

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

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

(UNAUDITED)

FOR THE ELEVEN MONTHS (11) ENDED

MAY 31, 2017

**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

August 25, 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 eleven months ended May 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
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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 Eleven Months Ended May 31,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$508.79		\$550.56	
Nonoperating revenue	0.71		0.66	
TOTAL INCOME	509.50		551.22	
LESS:				
PRIZES	\$312.94	61.5% (1)	\$344.41	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$38.13	7.5% (2)	\$40.68	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	11.19		11.16	
Other Operating Expenses	24.81	(4)	23.18	
TOTAL ADMINISTRATIVE COSTS (Note 3)	36.00	7.1% (3)	34.34	6.2% (3)
	122.43		131.79	
NET CHANGE IN NET ASSETS	0.04		(0.16)	
PROCEEDS DISTRIBUTION	\$122.39	24.0% (3)	\$131.95	23.9% (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.

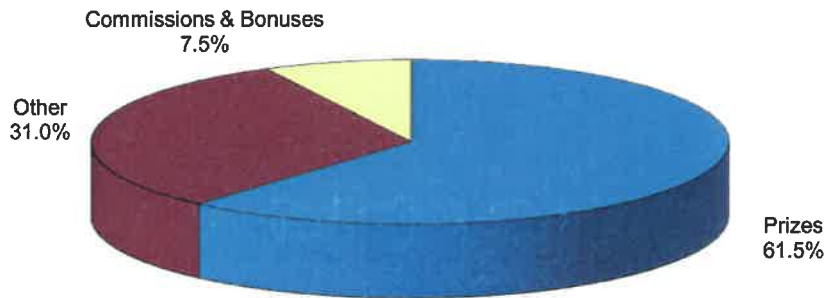
Note 2: Percent of gross ticket sales.

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.

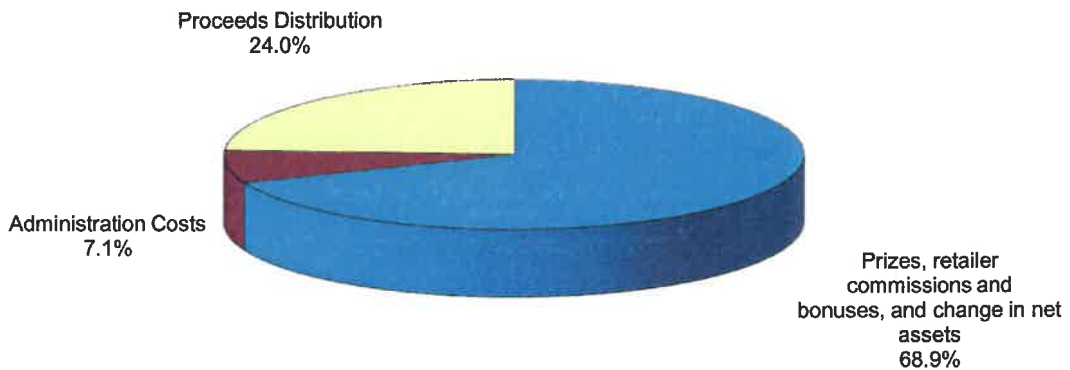
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2017

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
MAY 31, 2017 AND 2016
(UNAUDITED)

ASSETS	FY 2017	FY 2016
Current Assets:		
Cash and Investments	\$ 62,296,719	\$ 81,927,863
Accounts Receivable, net of the allowance for doubtful accounts of \$168,290 in 2017 and \$202,328 in 2016	25,086,441	22,587,848
Consignment Inventory, at Cost	150,874	97,622
Warehouse Inventory, at Cost	1,385,140	1,541,790
Prepaid Expenses	107,739	90,133
Total Current Assets	89,026,913	106,245,256
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	504,972	421,113
Prepaid Prize Expense with MUSL	4,399,690	4,541,395
Total Reserve and Restricted Assets	6,504,662	6,462,508
Capital Assets:		
Equipment	5,918,110	6,021,681
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,687,457)	(5,736,029)
Total Capital Assets	295,364	350,363
TOTAL ASSETS	\$ 95,826,939	\$ 113,058,127
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 655,418	\$ 470,320
Prize Liability	33,969,064	35,604,147
Payable to MUSL	971,266	746,340
Wages and Benefits	7,573	9,938
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,941,190	1,704,336
Funds Available for Distribution	55,057,978	71,439,298
Total Current Liabilities	92,602,489	109,974,379
Long-Term Liabilities:		
Accrued Annual and Sick Leave	788,962	772,783
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	824,114	812,272
TOTAL LIABILITIES	93,426,603	110,786,651
NET POSITION		
Investment in Capital Assets	295,364	350,363
Restricted-Licensed Agent Recovery Reserve	504,972	421,113
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,400,336	2,271,476
TOTAL LIABILITIES AND NET POSITION	\$ 95,826,939	\$ 113,058,127

