

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

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

(UNAUDITED)

FOR THE ONE (1) MONTH ENDED

JULY 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

Mike Hartman
Executive Director

Laura Solano
Lottery Director

November 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 one month ended July 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 ONE (1) MONTH ENDED JULY 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 one month ended July 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 One Month Ended July 31,			
	FY 2018		FY 2017	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$45.00		\$51.93	
Nonoperating revenue	0.08		0.06	
TOTAL INCOME	45.08		51.99	
LESS:				
PRIZES	\$28.19	62.6% (1)	\$30.28	58.3% (1)
RETAILER COMMISSIONS AND BONUSSES	\$3.44	7.6% (2)	\$3.88	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	0.98		1.03	
Other Operating Expenses	1.58	(4)	1.76	
TOTAL ADMINISTRATIVE COSTS (Note 3)	2.56	5.7% (3)	2.79	5.4% (3)
	10.89		15.04	
NET CHANGE IN NET ASSETS	(0.01)		(0.01)	
PROCEEDS DISTRIBUTION	\$10.90	24.2% (3)	\$15.05	28.9% (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.

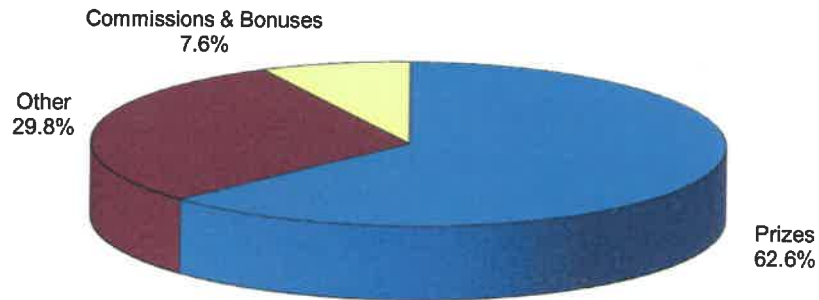
Note 2: Percent of gross ticket sales.

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.

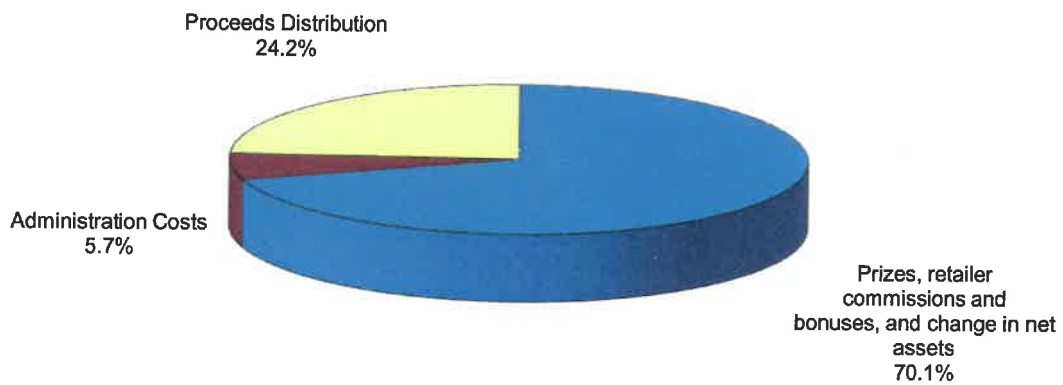
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ONE MONTH ENDED JULY 31, 2017

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
JULY 31, 2017 AND 2016
(UNAUDITED)

ASSETS	<u>FY 2018</u>	<u>FY 2017</u>
Current Assets:		
Cash and Investments	\$ 55,507,355	\$ 57,260,357
Accounts Receivable, net of the allowance for doubtful accounts of \$148,233 in 2017 and \$199,284 in 2016	21,784,469	24,753,427
Consignment Inventory, at Cost	117,108	96,886
Warehouse Inventory, at Cost	1,243,751	1,339,692
Prepaid Expenses	217,397	275,835
Total Current Assets	<u>78,870,080</u>	<u>83,726,197</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,600,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	523,994	435,080
Prepaid Prize Expense with MUSL	4,399,693	4,456,672
Total Reserve and Restricted Assets	<u>6,523,687</u>	<u>6,391,752</u>
Capital Assets:		
Equipment	5,924,273	6,011,671
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,719,837)</u>	<u>(5,658,776)</u>
Total Capital Assets	<u>269,147</u>	<u>417,606</u>
TOTAL ASSETS	<u>\$ 85,662,914</u>	<u>\$ 90,535,555</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,554,835	\$ 1,825,880
Prize Liability	36,422,686	36,752,441
Payable to MUSL	350,277	1,374,651
Wages and Benefits	43,057	28,093
Accrued Annual and Sick Leave	593	-
Retailer Bonus Liability	441,670	467,857
Funds Available for Distribution	43,647,676	46,973,540
Total Current Liabilities	<u>82,460,794</u>	<u>87,422,462</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	777,833	725,255
Expired Warrants Liability	31,146	35,152
Total Long-Term Liabilities	<u>808,979</u>	<u>760,407</u>
TOTAL LIABILITIES	<u>83,269,773</u>	<u>88,182,869</u>
NET POSITION		
Investment in Capital Assets	269,147	417,606
Restricted-Licensed Agent Recovery Reserve	523,994	435,080
Restricted-Operating Reserve	1,600,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,393,141</u>	<u>2,352,686</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 85,662,914</u>	<u>\$ 90,535,555</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE ONE (1) MONTH ENDED JULY 31, 2017 AND 2016
 (UNAUDITED)

