

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

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

(UNAUDITED)

FOR THE TWO (2) QUARTERS ENDED

DECEMBER 31, 2015

COLORADO LOTTERY FINANCIAL STATEMENTS (UNAUDITED)

DISTRIBUTION

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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. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
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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

March 9, 2016

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 two quarters ended December 31, 2015 depicts total revenues of \$278.0 million, which includes gross ticket sales of \$277.7 million. Net income before proceeds distributions is \$60.6 million with a decrease in net position of \$0.1 million. Accordingly, a total of \$60.5 million in distributions will have been made by March 1, 2016 in the following manner; nearly \$30.3 million to the Great Outdoors Colorado Fund, over \$6.0 million to the Colorado Parks and Wildlife, and \$24.2 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the two quarters ended December 31, 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 TWO QUARTERS ENDED DECEMBER 31, 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 two quarters ended December 31, 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 Two Quarters Ended December 31,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$277.65		\$254.80	
Nonoperating revenue	0.35		0.31	
TOTAL INCOME	278.00		255.11	
LESS:				
PRIZES	\$177.52	63.9% (1)	\$157.14	61.7% (1)
RETAILER COMMISSIONS AND BONUSES	\$20.63	7.4% (2)	\$18.96	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.70		5.01	
Other Operating Expenses	13.76	(4)	14.11	
TOTAL ADMINISTRATIVE COSTS (Note 3)	19.46	7.0% (3)	19.12	7.5% (3)
	60.39		59.89	
NET CHANGE IN NET ASSETS	(0.12)		(0.19)	
PROCEEDS DISTRIBUTION	\$60.51	21.8% (3)	\$60.08	23.6% (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.

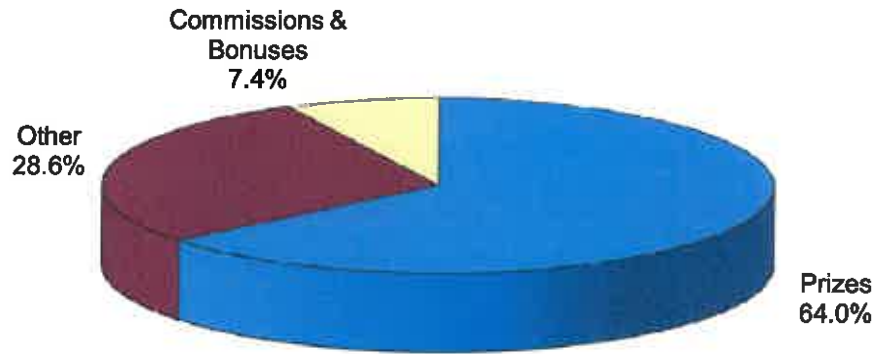
Note 2: Percent of gross ticket sales.

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.

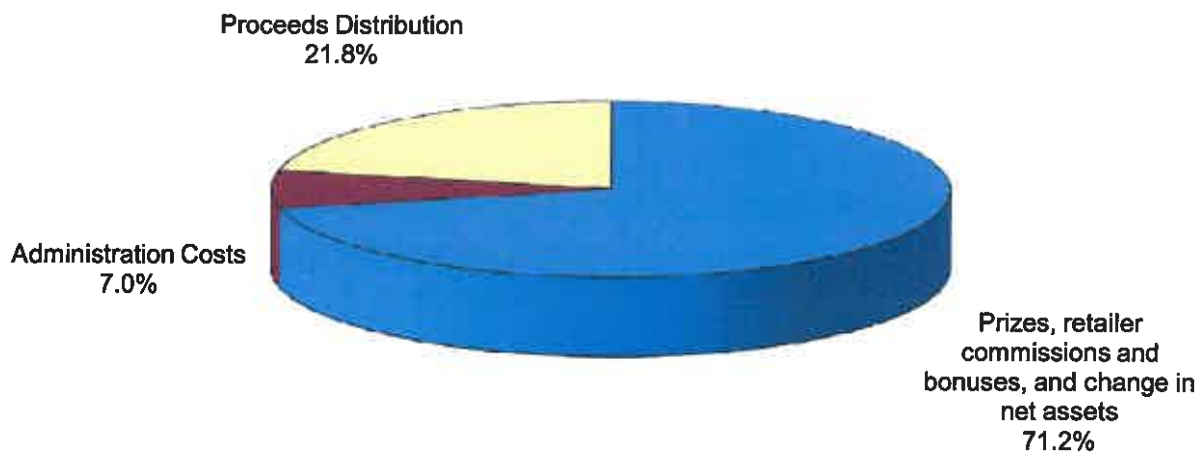
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015

