

**COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

(UNAUDITED)

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Hon. Dennis Maes	Chair, Lottery Commissioner
Mr. Michael Weatherwax, CPA	Vice-Chair, Lottery Commissioner
Mr. Jim Bensberg	Lottery Commissioner
Mr. Jim Davis	Lottery Commissioner
Ms. Stella Peterson	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
Mr. Robert Jaros	State Controller
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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

February 24, 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 performance for the fiscal year ended June 30, 2016 depicts total revenues of \$596.1 million, which includes gross ticket sales of \$594.4 million. Net income before proceeds distributions is nearly \$143.0 million with a decrease in net position of \$0.6 million. Accordingly, a total of \$143.6 million in distributions was made by September 1, 2016 in the following manner; \$63.7 million to the Great Outdoors Colorado Fund, nearly \$14.4 million to the Colorado Parks and Wildlife, \$57.4 million to the Conservation Trust Fund, for distribution to cities and other local government agencies and \$8.1 million to the Public School Capital Construction Assistance Fund.

The attached financial statements for the fiscal year ended June 30, 2016 have not been audited. They 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 that 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 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 FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the fiscal years ended June 30, 2016 and 2015 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 Fiscal Years Ended June 30,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$594.41		\$538.03	
Nonoperating revenue	1.67		0.64	
TOTAL INCOME	596.08		538.67	
LESS:				
PRIZES	\$370.51	62.3% (1)	\$331.50	61.6% (1)
RETAILER COMMISSIONS AND BONUSSES	\$43.92	7.4% (2)	\$39.82	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	12.06		10.83	
Other Operating Expenses	25.87	(4)	28.90	
TOTAL ADMINISTRATIVE COSTS (Note 3)	37.93	6.4% (3)	39.73	7.4% (3)
	143.72		127.62	
OTHER NONOPERATING EXPENSES	0.77		0.66	
NET CHANGE IN NET ASSETS	(0.62)		(1.02)	
PROCEEDS DISTRIBUTION	\$143.57	24.1% (3)	\$127.98	23.8% (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.

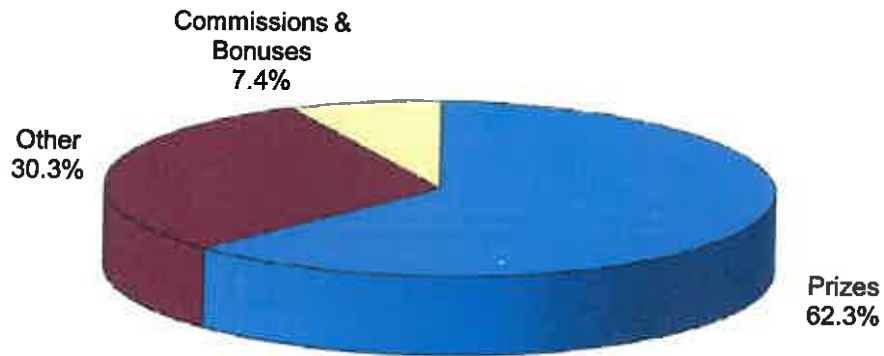
Note 2: Percent of gross ticket sales.

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.

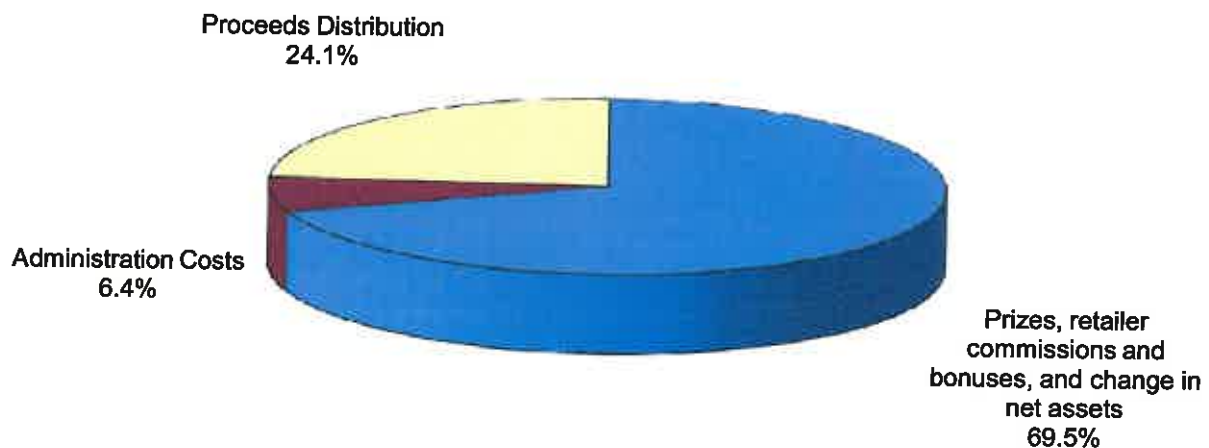
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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
JUNE 30, 2016 AND 2015
(UNAUDITED)

