

***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, 2015**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

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## **COLORADO LOTTERY DIVISION**

Department of Revenue

### **Headquarters**

225 N. Main Street  
Pueblo, CO 81003  
(719) 546-2400  
(719) 546-5208 Fax



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**John Hickenlooper**  
Governor

**Barbara Brohl**  
Executive Director

**Laura Solano**  
Lottery Director

October 21, 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 one month ended July 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 ONE (1) MONTH ENDED JULY 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 one month ended July 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 One Month Ended July 31,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$43.39		\$41.00	
Nonoperating revenue	0.05		0.05	
<b>TOTAL INCOME</b>	<b>43.44</b>		<b>41.05</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$29.01</b>	<b>66.9% (1)</b>	<b>\$25.09</b>	<b>61.2% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$3.22</b>	<b>7.4% (2)</b>	<b>\$3.05</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	0.88		0.80	
Other Operating Expenses	2.12	(4)	2.20	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>3.00</b>	<b>6.9% (3)</b>	<b>3.00</b>	<b>7.3% (3)</b>
	8.21		9.91	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.05)</b>		<b>(0.04)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$8.26</b>	<b>19.0% (3)</b>	<b>\$9.95</b>	<b>24.2% (3)</b>

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.

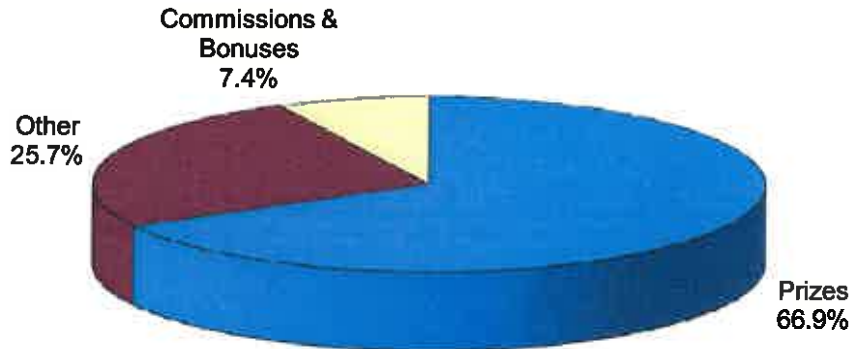
Note 2: Percent of gross ticket sales.

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.

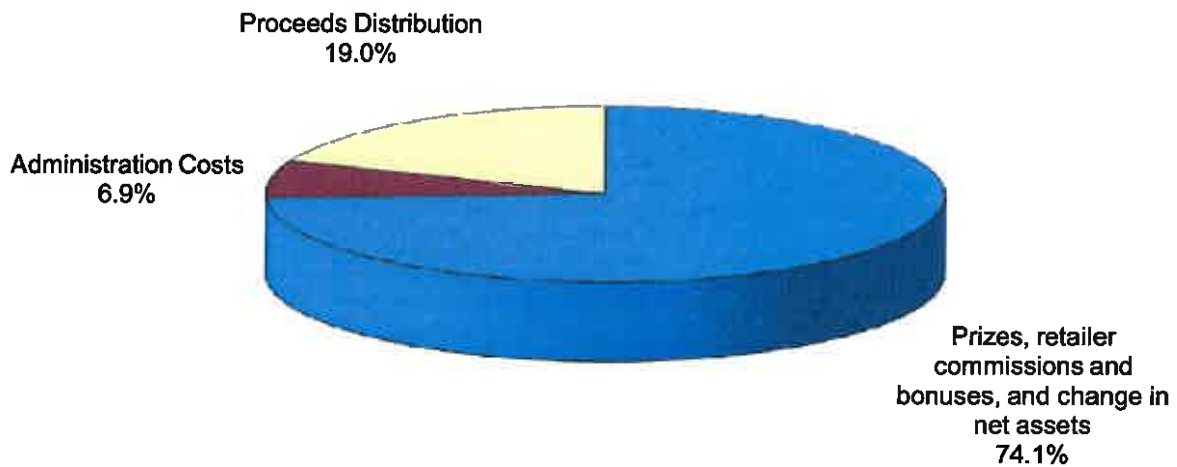
**COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE ONE MONTH ENDED JULY 31, 2015**

