization Equalization	326,910	173,408	153,502	53.0%
Worker's Compensation	90,340	52,698	37,642	58.3%
Health and Life	949,966	567,583	382,383	59.7%
Short Term Disability	13,076	7,294	5,782	55.8%
Operating	1,203,156	647,699	555,457	53.8%
Variable Vehicle	163,062	68,731	94,331	42.2%
Leased Space	884,416	465,600	418,816	52.6%
Leased Space-Grand Junction	6,714	3,460	3,254	51.5%
Risk Management	30,631	17,868	12,763	58.3%
Vehicle Lease Payments	154,295	82,526	71,769	53.5%
Travel	113,498	61,382	52,116	54.1%
Marketing, Communications & Sales	14,700,000	7,307,227	7,392,773	49.7%
Payments to Other Agencies	239,410	41,468	197,942	17.3%
Legal Services	34,999	32,748	2,251	93.6%
Indirect Costs Assessments	760,199	440,831	319,368	58.0%
Ticket Costs-Scratch	6,578,000	2,299,316	4,278,684	35.0%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	5,747,031	6,824,473	45.7%
Prize Payments	424,104,016	197,253,855	226,850,161	46.5%
Retailer Compensation	52,241,350	24,455,338	27,786,012	46.8%
Multi-State Lottery Funds	177,433	73,641	103,792	41.5%
CORE Modernization	36,223	21,130	15,093	58.3%
OIT Payments	552,999	322,573	230,426	58.3%
<b>TOTAL</b>	<u>\$526,003,459</u>	<u>\$244,846,772</u>	<u>\$280,926,261</u>	<u>46.55%</u>

FY17 Staffing - FTE - (Note 4)                      117.10 (Appropriated)                      113.00 (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	197,253,855
Commissions and Bonuses	24,455,338
Cost of Tickets & Vendor Fees	7,034,640
Operating Expenses	15,743,023

**Total Expenses per Statement of Revenues, Expenses and Changes in Net Position**                      244,486,856

Plus: Telecommunications offset classified as revenue	460,390
Less: Non-appropriated expenses and other adjustments	
Depreciation	(116,354)
Accrued Annual and Sick Leave	3,666
Loss on Disposal of Equipment classified as revenue	

**Sub-Total**                      244,834,558

Plus: Capitalized Fixed Assets                      12,214  
\$244,846,772

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 January 31, 2017 is 58.3%.

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