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
DECEMBER 31, 2015 AND 2014
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Cash and Investments	\$ 37,412,764	\$ 32,107,582
Accounts Receivable, net of the allowance for doubtful accounts of \$198,076 in 2015 and \$196,749 in 2014	22,977,677	24,242,863
Consignment Inventory, at Cost	116,211	113,590
Warehouse Inventory, at Cost	1,154,994	1,319,931
Prepaid Expenses	209,907	211,615
Total Current Assets	<u>61,871,553</u>	<u>57,995,581</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	403,915	344,496
Prepaid Prize Expense with MUSL	4,541,395	4,606,804
Total Reserve and Restricted Assets	<u>6,445,310</u>	<u>6,451,300</u>
Capital Assets:		
Equipment	5,966,333	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,628,901)</u>	<u>(5,307,528)</u>
Total Capital Assets	<u>402,143</u>	<u>705,976</u>
TOTAL ASSETS	<u>\$ 68,719,006</u>	<u>\$ 65,152,857</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 964,690	\$ 1,806,261
Prize Liability	31,721,363	28,360,573
Payable to MUSL	444,802	387,162
Wages and Benefits	117,500	0
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	805,251	794,520
Funds Available for Distribution	31,599,015	30,422,836
Total Current Liabilities	<u>65,652,621</u>	<u>61,771,352</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	720,838	770,308
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	<u>760,327</u>	<u>831,033</u>
TOTAL LIABILITIES	<u>66,412,948</u>	<u>62,602,385</u>
NET POSITION		
Investment in Capital Assets	402,143	705,976
Restricted-Licensed Agent Recovery Reserve	403,915	344,496
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,306,058</u>	<u>2,550,472</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 68,719,006</u>	<u>\$ 65,152,857</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015 AND 2014
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 277,654,154	\$ 254,803,312
DIRECT OPERATING EXPENSES		
Prize Expense	177,521,790	157,147,334
Retailer Commissions and Bonuses	20,631,175	18,960,469
Cost of Tickets and Vendor Fees	<u>5,700,735</u>	<u>5,006,648</u>
Total Direct Operating Expenses	<u>203,853,700</u>	<u>181,114,451</u>
GROSS PROFIT ON SALE OF TICKETS	<u>73,800,454</u>	<u>73,688,861</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	6,534,733	6,387,738
Administration Fees Paid to MUSL	40,093	43,260
Wages and Benefits	4,782,168	4,786,600
Professional Services	64,498	183,353
State Agencies Services	358,054	356,063
Department of Revenue Services	230,130	293,388
Travel	55,632	63,733
Equipment	14,822	57,312
Depreciation	313,903	278,091
Accrued Annual and Sick Leave	(36,363)	67,546
Space Rental	395,029	384,602
Rents for Equipment	13,759	13,107
Motorpool Leasing	<u>146,531</u>	<u>178,993</u>
Materials and Supplies	75,530	86,594
Telephone	117,286	224,952
Data Processing Supplies and Services	0	17,826
Equipment Maintenance	110,700	91,786
Printing	10,540	35,040
Delivery Expense	466,332	487,842
Other	64,637	73,786
Total Other Operating Expenses	<u>13,758,014</u>	<u>14,111,612</u>
OTHER OPERATING REVENUE (EXPENSE)	67,687	87,695
TOTAL OPERATING INCOME	<u>60,110,127</u>	<u>59,664,944</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	281,463	226,035
Funds Distributed for Current Year	(28,915,110)	(29,658,772)
Funds Available for Distribution for Current Year	<u>(31,599,015)</u>	<u>(30,422,836)</u>
Total Nonoperating Revenues (Expenses)	<u>(60,232,662)</u>	<u>(59,855,573)</u>
NET INCOME (LOSS)	<u>\$ (122,535)</u>	<u>\$ (190,629)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(122,535)</u>	<u>(190,629)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,306,058</u>	<u>\$ 2,550,472</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST TWO QUARTERS ENDED DECEMBER 31, 2015 AND 2014
(UNAUDITED)

