

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

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

**(UNAUDITED)**

**FOR THE EIGHT (8) MONTHS ENDED**

**FEBRUARY 28, 2017**

# 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

May 10, 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 eight months ended February 28, 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 black ink that reads "John Caligaris". The signature is written in a cursive style.

John Caligaris  
Controller, Colorado Lottery  
Colorado Department of Revenue

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

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

**TABLE OF CONTENTS**

Financial Highlights.....	1
Supplement to Financial Highlights .....	2
Statements of Net Position.....	3
Statements of Revenues, Expenses, and Changes in Net Position .....	4
Schedule of Revenue and Costs for Completed and In-Progress Games .....	5
Schedule of Percent of Prize Expense to Gross Ticket Sales .....	5
Budget Status .....	6

COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the eight months ended February 28, 2017 and February 29, 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 Eight Months Ended February 28 and February 29,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$367.42		\$416.06	
Nonoperating revenue	0.51		0.49	
<b>TOTAL INCOME</b>	<b>367.93</b>		<b>416.55</b>	
<b>LESS:</b>				
<b>PRIZES</b>	\$224.98	61.2% (1)	\$259.47	62.4% (1)
<b>RETAILER COMMISSIONS AND BONUSES</b>	\$27.91	7.6% (2)	\$30.68	7.4% (2)
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	8.03		8.33	
Other Operating Expenses	17.91	(4)	17.23	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>25.94</b>	<b>7.1% (3)</b>	<b>25.56</b>	<b>6.1% (3)</b>
	89.10		100.84	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.04</b>		<b>(0.18)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$89.06</b>	<b>24.2% (3)</b>	<b>\$101.02</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.

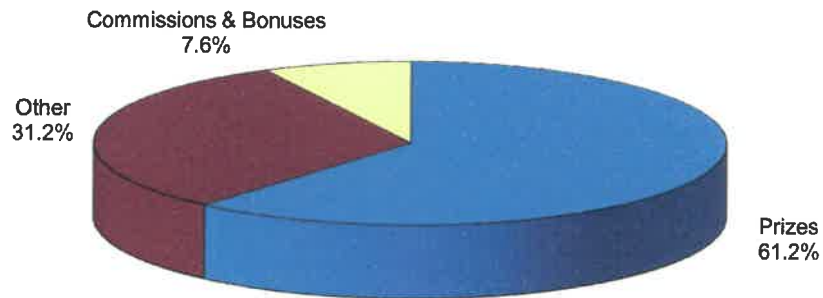
Note 2: Percent of gross ticket sales.

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.

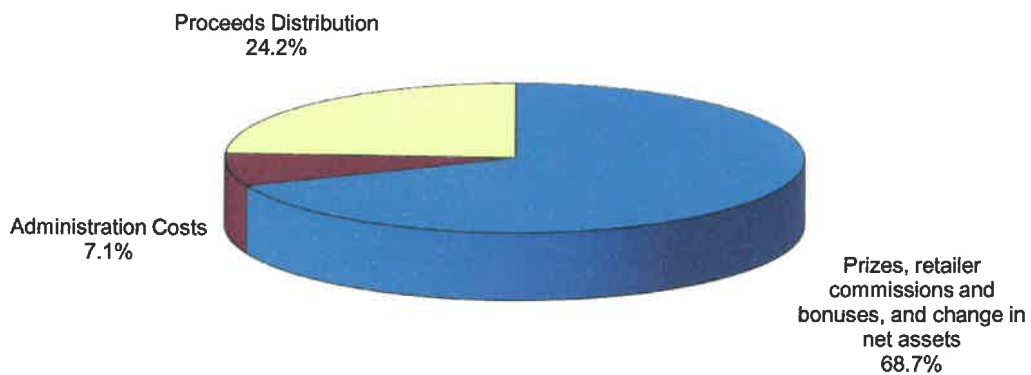
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2017

