

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

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

(UNAUDITED)

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2015

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

December 9, 2015

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 first quarter ended September 30, 2015 depicts total revenues of \$131.0 million, which includes gross ticket sales of \$130.8 million. Net income before proceeds distributions is \$28.8 million with a decrease in net position of \$0.1 million. Accordingly, a total of \$28.9 million in distributions will have been made by December 1, 2015 in the following manner; nearly \$14.5 million to the Great Outdoors Colorado Fund, \$2.9 million to the Colorado Parks and Wildlife, and over \$11.5 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 2015 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 FIRST QUARTERS ENDED SEPTEMBER 30, 2015 AND 2014

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the first quarters ended September 30, 2015 and 2014 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 First Quarters Ended September 30,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$130.83		\$124.46	
Nonoperating revenue	0.17		0.13	
TOTAL INCOME	131.00		124.59	
LESS:				
PRIZES	\$82.69	63.2% (1)	\$76.03	61.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.71	7.4% (2)	\$9.27	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.64		2.42	
Other Operating Expenses	7.18	(4)	7.34	
TOTAL ADMINISTRATIVE COSTS (Note 3)	9.82	7.5% (3)	9.76	7.8% (3)
	28.78		29.53	
NET CHANGE IN NET ASSETS	(0.14)		(0.13)	
PROCEEDS DISTRIBUTION	\$28.92	22.1% (3)	\$29.66	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.

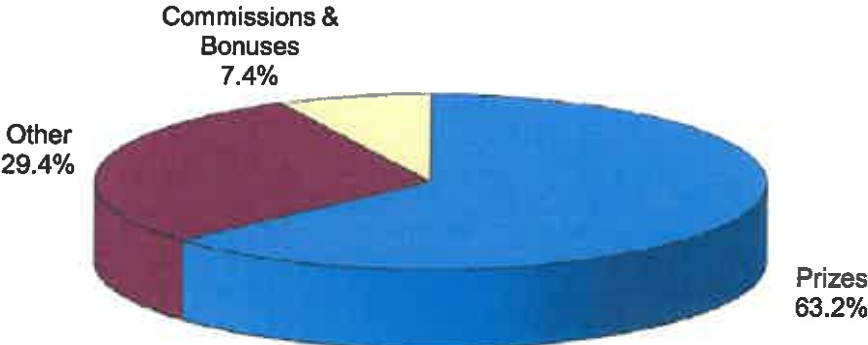
Note 2: Percent of gross ticket sales.

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.

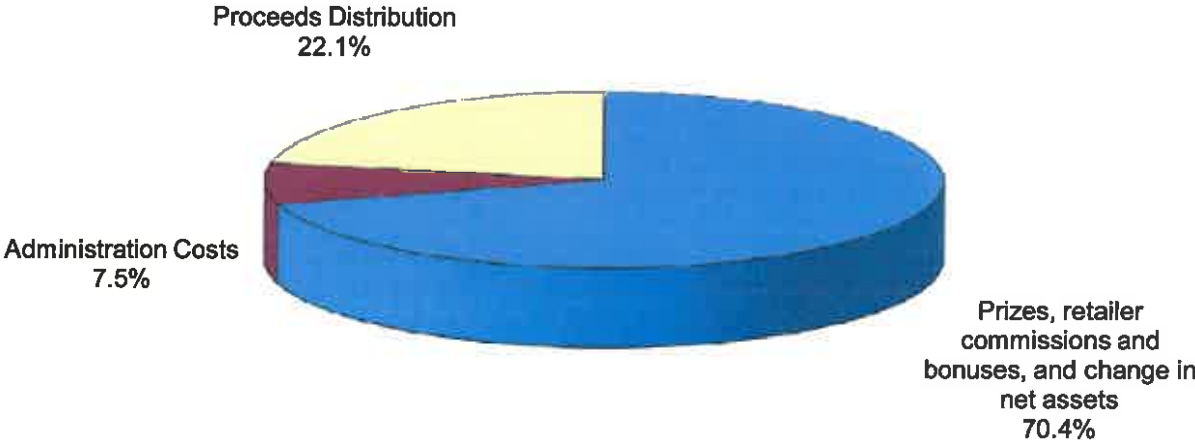
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015

