

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

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

(UNAUDITED)

FOR THE ELEVEN MONTHS (11) MONTHS ENDED

MAY 31, 2015

**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 12, 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 statements).

The attached financial statements have not been audited.

The financial statements presented for the eleven months ended May 31, 2015 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, 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 eleven months ended May 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 Eleven Months Ended May 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$496.89		\$502.84	
Nonoperating revenue	0.61		0.70	
TOTAL INCOME	497.50		503.54	
LESS:				
PRIZES	\$305.73	61.5% (1)	\$310.38	61.7% (1)
RETAILER COMMISSIONS AND BONUSES	\$36.89	7.4% (2)	\$37.20	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.00		9.98	
Other Operating Expenses	26.53	(4)	25.86	
TOTAL ADMINISTRATIVE COSTS (Note 3)	36.53	7.3% (3)	35.84	7.1% (3)
	118.35		120.12	
NET CHANGE IN NET ASSETS	(0.30)		(0.73)	
PROCEEDS DISTRIBUTION	\$118.65	23.8% (3)	\$120.85	24.0% (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.

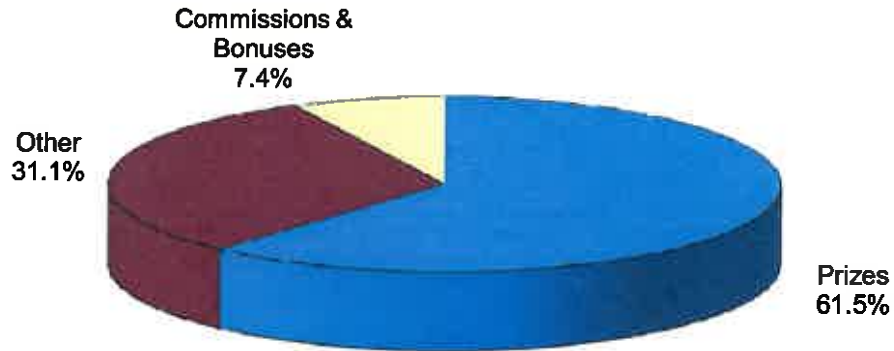
Note 2: Percent of gross ticket sales.

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.

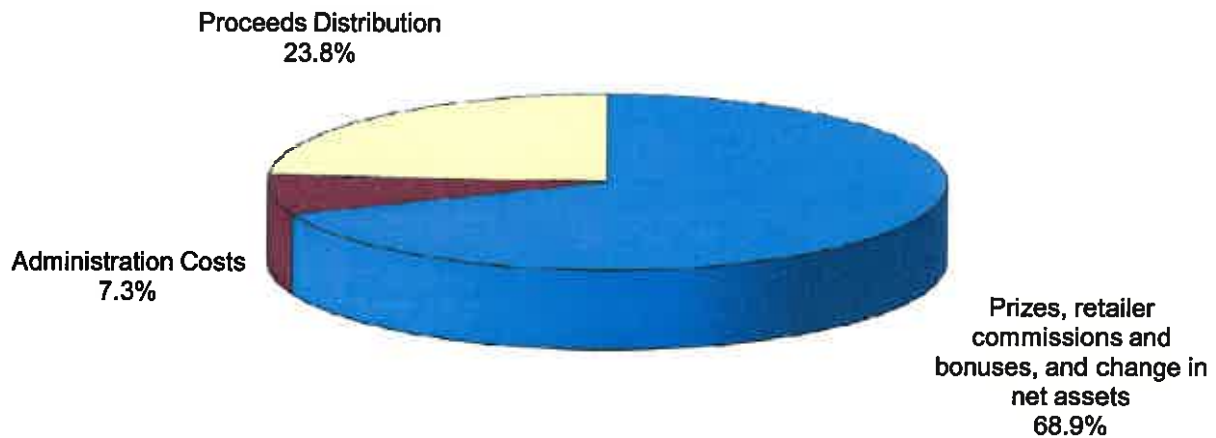
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2015

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
MAY 31, 2015 AND 2014
(UNAUDITED)