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2017 AND 2016
(UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 508,790,448	\$ 550,559,839
DIRECT OPERATING EXPENSES		
Prize Expense	312,937,838	344,412,773
Retailer Commissions and Bonuses	38,136,766	40,678,614
Cost of Tickets and Vendor Fees	11,187,128	11,156,175
Total Direct Operating Expenses	<u>362,261,732</u>	<u>396,247,562</u>
GROSS PROFIT ON SALE OF TICKETS	<u>146,528,716</u>	<u>154,312,277</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	11,548,134	10,238,299
Administration Fees Paid to MUSL	123,490	92,546
Wages and Benefits	8,594,510	8,455,221
Professional Services	236,416	218,261
State Agencies Services	622,895	654,678
Indirect Costs Assessments	626,995	421,905
Travel	89,829	89,919
Equipment	149,487	36,531
Depreciation	180,647	425,947
Accrued Annual and Sick Leave	41,241	15,633
Space Rental	742,815	725,233
Rents for Equipment	25,488	26,516
Motorpool Leasing	242,577	267,647
Materials and Supplies	90,041	107,113
Telephone	231,801	219,355
Equipment Maintenance	260,441	191,227
Printing	28,130	18,979
Delivery Expense	851,202	854,069
Other	123,399	116,081
Total Other Operating Expenses	<u>24,809,538</u>	<u>23,175,160</u>
OTHER OPERATING REVENUE (EXPENSE)	154,586	121,530
TOTAL OPERATING INCOME	<u>121,873,764</u>	<u>131,258,647</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	556,595	537,659
Funds Distributed for Current Year	(67,334,894)	(60,514,125)
Funds Available for Distribution for Current Year	(55,057,978)	(71,439,298)
Total Nonoperating Revenues (Expenses)	<u>(121,836,277)</u>	<u>(131,415,764)</u>
NET INCOME (LOSS)	<u>\$ 37,487</u>	<u>\$ (157,117)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>37,487</u>	<u>(157,117)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,400,336</u>	<u>\$ 2,271,476</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2017
(With Comparative Totals for the Eleven Months Ended May 31, 2016)

	Jackpot Games									FY 17	FY 16
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$327,853,082	\$22,009,100	\$27,958,493	\$66,009,199	\$16,090,596	\$536,879	\$23,485,660	\$10,031,451	\$14,815,988	\$508,790,448	\$550,559,839
PRIZE EXPENSE	(219,535,848)	(16,499,342)	(13,452,071)	(29,775,988)	(8,474,144)	(331,044)	(10,288,837)	(5,004,179)	(9,576,385)	(312,937,838)	(344,412,773)
NET REVENUE AFTER PRIZES	<u>108,317,234</u>	<u>5,509,758</u>	<u>14,506,422</u>	<u>36,233,211</u>	<u>7,616,452</u>	<u>205,835</u>	<u>13,196,823</u>	<u>5,027,272</u>	<u>5,239,603</u>	<u>195,852,610</u>	<u>206,147,066</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)											
Retailer Commission	(22,899,958)	(1,532,885)	(1,672,791)	(3,952,493)	(963,420)	(32,129)	(1,405,499)	(600,028)	(885,130)	(33,944,333)	(36,611,211)
Retailer Bonus	(3,092,149)	(209,527)	(157,738)	(284,292)	(139,050)	(5,135)	(115,886)	(79,307)	(109,349)	(4,192,433)	(4,067,403)
Cost of Tickets Sold	(2,693,279)	(26,583)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,719,862)	(2,297,150)
Telecomm Reimbursements	459,682	30,860	39,201	92,551	22,561	753	32,929	14,065	20,773	713,375	711,540
Vendor Fees	(6,110,730)	(410,234)	(478,114)	(1,092,416)	(268,301)	(8,599)	(395,940)	(165,065)	(251,242)	(9,180,641)	(9,570,565)
TOTAL	<u>(34,336,434)</u>	<u>(2,148,369)</u>	<u>(2,269,442)</u>	<u>(5,236,650)</u>	<u>(1,348,210)</u>	<u>(45,110)</u>	<u>(1,884,396)</u>	<u>(830,335)</u>	<u>(1,224,948)</u>	<u>(49,323,894)</u>	<u>(51,834,789)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$73,980,800</u>	<u>\$3,361,389</u>	<u>\$12,236,980</u>	<u>\$30,996,561</u>	<u>\$6,268,242</u>	<u>\$160,725</u>	<u>\$11,312,427</u>	<u>\$4,196,937</u>	<u>\$4,014,655</u>	<u>\$146,528,716</u>	<u>\$154,312,277</u>
AVERAGE DAILY TICKET SALES	<u>\$978,666</u>	<u>\$65,699</u>	<u>\$83,458</u>	<u>\$197,042</u>	<u>\$48,032</u>	<u>\$1,603</u>	<u>\$70,106</u>	<u>\$29,945</u>	<u>\$44,227</u>	<u>\$1,518,777</u>	<u>\$1,638,571</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