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
SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Cash and Investments	\$ 60,498,054	\$ 31,885,210
Accounts Receivable, net of the allowance for doubtful accounts of \$198,697 in 2015 and \$160,208 in 2014	25,631,453	21,807,130
Consignment Inventory, at Cost	102,689	104,076
Warehouse Inventory, at Cost	1,609,345	1,403,298
Prepaid Expenses	264,014	196,649
Total Current Assets	<u>88,105,555</u>	<u>55,396,363</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	386,961	365,573
Prepaid Prize Expense with MUSL	4,541,395	4,942,454
Total Reserve and Restricted Assets	<u>6,428,356</u>	<u>6,708,027</u>
Capital Assets:		
Equipment	6,071,861	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,735,401)</u>	<u>(5,167,864)</u>
Total Capital Assets	<u>401,171</u>	<u>845,640</u>
TOTAL ASSETS	<u>\$ 94,935,082</u>	<u>\$ 62,950,030</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 881,837	\$ 856,908
Prize Liability	29,046,104	28,376,874
Payable to MUSL	664,830	94,981
Wages and Benefits	58,750	58,813
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	485,595	474,267
Funds Available for Distribution	60,734,727	29,658,772
Total Current Liabilities	<u>91,871,843</u>	<u>59,520,615</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	735,618	757,477
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	<u>775,107</u>	<u>818,202</u>
TOTAL LIABILITIES	<u>92,646,950</u>	<u>60,338,817</u>
NET POSITION		
Investment in Capital Assets	401,171	845,640
Restricted-Licensed Agent Recovery Reserve	386,961	365,573
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,288,132</u>	<u>2,611,213</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 94,935,082</u>	<u>\$ 62,950,030</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 130,826,372	\$ 124,462,535
DIRECT OPERATING EXPENSES		
Prize Expense	82,689,784	76,025,647
Retailer Commissions and Bonuses	9,701,995	9,272,633
Cost of Tickets and Vendor Fees	2,644,194	2,417,800
Total Direct Operating Expenses	<u>95,035,973</u>	<u>87,716,080</u>
GROSS PROFIT ON SALE OF TICKETS	<u>35,790,399</u>	<u>36,746,455</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,380,127	3,424,401
Administration Fees Paid to MUSL	20,046	21,630
Wages and Benefits	2,408,024	2,466,829
Professional Services	33,108	37,341
State Agencies Services	151,528	166,779
Department of Revenue Services	115,065	145,944
Travel	33,563	29,930
Equipment	176,767	25,526
Depreciation	148,520	138,427
Accrued Annual and Sick Leave	(21,723)	48,023
Space Rental	197,342	206,850
Rents for Equipment	6,431	6,061
Motorpool Leasing	72,497	96,249
Materials and Supplies	55,790	59,287
Telephone	55,319	118,773
Data Processing Supplies and Services	0	8,913
Equipment Maintenance	64,656	53,249
Printing	5,294	11,799
Delivery Expense	239,098	225,812
Other	40,171	52,389
Total Other Operating Expenses	<u>7,181,623</u>	<u>7,344,212</u>
OTHER OPERATING REVENUE (EXPENSE)	29,166	24,388
TOTAL OPERATING INCOME	<u>28,637,942</u>	<u>29,426,631</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	136,707	102,253
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(28,915,110)	(29,658,772)
Total Nonoperating Revenues (Expenses)	<u>(28,778,403)</u>	<u>(29,556,519)</u>
NET INCOME (LOSS)	<u>\$ (140,461)</u>	<u>\$ (129,888)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(140,461)</u>	<u>(129,888)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,288,132</u>	<u>\$ 2,611,213</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2015 & 2014
(UNAUDITED)