ASSETS	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets:		
Cash and Investments	\$ 60,995,625	\$ 32,114,513
Accounts Receivable, net of the allowance for doubtful accounts of \$194,537 in 2015 and \$119,739 in 2014	21,083,585	19,339,877
Consignment Inventory, at Cost	105,452	102,031
Warehouse Inventory, at Cost	1,217,214	1,318,955
Prepaid Expenses	99,636	88,823
Total Current Assets	<u>83,501,512</u>	<u>52,964,199</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	371,333	415,921
Prepaid Prize Expense with MUSL	4,581,628	4,952,785
Total Reserve and Restricted Assets	<u>6,452,961</u>	<u>6,768,706</u>
Capital Assets:		
Equipment	6,043,707	5,965,066
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,538,391)</u>	<u>(4,991,246)</u>
Total Capital Assets	<u>570,027</u>	<u>1,038,531</u>
TOTAL ASSETS	<u>\$ 90,524,500</u>	<u>\$ 60,771,436</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,859,079	\$ 1,556,677
Prize Liability	24,510,264	31,385,312
Payable to MUSL	873,381	1,403,923
Wages and Benefits	-	976
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,384,657	1,549,562
Funds Available for Distribution	58,569,972	21,245,274
Total Current Liabilities	<u>87,197,353</u>	<u>57,141,724</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	825,062	714,535
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	<u>885,787</u>	<u>775,260</u>
TOTAL LIABILITIES	<u>88,083,140</u>	<u>57,916,984</u>
NET POSITION		
Investment in Capital Assets	570,027	1,038,531
Restricted-Licensed Agent Recovery Reserve	371,333	415,921
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	<u>-</u>	<u>-</u>
TOTAL NET POSITION	<u>2,441,360</u>	<u>2,854,452</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 90,524,500</u>	<u>\$ 60,771,436</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2015 AND 2014
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 496,893,995	\$ 502,841,718
DIRECT OPERATING EXPENSES		
Prize Expense	305,727,743	310,380,492
Retailer Commissions and Bonuses	36,889,843	37,201,902
Cost of Tickets and Vendor Fees	<u>9,997,432</u>	<u>9,986,768</u>
Total Direct Operating Expenses	<u>352,615,018</u>	<u>357,569,162</u>
GROSS PROFIT ON SALE OF TICKETS	<u>144,278,977</u>	<u>145,272,556</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	12,599,497	11,709,806
Administration Fees Paid to MUSL	128,589	88,840
Wages and Benefits	8,759,964	8,598,594
Professional Services	283,923	162,546
State Agencies Services	638,005	225,820
Department of Revenue Services	537,879	458,572
Travel	92,790	43,251
Equipment	99,884	494,651
Depreciation	508,953	879,970
Accrued Annual and Sick Leave	125,519	(143,362)
Space Rental	703,465	689,843
Rents for Equipment	25,859	22,553
Motorpool Leasing	290,437	339,032
Materials and Supplies	110,327	95,429
Telephone	287,916	212,104
On-Line Telecommunications	56,898	394,911
Data Processing Supplies and Services	35,657	302,809
Equipment Maintenance	190,325	251,109
Printing	19,569	26,802
Delivery Expense	889,536	879,036
Other	151,997	127,774
Total Other Operating Expenses	<u>26,536,989</u>	<u>25,860,090</u>
OTHER OPERATING REVENUE (EXPENSE)	159,763	297,664
TOTAL OPERATING INCOME	<u>117,901,751</u>	<u>119,710,130</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	450,088	405,405
Funds Distributed for Current Year	(60,081,608)	(99,605,001)
Funds Available for Distribution for Current Year	<u>(58,569,972)</u>	<u>(21,245,274)</u>
Total Nonoperating Revenues (Expenses)	<u>(118,201,492)</u>	<u>(120,444,870)</u>
NET INCOME (LOSS)	<u>\$ (299,741)</u>	<u>\$ (734,740)</u>
NET POSITION, BEGINNING OF YEAR	2,741,101	3,589,192
Net Change in Net Position	<u>(299,741)</u>	<u>(734,740)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,441,360</u>	<u>\$ 2,854,452</u>

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

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,139,938</u>	<u>10,118,023</u>
TOTAL ASSETS	\$ <u>10,627,938</u>	\$ <u>10,587,023</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,627,938</u>	<u>10,587,023</u>
TOTAL NET POSITION	\$ <u>10,627,938</u>	\$ <u>10,587,023</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE ELEVEN MONTHS ENDED MAY 31, 2015 AND 2014