**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  
FEBRUARY 28, 2017 AND FEBRUARY 29, 2016  
(UNAUDITED)

ASSETS	FY 2017	FY 2016
Current Assets:		
Cash and Investments	\$ 29,484,214	\$ 77,808,049
Accounts Receivable, net of the allowance for doubtful accounts of \$166,526 in 2017 and \$196,856 in 2016	27,203,199	24,719,636
Consignment Inventory, at Cost	127,275	97,215
Warehouse Inventory, at Cost	1,477,330	1,378,834
Prepaid Expenses	172,881	161,670
Total Current Assets	58,464,899	104,165,404
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	488,468	415,537
Prepaid Prize Expense with MUSL	4,498,930	4,541,395
Total Reserve and Restricted Assets	6,587,398	6,456,932
Capital Assets:		
Equipment	5,884,856	5,966,333
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,638,461)	(5,699,118)
Total Capital Assets	311,106	331,926
TOTAL ASSETS	\$ 65,363,403	\$ 110,954,262
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 982,031	\$ 634,162
Prize Liability	37,347,847	32,882,857
Payable to MUSL	165,850	724,046
Wages and Benefits	24,267	156,667
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,910,680	1,396,940
Funds Available for Distribution	21,729,622	72,101,281
Total Current Liabilities	62,160,297	107,895,953
Long-Term Liabilities:		
Accrued Annual and Sick Leave	768,380	771,357
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	803,532	810,846
TOTAL LIABILITIES	62,963,829	108,706,799
NET POSITION		
Investment in Capital Assets	311,106	331,926
Restricted-Licensed Agent Recovery Reserve	488,468	415,537
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,399,574	2,247,463
TOTAL LIABILITIES AND NET POSITION	\$ 65,363,403	\$ 110,954,262

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016  
 (UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 367,422,775	\$ 416,057,426
DIRECT OPERATING EXPENSES		
Prize Expense	224,983,104	259,474,565
Retailer Commissions and Bonuses	27,907,278	30,676,047
Cost of Tickets and Vendor Fees	8,032,594	8,331,316
Total Direct Operating Expenses	<u>260,922,976</u>	<u>298,481,928</u>
GROSS PROFIT ON SALE OF TICKETS	<u>106,499,799</u>	<u>117,575,498</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	8,281,216	7,649,063
Administration Fees Paid to MUSL	83,374	66,575
Wages and Benefits	6,220,559	6,336,754
Professional Services	99,195	85,967
State Agencies Services	447,225	472,137
Indirect Costs Assessments	501,934	306,840
Travel	68,206	67,494
Equipment	139,635	16,583
Depreciation	131,651	384,120
Accrued Annual and Sick Leave	20,791	13,974
Space Rental	540,874	527,129
Rents for Equipment	19,340	18,709
Motorpool Leasing	177,107	192,895
Materials and Supplies	61,138	89,549
Telephone	160,415	159,383
Equipment Maintenance	214,230	137,690
Printing	29,872	16,635
Delivery Expense	618,374	591,494
Other	93,728	93,633
Total Other Operating Expenses	<u>17,908,864</u>	<u>17,226,624</u>
OTHER OPERATING REVENUE (EXPENSE)	124,080	96,071
TOTAL OPERATING INCOME	<u>88,715,015</u>	<u>100,444,945</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	386,226	390,316
Funds Distributed for Current Year	(67,334,894)	(28,915,110)
Funds Available for Distribution for Current Year	(21,729,622)	(72,101,281)
Total Nonoperating Revenues (Expenses)	<u>(88,678,290)</u>	<u>(100,626,075)</u>
NET INCOME (LOSS)	<u>\$ 36,725</u>	<u>\$ (181,130)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>36,725</u>	<u>(181,130)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,399,574</u>	<u>\$ 2,247,463</u>



COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2017  
(With Comparative Totals for the Eight (8) Months Ended February 29, 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	\$231,492,766	\$16,827,800	\$21,548,054	\$50,399,133	\$11,503,950	\$17,854,340	\$7,004,092	\$10,792,640	\$367,422,775	\$416,057,426
PRIZE EXPENSE	(155,215,312)	(12,615,128)	(10,833,935)	(22,366,241)	(6,018,730)	(7,555,623)	(3,522,576)	(6,855,559)	(224,983,104)	(259,474,565)
NET REVENUE AFTER PRIZES	<u>76,277,454</u>	<u>4,212,672</u>	<u>10,714,119</u>	<u>28,032,892</u>	<u>5,485,220</u>	<u>10,298,717</u>	<u>3,481,516</u>	<u>3,937,081</u>	<u>142,439,671</u>	<u>156,582,861</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(16,164,746)	(1,171,034)	(1,288,840)	(3,017,240)	(688,864)	(1,068,271)	(419,066)	(644,448)	(24,462,509)	(27,591,990)
Retailer Bonus	(2,461,901)	(180,394)	(147,466)	(273,764)	(113,105)	(109,556)	(63,992)	(94,591)	(3,444,769)	(3,084,057)
Cost of Tickets Sold	(1,948,159)	(20,325)	N/A	N/A	N/A	N/A	N/A	N/A	(1,968,484)	(1,649,152)
Telecomm Reimbursements	327,638	23,818	30,504	71,347	16,285	25,275	9,915	15,278	520,060	518,675
Vendor Fees	(4,278,203)	(311,011)	(370,975)	(833,600)	(191,835)	(300,288)	(115,389)	(182,869)	(6,584,170)	(7,200,839)
TOTAL	<u>(24,525,371)</u>	<u>(1,658,946)</u>	<u>(1,776,777)</u>	<u>(4,053,257)</u>	<u>(977,519)</u>	<u>(1,452,840)</u>	<u>(588,532)</u>	<u>(906,630)</u>	<u>(35,939,872)</u>	<u>(39,007,363)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$51,752,083</u>	<u>\$2,553,726</u>	<u>\$8,937,342</u>	<u>\$23,979,635</u>	<u>\$4,507,701</u>	<u>\$8,845,877</u>	<u>\$2,892,984</u>	<u>\$3,030,451</u>	<u>\$106,499,799</u>	<u>\$117,575,498</u>
AVERAGE DAILY TICKET SALES	<u>\$952,645</u>	<u>\$69,250</u>	<u>\$88,675</u>	<u>\$207,404</u>	<u>\$47,341</u>	<u>\$73,475</u>	<u>\$28,823</u>	<u>\$44,414</u> *	<u>\$1,512,028</u>	<u>\$1,705,153</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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 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	\$155,215,312 231,492,766	\$12,615,128 16,827,800	\$10,833,935 21,548,054	\$22,366,241 50,399,133	\$6,018,730 11,503,950	\$7,555,623 17,854,340	\$3,522,576 7,004,092	\$6,855,559 10,792,640	\$224,983,104 <u>\$367,422,775</u>	\$259,474,565 416,057,426
Prize %	<u>67.05%</u>	<u>74.97%</u>	<u>50.28%</u>	<u>44.38%</u>	<u>52.32%</u>	<u>42.32%</u>	<u>50.29%</u>	<u>63.52%</u>	<u>61.23%</u>	<u>62.37%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2017

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	5,188,209	\$4,302,702	54.7%
Amortization Equal	330,351	204,574	125,777	61.9%
Supplemental Amortization Equalization	326,910	201,338	125,572	61.6%
Worker's Compensation	90,340	60,227	30,113	66.7%
Health and Life	949,966	651,638	298,328	68.6%
Short Term Disability	13,076	8,393	4,683	64.2%
Operating	1,203,156	681,689	521,467	56.7%
Variable Vehicle	163,062	78,609	84,453	48.2%
Leased Space	884,416	535,079	349,337	60.5%
Leased Space-Grand Junction	6,714	3,954	2,760	58.9%
Risk Management	30,631	20,421	10,210	66.7%
Vehicle Lease Payments	154,295	94,291	60,004	61.1%
Travel	113,498	68,206	45,292	60.1%
Marketing, Communications & Sales	14,700,000	8,281,216	6,418,784	56.3%
Payments to Other Agencies	239,410	41,921	197,489	17.5%
Legal Services	34,999	36,649	(1,650)	104.7%
Indirect Costs Assessments	760,199	501,934	258,265	66.0%
Ticket Costs-Scratch	6,578,000	2,602,595	3,975,405	39.6%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	6,584,170	5,987,334	52.4%
Prize Payments	424,104,016	224,983,104	199,120,912	53.0%
Retailer Compensation	52,241,350	27,907,278	24,334,072	53.4%
Multi-State Lottery Funds	177,433	83,374	94,059	47.0%
CORE Modernization	36,223	24,148	12,075	66.7%
OIT Payments	552,999	368,655	184,344	66.7%
<b>TOTAL</b>	<u>\$526,003,459</u>	<u>\$279,211,672</u>	<u>\$246,607,443</u>	<u>53.08%</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	224,983,104
Commissions and Bonuses	27,907,278
Cost of Tickets & Vendor Fees	8,032,594
Operating Expenses	17,908,864
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u>278,831,840</u>
Plus: Telecommunications offset classified as revenue	520,060
Less: Non-appropriated expenses and other adjustments	
Depreciation	(131,651)
Accrued Annual and Sick Leave	(20,791)
Loss on Disposal of Equipment classified as revenue	
<b>Sub-Total</b>	279,199,458
Plus: Capitalized Fixed Assets	12,214
	<u>\$279,211,672</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 February 28, 2017 is 66.7%.

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