* Cash 5 EZ Match game started May 7, 2017

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2017

										FY 17	FY 16
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Total	Total
Prize Expense (/)/Ticket Sales	\$219,535,848 327,853,082	\$16,499,342 22,009,100	\$13,452,071 27,958,493	\$29,775,988 66,009,199	\$8,474,144 16,090,596	\$331,044 536,879	\$10,288,837 23,485,660	\$5,004,179 10,031,451	\$9,576,385 14,815,988	\$312,937,838 \$508,790,448	\$344,412,773 550,559,839
Prize %	<u>66.96%</u>	<u>74.97%</u>	<u>48.11%</u>	<u>45.11%</u>	<u>52.67%</u>	<u>61.66%</u>	<u>43.81%</u>	<u>49.88%</u>	<u>64.64%</u>	<u>61.51%</u>	<u>62.56%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2017

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	7,252,581	\$2,238,330	76.4%
Amortization Equal	330,351	288,481	41,870	87.3%
Supplemental Amortization Equalization	326,910	285,246	41,664	87.3%
Worker's Compensation	90,340	82,812	7,528	91.7%
Health and Life	949,966	902,447	47,519	95.0%
Short Term Disability	13,076	11,687	1,389	89.4%
Operating	1,203,156	891,131	312,025	74.1%
Variable Vehicle	132,309	108,408	23,901	81.9%
Leased Space	884,416	735,740	148,676	83.2%
Leased Space-Grand Junction	6,714	5,436	1,278	81.0%
Risk Management	30,631	28,078	2,553	91.7%
Vehicle Lease Payments	145,462	129,584	15,878	89.1%
Travel	113,498	89,829	23,669	79.1%
Marketing, Communications & Sales	14,700,000	11,548,134	3,151,866	78.6%
Payments to Other Agencies	239,410	49,199	190,211	20.6%
Legal Services	79,035	66,779	12,256	84.5%
Indirect Costs Assessments	760,199	626,995	133,204	82.5%
Ticket Costs-Scratch	6,578,000	3,586,801	2,991,199	54.5%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	9,180,641	3,390,863	73.0%
Prize Payments	424,104,016	312,937,838	111,166,178	73.8%
Retailer Compensation	52,241,350	38,136,766	14,104,584	73.0%
Multi-State Lottery Funds	177,433	123,490	53,943	69.6%
CORE Modernization	36,223	33,204	3,019	91.7%
OIT Payments	552,999	506,917	46,082	91.7%
TOTAL	<u>\$526,007,909</u>	<u>\$387,608,224</u>	<u>\$138,353,603</u>	<u>73.69%</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	312,937,838
Commissions and Bonuses	38,136,766
Cost of Tickets & Vendor Fees	11,187,127
Operating Expenses	24,809,538
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>387,071,269</u>
Plus: Telecommunications offset classified as revenue	713,375
Less: Non-appropriated expenses and other adjustments	
Depreciation	(180,647)
Accrued Annual and Sick Leave	(41,241)
Loss on Disposal of Equipment classified as revenue	
Sub-Total	<u>387,562,756</u>
Plus: Capitalized Fixed Assets	45,468
	<u>\$387,608,224</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 May 31, 2017 is 91.7%.

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