ASSETS	FY 2016	FY 2015
Current Assets:		
Cash and Investments	\$ 48,143,610	\$ 36,567,210
Accounts Receivable, net of the allowance for doubtful accounts of \$203,463 in 2016 and \$192,396 in 2015	20,877,979	20,217,923
Consignment Inventory, at Cost	95,370	97,796
Warehouse Inventory, at Cost	1,376,545	1,027,328
Prepaid Expenses	71,955	75,733
Total Current Assets	70,565,459	57,985,990
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	424,591	378,903
Prepaid Prize Expense with MUSL	4,541,395	4,581,640
Total Reserve and Restricted Assets	6,465,986	6,460,543
Capital Assets:		
Equipment	6,011,671	6,071,861
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,638,124)	(5,586,882)
Total Capital Assets	438,258	549,690
TOTAL ASSETS	\$ 77,469,703	\$ 64,996,223
DEFERRED OUTFLOWS - PENSION	\$ 2,865,826	\$ 1,071,597
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 80,335,529	\$ 66,067,820
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 963,432	\$ 1,580,911
Prize Liability	37,970,798	26,019,403
Payable to MUSL	569,030	84,015
Wages and Benefits	750,542	765,035
Accrued Annual and Sick Leave	-	36,427
Retailer Bonus Liability	1,821,535	1,340,842
Funds Available for Distribution	31,915,368	31,819,617
Total Current Liabilities	73,990,705	61,646,250
Long-Term Liabilities:		
Accrued Annual and Sick Leave	747,820	756,884
Expired Warrants Liability	35,153	39,489
Net Pension Liability	25,257,445	23,627,441
Total Long-Term Liabilities	26,040,418	24,423,814
TOTAL LIABILITIES	100,031,123	86,070,064
DEFERRED INFLOWS - PENSION	\$ 1,066,323	\$ 136,155
NET POSITION		
Investment in Capital Assets	438,258	549,690
Restricted-Licensed Agent Recovery Reserve	424,591	378,903
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	333,176	125,007
Unrestricted-Unfunded Pension Liability	(23,457,942)	(22,691,999)
TOTAL NET POSITION	(20,761,917)	(20,138,399)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 80,335,529	\$ 66,067,820

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 594,411,905	\$ 538,025,144
DIRECT OPERATING EXPENSES		
Prize Expense	370,513,550	331,498,987
Retailer Commissions and Bonuses	43,922,306	39,815,292
Cost of Tickets and Vendor Fees	12,063,672	10,834,131
Total Direct Operating Expenses	<u>426,499,528</u>	<u>382,148,410</u>
GROSS PROFIT ON SALE OF TICKETS	<u>167,912,377</u>	<u>155,876,734</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	11,295,008	13,823,454
Administration Fees Paid to MUSL	111,812	127,709
Wages and Benefits	9,232,428	9,577,776
Professional Services	255,983	308,721
State Agencies Services	745,102	724,982
Department of Revenue Services	434,425	529,826
Travel	103,110	103,739
Equipment	458,148	104,848
Depreciation	442,583	557,445
Accrued Annual and Sick Leave	(9,014)	57,630
Space Rental	790,701	775,080
Rents for Equipment	29,720	29,076
Motorpool Leasing	292,821	311,069
Materials and Supplies	143,339	117,657
Telephone	240,517	364,901
Data Processing Supplies and Services	0	35,657
Equipment Maintenance	202,905	208,613
Printing	18,128	18,227
Deiivery Expense	923,863	961,753
Other	160,039	158,571
Total Other Operating Expenses	<u>25,871,618</u>	<u>28,896,734</u>
OTHER OPERATING REVENUE (EXPENSE)	858,465	195,041
TOTAL OPERATING INCOME	<u>142,899,224</u>	<u>127,175,041</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	813,205	442,094
Unfunded Pension Expense	(765,943)	(660,976)
Funds Distributed for Current Year	(111,654,636)	(96,161,251)
Funds Available for Distribution for Current Year	(31,915,368)	(31,819,617)
Total Nonoperating Revenues (Expenses)	<u>(143,522,742)</u>	<u>(128,199,750)</u>
NET INCOME (LOSS)	<u>\$ (623,518)</u>	<u>\$ (1,024,709)</u>
NET POSITION, BEGINNING OF YEAR	(20,138,399)	(19,113,690)
Net Change in Net Position	<u>(623,518)</u>	<u>(1,024,709)</u>
NET POSITION, END OF PERIOD	<u>\$ (20,761,917)</u>	<u>\$ (20,138,399)</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)