	<u>FY 2018</u>	<u>FY 2017</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 44,998,463	\$ 51,928,890
DIRECT OPERATING EXPENSES		
Prize Expense	28,191,816	30,282,559
Retailer Commissions and Bonuses	3,441,342	3,879,588
Cost of Tickets and Vendor Fees	976,090	1,025,608
Total Direct Operating Expenses	<u>32,609,248</u>	<u>35,187,755</u>
GROSS PROFIT ON SALE OF TICKETS	<u>12,389,215</u>	<u>16,741,135</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	269,234	588,050
Administration Fees Paid to MUSL	11,670	10,817
Wages and Benefits	827,405	798,044
Professional Services	18,082	12,379
State Agencies Services	54,310	48,283
Indirect Costs Assessments	62,882	62,248
Travel	5,342	5,556
Equipment	15,028	735
Depreciation	16,420	20,652
Accrued Annual and Sick Leave	28,423	(22,332)
Space Rental	76,168	62,392
Rents for Equipment	1,940	2,221
Motorpool Leasing	26,640	22,539
Materials and Supplies	6,877	14,333
Telephone	16,413	20,121
Equipment Maintenance	42,513	32,740
Printing	1,460	350
Delivery Expense	68,998	54,622
Other	28,456	24,983
Total Other Operating Expenses	<u>1,578,261</u>	<u>1,758,733</u>
OTHER OPERATING REVENUE (EXPENSE)	13,778	16,810
TOTAL OPERATING INCOME	<u>10,824,732</u>	<u>14,999,212</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	69,803	48,797
Funds Distributed for Current Year	-	-
Funds Available for Distribution for Current Year	(10,903,681)	(15,058,172)
Total Nonoperating Revenues (Expenses)	<u>(10,833,878)</u>	<u>(15,009,375)</u>
NET INCOME (LOSS)	<u>\$ (9,146)</u>	<u>\$ (10,163)</u>
NET POSITION, BEGINNING OF YEAR	2,402,287	2,362,849
Net Change in Net Position	<u>(9,146)</u>	<u>(10,163)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,393,141</u>	<u>\$ 2,352,686</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ONE MONTH ENDED JULY 31, 2017
(With Comparative Totals for the One Month Ended July 31, 2016)

