

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

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

(UNAUDITED)

FOR THE TEN MONTHS (10) ENDED

APRIL 30, 2017

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
225 N. Main Street
Pueblo, CO 81003
(719) 546-2400
(719) 546-5208 Fax



John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

July 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 ten months ended April 30, 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
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 TEN (10) MONTHS ENDED APRIL 30, 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 ten months ended April 30, 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 Ten Months Ended April 30,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$459.67		\$505.11	
Nonoperating revenue	0.65		0.59	
TOTAL INCOME	460.32		505.70	
LESS:				
PRIZES	\$281.51	61.2% (1)	\$316.10	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$34.63	7.5% (2)	\$37.31	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.06		10.21	
Other Operating Expenses	22.06	(4)	20.81	
TOTAL ADMINISTRATIVE COSTS (Note 3)	32.12	7.0% (3)	31.02	6.1% (3)
	112.06		121.27	
NET CHANGE IN NET ASSETS	0.02		(0.21)	
PROCEEDS DISTRIBUTION	\$112.04	24.3% (3)	\$121.48	24.0% (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.

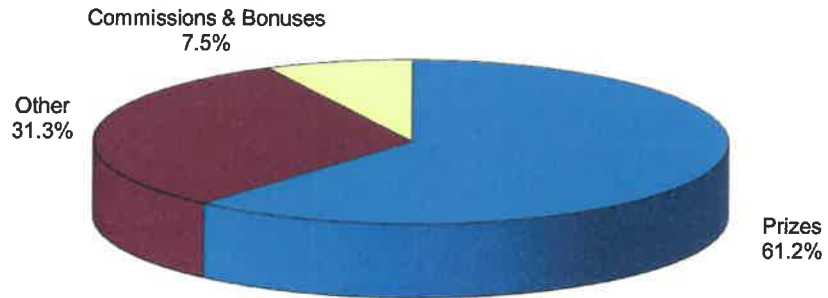
Note 2: Percent of gross ticket sales.

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.

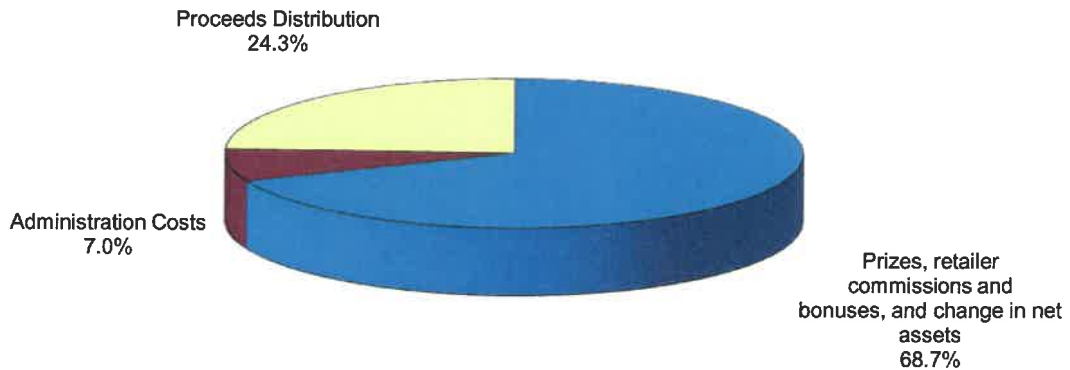
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TEN MONTHS ENDED APRIL 30, 2017

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
APRIL 30, 2017 AND 2016
(UNAUDITED)

ASSETS	FY 2017	FY 2016
Current Assets:		
Cash and Investments	\$ 55,424,581	\$ 71,657,827
Accounts Receivable, net of the allowance for doubtful accounts of \$159,557 in 2017 and \$200,867 in 2016	22,315,636	21,855,666
Consignment Inventory, at Cost	107,797	117,809
Warehouse Inventory, at Cost	1,313,660	1,470,426
Prepaid Expenses	113,269	113,433
Total Current Assets	79,274,943	95,215,161
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	508,226	417,391
Prepaid Prize Expense with MUSL	4,399,690	4,541,395
Total Reserve and Restricted Assets	6,507,916	6,458,786
Capital Assets:		
Equipment	5,884,856	5,966,333
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,671,592)	(5,727,553)
Total Capital Assets	277,975	303,491
TOTAL ASSETS	\$ 86,060,834	\$ 101,977,438
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 850,294	\$ 810,098
Prize Liability	35,089,003	34,816,684
Payable to MUSL	211,905	747,495
Wages and Benefits	19,693	8,625
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,952,527	1,591,953
Funds Available for Distribution	44,710,123	60,963,051
Total Current Liabilities	82,833,545	98,937,906
Long-Term Liabilities:		
Accrued Annual and Sick Leave	805,936	779,161
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	841,088	818,650
TOTAL LIABILITIES	83,674,633	99,756,556
NET POSITION		
Investment in Capital Assets	277,975	303,491
Restricted-Licensed Agent Recovery Reserve	508,226	417,391
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,386,201	2,220,882
TOTAL LIABILITIES AND NET POSITION	\$ 86,060,834	\$ 101,977,438