	FY2016	FY2015
Operating Activities		
Cash received from retailers	\$ 595,446,771	\$ 536,875,049
Cash paid in prizes	(358,758,960)	(331,401,331)
Cash paid in retailer commissions	(39,527,758)	(35,964,041)
Cash payments to suppliers	(29,343,208)	(30,212,388)
Cash payments to employees for services	(9,283,398)	(9,556,749)
Cash paid in retailer bonus	(3,915,411)	(4,044,768)
	154,618,036	125,695,772
Noncapital Financing Activities		
Distribution of net proceeds	(143,474,253)	(126,669,758)
	(143,474,253)	(126,669,758)
Capital and Related Financing Activities		
Acquisition of capital assets	(334,900)	(149,568)
	(334,900)	(149,568)
Investing Activities		
Interest received	605,036	493,319
Change in fair market value of investments	208,169	(51,225)
	813,205	442,094
Increase (Decrease) in Cash and Investments	11,622,088	(681,460)
Cash and Investments, Beginning of Year (including \$1,878,903 and \$1,783,534, respectively, in restricted accounts)	38,446,113	39,127,573
Cash and Investments, End of Period, (including \$1,924,591 and \$1,878,903 respectively, in restricted accounts)	\$ 50,068,201	\$ 38,446,113
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 142,899,224	\$ 127,175,041
<i>Depreciation</i>	442,583	557,445
<i>Loss (gain) on disposition of equipment</i>	3,749	-
<i>Change in:</i>		
<i>Accounts Receivable</i>	(660,056)	(1,294,395)
<i>Ticket Inventory</i>	(346,791)	130,541
<i>Prepaid Expenses</i>	3,778	107,931
<i>Prepaid Prize Expense with MUSL</i>	40,245	371,178
<i>Liabilities(excluding funds available for distribution)</i>	12,235,304	(1,351,969)
	\$ 154,618,036	\$ 125,695,772
Statement of Net Position Classification		
Cash and investments	\$ 48,143,610	\$ 36,567,210
Cash and investments- Licensed Agent Recovery Reserve	424,591	378,903
Cash and investments- Operating Reserve	1,500,000	1,500,000
	\$ 50,068,201	\$ 38,446,113

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	Scratch	Scratch \$50	Jackpot Games					FY 16	FY 15
			Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$359,499,447	\$35,663,000	\$27,422,320	\$115,122,117	\$18,991,636	\$28,763,801	\$8,949,584	\$594,411,905	\$538,025,144
PRIZE EXPENSE	(240,096,814)	(29,735,124)	(16,170,096)	(55,934,400)	(10,399,581)	(13,838,464)	(4,339,071)	(370,513,550)	(331,498,987)
NET REVENUE AFTER PRIZES	<u>119,402,633</u>	<u>5,927,876</u>	<u>11,252,224</u>	<u>59,187,717</u>	<u>8,592,055</u>	<u>14,925,337</u>	<u>4,610,513</u>	<u>223,898,355</u>	<u>206,526,157</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(25,112,758)	(2,487,954)	(1,642,108)	(6,891,639)	(1,136,863)	(1,721,132)	(535,304)	(39,527,758)	(35,964,041)
Retailer Bonus	(3,145,081)	(314,182)	(155,517)	(441,983)	(153,718)	(123,225)	(60,842)	(4,394,548)	(3,851,251)
Cost of Tickets Sold	(2,443,857)	(43,074)	N/A	N/A	N/A	N/A	N/A	(2,486,931)	(2,480,847)
Telecomm Reimbursements	466,172	46,246	35,559	149,282	24,627	37,299	11,605	770,790	777,190
Vendor Fees	(6,287,165)	(623,706)	(479,115)	(1,962,576)	(332,083)	(503,988)	(158,898)	(10,347,531)	(9,130,474)
TOTAL	<u>(36,522,689)</u>	<u>(3,422,670)</u>	<u>(2,241,181)</u>	<u>(9,146,916)</u>	<u>(1,598,037)</u>	<u>(2,311,046)</u>	<u>(743,439)</u>	<u>(55,985,978)</u>	<u>(60,649,423)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$82,879,944</u>	<u>\$2,505,206</u>	<u>\$9,011,043</u>	<u>\$50,040,801</u>	<u>\$6,994,018</u>	<u>\$12,614,291</u>	<u>\$3,867,074</u>	<u>\$167,912,377</u>	<u>\$155,876,734</u>
AVERAGE DAILY TICKET SALES	<u>\$982,239</u>	<u>\$97,440</u>	<u>\$74,924</u>	<u>\$314,541</u>	<u>\$51,890</u>	<u>\$78,590</u>	<u>\$24,452</u>	<u>\$1,624,076</u>	<u>\$1,474,041</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 FISCAL YEAR ENDED JUNE 30, 2016