	FY2016	FY2015
Operating Activities		
Cash received from retailers	\$ 127,386,731	\$ 122,137,047
Cash paid in prizes	(79,650,288)	(73,495,965)
Cash paid in retailer commissions	(8,751,367)	(8,316,252)
Cash payments to suppliers	(10,101,501)	(9,998,572)
Cash payments to employees for services	(3,150,279)	(3,178,251)
Cash paid in retailer bonus	(1,806,094)	(2,015,811)
Net cash provided by operating activities	<u>23,927,202</u>	<u>25,132,196</u>
Noncapital Financing Activities		
Distribution of net proceeds	-	(30,508,507)
Net cash used by noncapital financing activities	<u>-</u>	<u>(30,508,507)</u>
Capital and Related Financing Activities		
Acquisition of capital assets	-	(26,500)
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>(26,500)</u>
Investing Activities		
Interest received	136,707	102,253
Change in fair market value of investments	-	-
Net cash provided by investing activities	<u>136,707</u>	<u>102,253</u>
Increase (Decrease) in Cash and Investments	24,063,909	(5,300,558)
Cash and Investments, Beginning of Year (including \$1,878,903 and \$1,783,534, respectively, in restricted accounts)	<u>38,321,106</u>	<u>38,951,341</u>
Cash and Investments, End of Period, (including \$1,886,961 and \$1,765,573 respectively, in restricted accounts)	<u>\$ 62,385,015</u>	<u>\$ 33,650,783</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 28,637,942	\$ 29,426,631
<i>Depreciation</i>	148,520	138,427
<i>Loss (gain) on disposition of equipment</i>	-	-
<i>Change in:</i>		
<i>Accounts Receivable</i>	(5,413,530)	(2,883,602)
<i>Ticket Inventory</i>	(586,910)	(251,709)
<i>Prepaid Expenses</i>	(188,281)	(12,985)
<i>Prepaid Prize Expense with MUSL</i>	40,245	10,364
<i>Liabilities(excluding funds available for distribution)</i>	1,289,217	(1,294,930)
Net cash provided by operating activities	<u>\$ 23,927,203</u>	<u>\$ 25,132,196</u>
Statement of Net Position Classification		
Cash and investments	\$ 60,498,054	\$ 31,885,210
Cash and investments- Licensed Agent Recovery Reserve	386,961	365,573
Cash and investments- Operating Reserve	<u>1,500,000</u>	<u>1,400,000</u>
Cash and Investments, End of Period	<u>\$ 62,385,015</u>	<u>\$ 33,650,783</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,305,341</u>	<u>10,290,823</u>
TOTAL ASSETS	\$ <u>10,793,341</u>	\$ <u>10,759,823</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,793,341</u>	<u>10,759,823</u>
TOTAL NET POSITION	\$ <u>10,793,341</u>	\$ <u>10,759,823</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2015 AND 2014

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
Additions		
Investment Income	\$ <u>123,784</u>	\$ <u>88,142</u>
Total Additions	<u>123,784</u>	<u>88,142</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	123,784	88,142
Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,669,557</u>	<u>10,630,061</u>
End of Period	\$ <u><u>10,793,341</u></u>	\$ <u><u>10,718,203</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015
(With Comparative Totals for the First Quarter Ended September 30, 2014)