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE TEN (10) MONTHS ENDED APRIL 30, 2017 AND 2016
(UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 459,675,847	\$ 505,114,790
DIRECT OPERATING EXPENSES		
Prize Expense	281,505,193	316,096,789
Retailer Commissions and Bonuses	34,628,056	37,314,469
Cost of Tickets and Vendor Fees	10,059,288	10,213,048
Total Direct Operating Expenses	<u>326,192,537</u>	<u>363,624,306</u>
GROSS PROFIT ON SALE OF TICKETS	<u>133,483,310</u>	<u>141,490,484</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	10,000,113	9,112,473
Administration Fees Paid to MUSL	108,052	85,864
Wages and Benefits	7,813,179	7,699,057
Professional Services	127,087	107,198
State Agencies Services	558,430	591,980
Indirect Costs Assessments	623,062	383,550
Travel	80,983	82,417
Equipment	148,647	28,916
Depreciation	164,782	412,555
Accrued Annual and Sick Leave	58,379	21,491
Space Rental	677,302	659,214
Rents for Equipment	23,942	23,749
Motorpool Leasing	220,201	241,658
Materials and Supplies	80,288	98,908
Telephone	211,007	199,502
Equipment Maintenance	264,102	167,666
Printing	18,463	14,636
Delivery Expense	769,935	770,186
Other	114,676	106,098
Total Other Operating Expenses	<u>22,062,630</u>	<u>20,807,118</u>
OTHER OPERATING REVENUE (EXPENSE)	153,107	111,363
TOTAL OPERATING INCOME	<u>111,573,787</u>	<u>120,794,729</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	494,582	474,736
Funds Distributed for Current Year	(67,334,894)	(60,514,125)
Funds Available for Distribution for Current Year	<u>(44,710,123)</u>	<u>(60,963,051)</u>
Total Nonoperating Revenues (Expenses)	<u>(111,550,435)</u>	<u>(121,002,440)</u>
NET INCOME (LOSS)	<u>\$ 23,352</u>	<u>\$ (207,711)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>23,352</u>	<u>(207,711)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,386,201</u>	<u>\$ 2,220,882</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE TEN MONTHS ENDED APRIL 30, 2017
(With Comparative Totals for the Ten Months Ended April 30, 2016)

	Scratch	Scratch \$50	Jackpot Games					FY 17	FY 16	
			Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$294,363,711	\$21,282,450	\$25,645,456	\$59,406,166	\$14,434,556	\$21,956,578	\$9,046,726	\$13,540,204	\$459,675,847	\$505,114,790
PRIZE EXPENSE	(196,152,381)	(15,954,601)	(12,447,834)	(26,685,212)	(7,659,123)	(9,552,931)	(4,504,170)	(8,548,941)	(281,505,193)	(316,096,789)
NET REVENUE AFTER PRIZES	<u>98,211,330</u>	<u>5,327,849</u>	<u>13,197,622</u>	<u>32,720,954</u>	<u>6,775,433</u>	<u>12,403,647</u>	<u>4,542,556</u>	<u>4,991,263</u>	<u>178,170,654</u>	<u>189,018,001</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(20,560,147)	(1,482,334)	(1,534,275)	(3,556,861)	(864,389)	(1,313,929)	(541,161)	(808,830)	(30,661,926)	(33,575,684)
Retailer Bonus	(2,890,096)	(211,122)	(156,486)	(278,831)	(130,842)	(117,204)	(75,240)	(106,309)	(3,966,130)	(3,738,785)
Cost of Tickets Sold	(2,372,743)	(25,705)	N/A	N/A	N/A	N/A	N/A	N/A	(2,398,448)	(2,080,246)
Telecomm Reimbursements	409,356	29,599	35,664	82,613	20,073	30,534	12,581	18,830	639,250	637,395
Vendor Fees	(5,490,004)	(396,958)	(439,656)	(983,256)	(241,070)	(370,324)	(149,048)	(229,774)	(8,300,090)	(8,770,197)
TOTAL	<u>(30,903,634)</u>	<u>(2,086,520)</u>	<u>(2,094,753)</u>	<u>(4,736,335)</u>	<u>(1,216,228)</u>	<u>(1,770,923)</u>	<u>(752,868)</u>	<u>(1,126,083)</u>	<u>(44,687,344)</u>	<u>(47,527,517)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$67,307,696</u>	<u>\$3,241,329</u>	<u>\$11,102,869</u>	<u>\$27,984,619</u>	<u>\$5,559,205</u>	<u>\$10,632,724</u>	<u>\$3,789,688</u>	<u>\$3,865,180</u>	<u>\$133,483,310</u>	<u>\$141,490,484</u>
AVERAGE DAILY TICKET SALES	<u>\$968,302</u>	<u>\$70,008</u>	<u>\$84,360</u>	<u>\$195,415</u>	<u>\$47,482</u>	<u>\$72,226</u>	<u>\$29,759</u>	<u>\$44,540 *</u>	<u>\$1,512,092</u>	<u>\$1,656,114</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 TEN MONTHS ENDED APRIL 30, 2017