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 16 Total	FY 15 Total
Prize Expense (/)/Ticket Sales	\$240,096,814 359,499,447	\$29,735,124 35,663,000	\$16,170,096 27,422,320	\$55,934,400 115,122,117	\$10,399,581 18,991,636	\$13,838,464 28,763,801	\$4,339,071 8,949,584	\$370,513,550 \$594,411,905	\$331,498,987 538,025,144
Prize %	<u>66.79%</u>	<u>83.38%</u>	<u>58.97%</u>	<u>48.59%</u>	<u>54.76%</u>	<u>48.11%</u>	<u>48.48%</u>	<u>62.33%</u>	<u>61.61%</u>

**COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Fiscal Year 2016 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2016 Final Budget	Fiscal Year 2016 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$ 9,500,081	\$ -	\$ 9,500,081	\$ 7,850,149	\$ 1,649,932	17.37%
Amortization Equalization	324,547	-	324,547	286,721	37,826	11.66%
Supplemental Amort. Equal.	313,483	-	313,483	276,897	36,586	11.67%
Workmen's Compensation	93,111	-	93,111	93,111	-	0.00%
Health and Life	1,031,570	-	1,031,570	961,867	69,703	6.76%
Short Term Disability	16,059	-	16,059	12,754	3,305	20.58%
Operating	1,203,156	-	1,203,156	1,056,396	146,760	12.20%
Variable Vehicle	163,062	-	163,062	158,070	4,992	3.06%
Leased Space	748,017	34,100	782,117	782,874	(757)	-0.10%
Leased Space-Grand Junction	5,947	-	5,947	5,947	-	0.00%
Risk Management	27,896	-	27,896	27,896	-	0.00%
Vehicle Lease Payments	153,061	-	153,061	133,576	19,485	12.73%
Travel	113,498	-	113,498	103,110	10,388	9.15%
Marketing, Communications & Sales	14,700,000	-	14,700,000	11,138,537	3,561,463	24.23%
Payments to Other Agencies	239,410	-	239,410	92,338	147,072	61.43%
Legal Services	28,408	52,500	80,908	83,753	(2,845)	-3.52%
Indirect Costs	460,259	-	460,259	434,425	25,834	5.61%
Ticket Costs-Scratch	6,578,000	-	6,578,000	3,477,220	3,100,780	47.14%
Research	250,000	-	250,000	156,225	93,775	37.51%
Vendor Fees	12,571,504	-	12,571,504	10,764,406	1,807,098	14.37%
Prize Payments	424,104,016	-	424,104,016	370,513,550	53,590,466	12.64%
Retailer Compensation	52,241,350	-	52,241,350	43,922,306	8,319,044	15.92%
Multi-State Lottery Fund	177,433	-	177,433	111,812	65,621	36.98%
CORE Conversion	26,567	-	26,567	26,567	-	0.00%
OTI Payments	569,011	-	569,011	569,011	-	N/A
TOTAL	\$ 525,639,446	\$ 86,600	\$ 525,726,046	\$ 453,039,518	\$ 72,686,528	13.83%

FY16 Staffing - FTE - (Note 1)

117.1 (Appropriated)

112.5 (Actual)

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	\$ 370,513,550
Commissions and Bonuses	43,922,306
Cost of Tickets & Vendor Fees	12,063,672
Operating Expenses	25,871,618

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position

452,371,146

Plus: Telecommunications offset classified as revenue

770,790

Less: Non-appropriated expenses

 Depreciation

(442,583)

 Accrued Annual and Sick Leave

9,014

 Book Value of Assets Written Off

(3,749)

Sub-Total

452,704,618

Plus: Capitalized purchases

334,900

\$ 453,039,518

Note 1 - The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2016