	FY2016	FY2015
Operating Activities		
Cash received from retailers	\$ 275,175,032	\$ 249,633,394
Cash paid in prizes	(171,892,496)	(154,650,420)
Cash paid in retailer commissions	(18,642,674)	(17,037,814)
Cash payments to suppliers	(15,033,914)	(14,751,164)
Cash payments to employees for services	(5,465,813)	(5,563,527)
Cash paid in retailer bonus	(2,524,942)	(2,661,988)
Net cash provided by operating activities	61,615,193	54,968,481
Noncapital Financing Activities		
Distribution of net proceeds	(60,734,727)	(60,167,279)
Net cash used by noncapital financing activities	(60,734,727)	(60,167,279)
Capital and Related Financing Activities		
Acquisition of capital assets	(166,356)	(26,500)
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	(166,356)	(26,500)
Investing Activities		
Interest received	281,463	226,035
Change in fair market value of investments	-	-
Net cash provided by investing activities	281,463	226,035
Increase (Decrease) in Cash and Investments	995,573	(4,999,263)
Cash and Investments, Beginning of Year (including \$1,878,903 and \$1,783,534, respectively, in restricted accounts)	38,321,106	38,951,341
Cash and Investments, End of Period, (including \$1,903,915 and \$1,844,496 respectively, in restricted accounts)	\$ 39,316,679	\$ 33,952,078
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 60,110,127	\$ 59,664,944
Depreciation	313,903	278,091
Loss (gain) on disposition of equipment	-	-
Change in:		
Accounts Receivable	(2,759,754)	(5,319,335)
Ticket Inventory	(146,081)	(177,856)
Prepaid Expenses	(134,174)	(27,951)
Prepaid Prize Expense with MUSL	40,245	346,014
Liabilities(excluding funds available for distribution)	4,190,927	204,574
Net cash provided by operating activities	\$ 61,615,193	\$ 54,968,481
Statement of Net Position Classification		
Cash and investments	\$ 37,412,764	\$ 32,107,582
Cash and investments- Licensed Agent Recovery Reserve	403,915	344,496
Cash and investments- Operating Reserve	1,500,000	1,500,000
Cash and Investments, End of Period	\$ 39,316,679	\$ 33,952,078

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2015 AND 2014

(UNAUDITED)

	FY 2016	FY 2015
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,981,434	9,930,454
TOTAL ASSETS	\$ 10,489,434	\$ 10,418,454
 NET POSITION		
Held in Trust for Powerball Winner	10,489,434	10,418,454
TOTAL NET POSITION	\$ 10,489,434	\$ 10,418,454

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015 AND 2014

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
Additions		
Investment Income	\$ <u>307,877</u>	\$ <u>257,393</u>
Total Additions	<u>307,877</u>	<u>257,393</u>
Deductions		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	(180,123)	(211,607)
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>10,489,434</u></u>	\$ <u><u>10,418,454</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015
(With Comparative Totals for the Two Quarters Ended December 31, 2014)

	Jackpot Games							FY 16	FY 15
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$184,676,727	\$18,276,650	\$13,873,405	\$33,940,319	\$9,515,498	\$12,991,284	\$4,380,271	\$277,654,154	\$254,803,312
PRIZE EXPENSE	(122,773,885)	(16,701,273)	(8,536,439)	(16,082,766)	(5,121,910)	(6,207,424)	(2,098,093)	(177,521,790)	(157,147,334)
NET REVENUE AFTER PRIZES	<u>61,902,842</u>	<u>1,575,377</u>	<u>5,336,966</u>	<u>17,857,553</u>	<u>4,393,588</u>	<u>6,783,860</u>	<u>2,282,178</u>	<u>100,132,364</u>	<u>97,655,978</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(12,896,584)	(1,275,474)	(830,564)	(2,031,160)	(569,527)	(777,364)	(262,001)	(18,642,674)	(17,037,814)
Retailer Bonus	(1,513,897)	(151,191)	(71,001)	(107,233)	(71,697)	(45,455)	(28,027)	(1,988,501)	(1,922,655)
Cost of Tickets Sold	(1,212,251)	(22,075)	N/A	N/A	N/A	N/A	N/A	(1,234,326)	(1,190,431)
Telecomm Reimbursements	256,106	25,346	19,239	47,068	13,196	18,016	6,074	385,045	389,650
Jackpot Vendor Fees	(3,227,148)	(319,417)	(242,310)	(592,182)	(166,216)	(226,906)	(77,275)	(4,851,454)	(4,205,867)
TOTAL	<u>(18,593,774)</u>	<u>(1,742,811)</u>	<u>(1,124,636)</u>	<u>(2,683,507)</u>	<u>(794,244)</u>	<u>(1,031,709)</u>	<u>(361,229)</u>	<u>(26,331,910)</u>	<u>(23,967,117)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$43,309,068</u>	<u>(\$167,434)</u>	<u>\$4,212,330</u>	<u>\$15,174,046</u>	<u>\$3,599,344</u>	<u>\$5,752,151</u>	<u>\$1,920,949</u>	<u>\$73,800,454</u>	<u>\$73,688,861</u>
AVERAGE DAILY TICKET SALES	<u>\$1,003,678</u>	<u>\$425,038 *</u>	<u>\$75,399</u>	<u>\$184,458</u>	<u>\$51,715</u>	<u>\$70,605</u>	<u>\$23,806</u>	<u>\$1,508,990</u>	<u>\$1,384,801</u>