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	FY 17	FY 16
									Total	Total
Prize Expense	\$196,152,381	\$15,954,601	\$12,447,834	\$26,685,212	\$7,659,123	\$9,552,931	\$4,504,170	\$8,548,941	\$281,505,193	\$316,096,789
(/)/Ticket Sales	294,363,711	21,282,450	25,645,456	59,406,166	14,434,556	21,956,578	9,046,726	13,540,204	\$459,675,847	505,114,790
Prize %	<u>66.64%</u>	<u>74.97%</u>	<u>48.54%</u>	<u>44.92%</u>	<u>53.06%</u>	<u>43.51%</u>	<u>49.79%</u>	<u>63.14%</u>	<u>61.24%</u>	<u>62.58%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TEN MONTHS ENDED APRIL 30, 2017

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	6,510,866	\$2,980,045	68.6%
Amortization Equal	330,351	260,528	69,823	78.9%
Supplemental Amortization Equalization	326,910	257,292	69,618	78.7%
Worker's Compensation	90,340	75,283	15,057	83.3%
Health and Life	949,966	819,213	130,753	86.2%
Short Term Disability	13,076	10,588	2,488	81.0%
Operating	1,203,156	815,153	388,003	67.8%
Variable Vehicle	163,062	97,796	65,266	60.0%
Leased Space	884,416	670,180	214,236	75.8%
Leased Space-Grand Junction	6,714	4,942	1,772	73.6%
Risk Management	30,631	25,526	5,105	83.3%
Vehicle Lease Payments	154,295	117,819	36,476	76.4%
Travel	113,498	80,983	32,515	71.4%
Marketing, Communications & Sales	14,700,000	10,000,113	4,699,887	68.0%
Payments to Other Agencies	239,410	44,629	194,781	18.6%
Legal Services	79,035	52,983	26,052	67.0%
Indirect Costs Assessments	760,199	623,062	137,137	82.0%
Ticket Costs-Scratch	6,578,000	3,184,119	3,393,881	48.4%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	8,300,090	4,271,414	66.0%
Prize Payments	424,104,016	281,505,193	142,598,823	66.4%
Retailer Compensation	52,241,350	34,628,056	17,613,294	66.3%
Multi-State Lottery Funds	177,433	108,052	69,381	60.9%
CORE Modernization	36,223	30,186	6,037	83.3%
OIT Payments	552,999	460,818	92,181	83.3%
TOTAL	<u>\$526,047,495</u>	<u>\$348,683,470</u>	<u>\$177,271,844</u>	<u>66.28%</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	281,505,193
Commissions and Bonuses	34,628,056
Cost of Tickets & Vendor Fees	10,059,288
Operating Expenses	22,062,630
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>348,255,167</u>
Plus: Telecommunications offset classified as revenue	639,250
Less: Non-appropriated expenses and other adjustments	
Depreciation	(164,782)
Accrued Annual and Sick Leave	(58,379)
Loss on Disposal of Equipment classified as revenue	
Sub-Total	348,671,256
Plus: Capitalized Fixed Assets	12,214
	<u>\$348,683,470</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 April 30, 2017 is 83.3%.

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