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Jackpot Games				FY 18	FY 17
						Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$29,551,695	\$23,800	\$2,487,063	\$5,535,949	\$1,529,692	\$436,301	\$3,264,389	\$981,598	\$1,187,976	\$44,998,463	\$51,928,890
PRIZE EXPENSE	(20,267,123)	(17,842)	(1,588,873)	(2,688,745)	(789,104)	(263,707)	(1,589,906)	(437,269)	(549,247)	(28,191,816)	(30,282,559)
NET REVENUE AFTER PRIZES	<u>9,284,572</u>	<u>5,958</u>	<u>898,190</u>	<u>2,847,204</u>	<u>740,588</u>	<u>172,594</u>	<u>1,674,483</u>	<u>544,329</u>	<u>638,729</u>	<u>16,806,647</u>	<u>21,646,331</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)											
Retailer Commission	(2,064,324)	(1,666)	(148,842)	(331,253)	(91,568)	(26,112)	(195,239)	(58,745)	(71,054)	(2,988,803)	(3,410,544)
Retailer Bonus	(332,419)	(265)	(26,206)	(33,786)	(15,740)	(4,819)	(20,820)	(8,767)	(9,717)	(452,539)	(469,044)
Cost of Tickets Sold	(232,176)	(29)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(232,205)	(183,948)
Telecomm Reimbursements	48,338	39	4,068	9,055	2,502	714	5,340	1,606	1,943	73,605	59,185
Vendor Fees	(557,319)	(447)	(42,073)	(92,503)	(25,541)	(7,041)	(56,078)	(16,175)	(20,313)	(817,490)	(900,845)
TOTAL	<u>(3,137,900)</u>	<u>(2,368)</u>	<u>(213,053)</u>	<u>(448,487)</u>	<u>(130,347)</u>	<u>(37,258)</u>	<u>(266,797)</u>	<u>(82,081)</u>	<u>(99,141)</u>	<u>(4,417,432)</u>	<u>(4,905,196)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$6,146,672</u>	<u>\$3,590</u>	<u>\$685,137</u>	<u>\$2,398,717</u>	<u>\$610,241</u>	<u>\$135,336</u>	<u>\$1,407,686</u>	<u>\$462,248</u>	<u>\$539,588</u>	<u>\$12,389,215</u>	<u>\$16,741,135</u>
AVERAGE DAILY TICKET SALES	<u>\$953,280</u>	<u>\$768</u>	<u>\$80,228</u>	<u>\$178,579</u>	<u>\$49,345</u>	<u>\$14,074</u>	<u>\$105,303</u>	<u>\$31,664</u>	<u>\$38,322</u>	<u>\$1,451,563</u>	<u>\$1,675,125</u>

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE ONE MONTH ENDED JULY 31, 2017

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Cash 5 EZ Match	Mega Millions	Pick 3	Lucky For Life	FY 18	FY 17
										Total	Total
Prize Expense (/)/Ticket Sales	\$20,267,123 29,551,695	\$17,842 23,800	\$1,588,873 2,487,063	\$2,688,745 5,535,949	\$789,104 1,529,692	\$263,707 436,301	\$1,589,906 3,264,389	\$437,269 981,598	\$549,247 1,187,976	\$28,191,816 \$44,998,463	\$30,282,559 51,928,890
Prize %	<u>68.58%</u>	<u>74.97%</u>	<u>63.89%</u>	<u>48.57%</u>	<u>51.59%</u>	<u>60.44%</u>	<u>48.70%</u>	<u>44.55%</u>	<u>46.23%</u>	<u>62.65%</u>	<u>58.32%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE ONE MONTH ENDED JULY 31, 2017

	FY18 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services (Includes AED, SAED, Health & Life, STD)	\$11,473,454	838,218	\$10,635,236	7.3%
Worker's Compensation	84,744	7,062	77,682	8.3%
Operating	1,203,156	105,270	1,097,886	8.7%
Variable Vehicle	170,381	13,121	157,260	7.7%
Leased Space	905,968	75,381	830,587	8.3%
Leased Space-Grand Junction	7,103	513	6,590	7.2%
Risk Management	33,004	2,750	30,254	8.3%
Vehicle Lease Payments	162,350	13,519	148,831	8.3%
Travel	113,498	5,342	108,156	4.7%
Marketing, Communications & Sales	14,700,000	269,234	14,430,766	1.8%
Payments to Other Agencies	239,410	553	238,857	0.2%
Legal Services	60,739	5,062	55,677	8.3%
Indirect Costs Assessments	754,590	62,882	691,708	8.3%
Ticket Costs-Scratch	6,578,000	301,203	6,276,797	4.6%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	817,490	11,754,014	6.5%
Prize Payments	424,104,016	28,191,816	395,912,200	6.6%
Retailer Compensation	52,241,350	3,441,342	48,800,008	6.6%
Multi-State Lottery Funds	177,433	11,670	165,763	6.6%
CORE Operations	61,771	5,148	56,623	8.3%
OIT Payments	584,342	48,695	535,647	8.3%
TOTAL	<u>\$526,476,813</u>	<u>\$34,216,271</u>	<u>\$491,724,895</u>	<u>6.50%</u>

FY18 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	28,191,816
Commissions and Bonuses	3,441,342
Cost of Tickets & Vendor Fees	976,090
Operating Expenses	1,578,261
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>34,187,509</u>
Plus: Telecommunications offset classified as revenue	73,605
Less: Non-appropriated expenses and other adjustments	
Depreciation	(16,420)
Accrued Annual and Sick Leave	(28,423)
Loss on Disposal of Equipment classified as revenue	
Sub-Total	34,216,271
Plus: Capitalized Fixed Assets	0
	<u>\$34,216,271</u>

Note 1 - FY18 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through July 31, 2017 is 8.3%.

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 2018