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

* \$50 Scratch game started October 19, 2015

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015

	Jackpot Games							FY 16	FY 15
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense (/)/Ticket Sales	\$122,773,885 <u>184,676,727</u>	\$16,701,273 <u>18,276,650</u>	\$8,536,439 <u>13,873,405</u>	\$16,082,766 <u>33,940,319</u>	\$5,121,910 <u>9,515,498</u>	\$6,207,424 <u>12,991,284</u>	\$2,098,093 <u>4,380,271</u>	\$177,521,790 <u>\$277,654,154</u>	\$157,147,334 <u>254,803,312</u>
Prize %	<u>66.48%</u>	<u>91.38%</u>	<u>61.53%</u>	<u>47.39%</u>	<u>53.83%</u>	<u>47.78%</u>	<u>47.90%</u>	<u>63.94%</u>	<u>61.67%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2015

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	4,037,278	\$5,462,803	42.5%
Amortization Equal	324,547	139,130	185,417	42.9%
Suppl Amortization Equalization	313,483	132,504	180,979	42.3%
Worker's Compensation	93,111	46,555	46,556	50.0%
Health and Life	1,031,570	480,989	550,581	46.6%
Short Term Disability	16,059	6,517	9,542	40.6%
Operating	1,203,156	512,940	690,216	42.6%
Variable Vehicle	163,062	80,663	82,399	49.5%
Leased Space	748,017	390,663	357,354	52.2%
Leased Space-Grand Junction	5,947	2,970	2,977	49.9%
Risk Management	27,896	13,948	13,948	50.0%
Vehicle Lease Payments	153,061	64,838	88,223	42.4%
Travel	113,498	55,632	57,866	49.0%
Marketing, Communications & Sales	14,700,000	6,484,783	8,215,217	44.1%
Payments to Other Agencies	239,410	51,249	188,161	21.4%
Legal Services	28,408	22,300	6,108	78.5%
Indirect Costs	460,259	230,130	230,129	50.0%
Ticket Costs-Scratch	6,578,000	1,740,235	4,837,765	26.5%
Research	250,000	49,950	200,050	20.0%
Vendor Fees	12,571,504	4,851,454	7,720,050	38.6%
Prize Payments	424,104,016	177,521,790	246,582,226	41.9%
Retailer Compensation	52,241,350	20,631,175	31,610,175	39.5%
Multi-State Lottery Funds	177,433	40,093	137,340	22.6%
CORE Modernization	26,567	13,284	13,283	50.0%
OIT Payments	569,011	284,505	284,506	50.0%
TOTAL	<u>\$525,639,446</u>	<u>\$217,885,575</u>	<u>\$307,469,365</u>	<u>41.45%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 113.00 (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	177,521,790
Commissions and Bonuses	20,631,175
Cost of Tickets & Vendor Fees	5,700,735
Operating Expenses	13,758,014
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>217,611,714</u>
Plus: Telecommunications offset classified as revenue	385,045
Less: Non-appropriated expenses and other adjustments	
Depreciation	(313,903)
Accrued Annual and Sick Leave	36,363
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	217,719,219
Plus: Capitalized Fixed Assets	166,356
	<u>\$217,885,575</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 December 31, 2015 is 50.0%.

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