	Jackpot Games						FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$93,189,131	\$7,134,274	\$17,282,399	\$4,782,581	\$6,237,561	\$2,200,426	\$130,826,372	\$124,462,535
PRIZE EXPENSE	(63,051,461)	(5,158,744)	(8,002,344)	(2,513,843)	(2,996,353)	(967,039)	(82,689,784)	(76,025,647)
NET REVENUE AFTER PRIZES	<u>30,137,670</u>	<u>1,975,530</u>	<u>9,280,055</u>	<u>2,268,738</u>	<u>3,241,208</u>	<u>1,233,387</u>	<u>48,136,588</u>	<u>48,436,888</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(6,500,257)	(426,931)	(1,033,310)	(286,201)	(373,082)	(131,586)	(8,751,367)	(8,316,252)
Retailer Bonus	(780,309)	(41,977)	(55,709)	(36,146)	(22,730)	(13,757)	(950,628)	(956,381)
Cost of Tickets Sold	(558,540)	N/A	N/A	N/A	N/A	N/A	(558,540)	(558,976)
Telecomm Reimbursements	137,013	10,489	25,410	7,032	9,171	3,235	192,350	195,300
Jackpot Vendor Fees	(1,622,939)	(124,193)	(300,681)	(83,265)	(108,616)	(38,310)	(2,278,004)	(2,054,124)
TOTAL	<u>(9,325,032)</u>	<u>(582,612)</u>	<u>(1,364,290)</u>	<u>(398,580)</u>	<u>(495,257)</u>	<u>(180,418)</u>	<u>(12,346,189)</u>	<u>(11,690,433)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$20,812,638</u>	<u>\$1,392,918</u>	<u>\$7,915,765</u>	<u>\$1,870,158</u>	<u>\$2,745,951</u>	<u>\$1,052,969</u>	<u>\$35,790,399</u>	<u>\$36,746,455</u>
AVERAGE DAILY TICKET SALES	<u>\$1,012,925</u>	<u>\$77,546</u>	<u>\$187,852</u>	<u>\$51,985</u>	<u>\$67,800</u>	<u>\$23,918</u>	<u>\$1,422,026</u>	<u>\$1,352,854</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 FIRST QUARTER ENDED SEPTEMBER 30, 2015

							FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense	\$63,051,461	\$5,158,744	\$8,002,344	\$2,513,843	\$2,996,353	\$967,039	\$82,689,784	\$76,025,647
(/)/Ticket Sales	93,189,131	7,134,274	17,282,399	4,782,581	6,237,561	2,200,426	\$130,826,372	124,462,535
Prize %	<u>67.66%</u>	<u>72.31%</u>	<u>46.30%</u>	<u>52.56%</u>	<u>48.04%</u>	<u>43.95%</u>	<u>63.21%</u>	<u>61.08%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2015

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	2,033,350	\$7,466,731	21.4%
Amortization Equal	324,547	72,497	252,050	22.3%
Suppl Amortization Equalization	313,483	69,045	244,438	22.0%
Worker's Compensation	93,111	23,278	69,833	25.0%
Health and Life	1,031,570	237,453	794,117	23.0%
Short Term Disability	16,059	3,258	12,801	20.3%
Operating	1,203,156	354,954	848,202	29.5%
Variable Vehicle	163,062	41,248	121,814	25.3%
Leased Space	748,017	195,162	552,855	26.1%
Leased Space-Grand Junction	5,947	1,485	4,462	25.0%
Risk Management	27,896	6,974	20,922	25.0%
Vehicle Lease Payments	153,061	31,249	121,812	20.4%
Travel	113,498	33,563	79,935	29.6%
Marketing, Communications & Sales	14,700,000	3,355,152	11,344,848	22.8%
Payments to Other Agencies	239,410	2,173	237,237	0.9%
Legal Services	28,408	7,101	21,307	25.0%
Indirect Costs	460,259	115,065	345,194	25.0%
Ticket Costs-Scratch	6,578,000	836,442	5,741,558	12.7%
Research	250,000	24,975	225,025	10.0%
Vendor Fees	12,571,504	2,278,004	10,293,500	18.1%
Prize Payments	424,104,016	82,689,784	341,414,232	19.5%
Retailer Compensation	52,241,350	9,701,995	42,539,355	18.6%
Multi-State Lottery Funds	177,433	20,046	157,387	11.3%
CORE Modernization	26,567	6,642	19,925	25.0%
OIT Payments	569,011	142,254	426,757	25.0%
TOTAL	<u>\$525,639,446</u>	<u>\$102,283,149</u>	<u>\$422,929,540</u>	<u>19.46%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 111.00 (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	82,689,784
Commissions and Bonuses	9,701,995
Cost of Tickets & Vendor Fees	2,644,194
Operating Expenses	7,181,623
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>102,217,596</u>
Plus: Telecommunications offset classified as revenue	192,350
Less: Non-appropriated expenses and other adjustments	
Depreciation	(148,520)
Accrued Annual and Sick Leave	21,723
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	102,283,149
Plus: Capitalized Fixed Assets	0
	<u>\$102,283,149</u>

Note 1 - FY16 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through September 30, 2015 is 25.0%.

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 2016