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
Additions		
Investment Income	\$ <u>466,877</u>	\$ <u>484,014</u>
Total Additions	<u>466,877</u>	<u>484,014</u>
 Deductions		
Prize Payments	<u>469,000</u>	<u>451,000</u>
Change in net position	(2,123)	33,014
 Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,630,061</u>	<u>10,554,009</u>
End of Period	\$ <u><u>10,627,938</u></u>	\$ <u><u>10,587,023</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2015
(With Comparative Totals for the Eleven Months Ended May 31, 2014)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$347,017,180	\$27,462,695	\$67,850,205	\$17,687,264	\$28,868,409	\$8,008,242	\$496,893,995	\$502,841,718
PRIZE EXPENSE	(230,279,248)	(15,354,779)	(32,704,182)	(9,579,700)	(13,839,262)	(3,970,572)	(305,727,743)	(310,380,492)
NET REVENUE AFTER PRIZES	<u>116,737,932</u>	<u>12,107,916</u>	<u>35,146,023</u>	<u>8,107,564</u>	<u>15,029,147</u>	<u>4,037,670</u>	<u>191,166,252</u>	<u>192,461,226</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(24,232,069)	(1,644,126)	(4,061,333)	(1,058,270)	(1,727,372)	(478,790)	(33,201,960)	(33,432,171)
Retailer Bonus	(2,933,598)	(148,138)	(301,448)	(139,083)	(110,679)	(54,937)	(3,687,883)	(3,769,731)
Cost of Tickets Sold	(2,283,305)	N/A	N/A	N/A	N/A	N/A	(2,283,305)	(2,403,733)
Telecomm Reimbursements	490,802	38,842	95,964	25,016	40,830	11,326	702,780	718,790
Jackpot Vendor Fees	(5,875,171)	(466,355)	(1,149,498)	(300,556)	(489,241)	(136,086)	(8,416,907)	(8,301,825)
TOTAL	<u>(34,833,341)</u>	<u>(2,219,777)</u>	<u>(5,416,315)</u>	<u>(1,472,893)</u>	<u>(2,286,462)</u>	<u>(658,487)</u>	<u>(46,887,275)</u>	<u>(47,188,670)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$81,904,591</u>	<u>\$9,888,139</u>	<u>\$29,729,708</u>	<u>\$6,634,671</u>	<u>\$12,742,685</u>	<u>\$3,379,183</u>	<u>\$144,278,977</u>	<u>\$145,272,556</u>
AVERAGE DAILY TICKET SALES	<u>\$1,035,872</u>	<u>\$81,978</u>	<u>\$202,538</u>	<u>\$52,798</u>	<u>\$86,174</u>	<u>\$23,905</u>	<u>\$1,483,266</u>	<u>\$1,501,020</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 ELEVEN MONTHS ENDED MAY 31, 2015

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
Prize Expense (/)/Ticket Sales	\$230,279,248 347,017,180	\$15,354,779 27,462,695	\$32,704,182 67,850,205	\$9,579,700 17,687,264	\$13,839,262 28,868,409	\$3,970,572 8,008,242	\$305,727,743 \$496,893,995	\$310,380,492 502,841,718
Prize %	<u>66.36%</u>	<u>55.91%</u>	<u>48.20%</u>	<u>54.16%</u>	<u>47.94%</u>	<u>49.58%</u>	<u>61.53%</u>	<u>61.73%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2015

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	7,603,739	\$1,740,995	81.4%
Amortization Equal	294,742	252,115	42,627	85.5%
Suppl Amortization Equalization	276,321	235,975	40,346	85.4%
Worker's Compensation	89,739	82,261	7,478	91.7%
Health and Life	953,274	849,112	104,162	89.1%
Short Term Disability	16,213	14,396	1,817	88.8%
Operating	1,203,156	953,777	249,379	79.3%
Variable Vehicle	193,569	149,608	43,961	77.3%
Leased Space	764,387	696,313	68,074	91.1%
Leased Space-Grand Junction	6,465	4,673	1,792	72.3%
Risk Management	27,222	24,954	2,268	91.7%
Vehicle Lease Payments	161,681	140,749	20,932	87.1%
Travel	113,498	92,790	20,708	81.8%
Marketing, Communications & Sales	14,700,000	12,468,732	2,231,268	84.8%
Payments to Other Agencies	239,410	58,825	180,585	24.6%
Legal Services	66,426	35,252	31,174	53.1%
Indirect Costs	586,778	537,879	48,899	91.7%
Ticket Costs-Scratch	6,578,000	3,215,417	3,362,583	48.9%
Research	250,000	130,765	119,235	52.3%
Vendor Fees	12,571,504	8,468,637	4,102,867	67.4%
Prize Payments	424,104,016	305,727,743	118,376,273	72.1%
Retailer Compensation	52,241,350	36,889,843	15,351,507	70.6%
Multi-State Lottery Funds	177,433	128,589	48,844	72.5%
CORE Conversion	35,657	35,657	0	100.0%
OIT Payments	593,380	543,928	49,452	91.7%
Postage	7,892	-	7,892	0.0%
TOTAL	<u><u>\$525,596,847</u></u>	<u><u>\$379,341,729</u></u>	<u><u>\$146,197,774</u></u>	<u><u>72.17%</u></u>

FY15 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.00 (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	305,727,743
Commissions and Bonuses	36,889,843
Cost of Tickets & Vendor Fees	9,997,432
Operating Expenses	26,536,989

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 379,152,007

Plus: Telecommunications offset classified as revenue 702,780

Less: Non-appropriated expenses and other adjustments	
Depreciation	(508,953)
Accrued Annual and Sick Leave	(125,519)
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 379,220,315

Plus: Capitalized Fixed Assets 121,414
\$379,341,729

Note 1 - FY15 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, 2015 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 2015