**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  
JULY 31, 2015 AND 2014  
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
<b>Current Assets:</b>		
Cash and Investments	\$ 45,652,961	\$ 53,610,141
Accounts Receivable, net of the allowance for doubtful accounts of \$193,244 in 2015 and \$156,313 in 2014	18,593,013	13,724,351
Consignment Inventory, at Cost	102,062	119,590
Warehouse Inventory, at Cost	1,317,642	1,408,788
Prepaid Expenses	116,353	111,274
<b>Total Current Assets</b>	<u>65,782,031</u>	<u>68,974,144</u>
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	383,412	383,679
Prepaid Prize Expense with MUSL	4,581,640	4,952,819
<b>Total Reserve and Restricted Assets</b>	<u>6,465,052</u>	<u>6,736,498</u>
<b>Capital Assets:</b>		
Equipment	6,071,861	5,922,293
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,637,236)</u>	<u>(5,075,170)</u>
<b>Total Capital Assets</b>	<u>499,336</u>	<u>911,834</u>
<b>TOTAL ASSETS</b>	<u>\$ 72,746,419</u>	<u>\$ 76,622,476</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,288,979	\$ 6,746,530
Prize Liability	27,559,034	25,366,077
Payable to MUSL	349,076	271,184
Wages and Benefits	19,583	19,604
Accrued Annual and Sick Leave	-	9,306
Retailer Bonus Liability	287,619	269,765
Funds Available for Distribution	40,081,439	40,460,806
<b>Total Current Liabilities</b>	<u>69,585,730</u>	<u>73,143,272</u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	738,452	722,966
Expired Warrants Liability	39,489	60,725
<b>Total Long-Term Liabilities</b>	<u>777,941</u>	<u>783,691</u>
<b>TOTAL LIABILITIES</b>	<u>70,363,671</u>	<u>73,926,963</u>
<b>NET POSITION</b>		
Investment in Capital Assets	499,336	911,834
Restricted-Licensed Agent Recovery Reserve	383,412	383,679
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<u>2,382,748</u>	<u>2,695,513</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 72,746,419</u>	<u>\$ 76,622,476</u>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE ONE (1) MONTH ENDED JULY 31, 2015 AND 2014  
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 43,394,765	\$ 41,003,573
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	29,006,761	25,090,834
Retailer Commissions and Bonuses	3,225,289	3,047,511
Cost of Tickets and Vendor Fees	876,101	800,406
Total Direct Operating Expenses	<u>33,108,151</u>	<u>28,938,751</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>10,286,614</u>	<u>12,064,822</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	773,257	790,633
Administration Fees Paid to MUSL	6,682	7,211
Wages and Benefits	784,043	841,540
Professional Services	10,818	7,179
State Agencies Services	51,958	52,439
Department of Revenue Services	38,355	48,648
Travel	8,235	12,189
Equipment	108,355	26,782
Depreciation	50,354	45,733
Accrued Annual and Sick Leave	(19,298)	21,083
Space Rental	65,684	64,160
Rents for Equipment	1,555	1,551
Motorpool Leasing	24,290	29,096
Materials and Supplies	47,124	39,815
Telephone	19,618	61,362
Data Processing Supplies and Services	0	0
Equipment Maintenance	38,700	72,328
Printing	2,288	3,368
Delivery Expense	83,910	62,848
Other	24,197	14,643
Total Other Operating Expenses	<u>2,120,125</u>	<u>2,202,608</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	<u>11,268</u>	<u>10,936</u>
<b>TOTAL OPERATING INCOME</b>	<u>8,177,757</u>	<u>9,873,150</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	38,220	33,561
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(8,261,822)	(9,952,299)
Total Nonoperating Revenues (Expenses)	<u>(8,223,602)</u>	<u>(9,918,738)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (45,845)</u>	<u>\$ (45,588)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,428,593	2,741,101
Net Change in Net Position	<u>(45,845)</u>	<u>(45,588)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,382,748</u>	<u>\$ 2,695,513</u>



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

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>10,223,726</u>	<u>10,205,533</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,711,726</u></b>	<b>\$ <u>10,674,533</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,711,726</u>	<u>10,674,533</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,711,726</u></b>	<b>\$ <u>10,674,533</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE ONE MONTH ENDED JULY 31, 2015 AND 2014**

(UNAUDITED)

	FY 2016	FY 2015
<b>Additions</b>		
Investment Income	\$ <u>42,169</u>	\$ <u>44,472</u>
<b>Total Additions</b>	<u>42,169</u>	<u>44,472</u>
 <b>Deductions</b>		
Prize Payments	<u>0</u>	<u>0</u>
<b>Change in net position</b>	42,169	44,472
 <b>Net Position held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,669,557</u>	<u>10,630,061</u>
<b>End of Period</b>	\$ <u><u>10,711,726</u></u>	\$ <u><u>10,674,533</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE ONE MONTH ENDED JULY 31, 2015**  
(With Comparative Totals for the One Month Ended July 31, 2014)

	Jackpot Games						FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$31,096,458	\$2,936,910	\$4,406,066	\$1,625,126	\$2,579,103	\$751,102	\$43,394,765	\$41,003,573
PRIZE EXPENSE	(22,537,428)	(1,926,435)	(2,058,113)	(922,861)	(1,208,186)	(353,738)	(29,006,761)	(25,090,834)
NET REVENUE AFTER PRIZES	8,559,030	1,010,475	2,347,953	702,265	1,370,917	397,364	14,388,004	15,912,739
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(2,170,896)	(175,783)	(263,578)	(97,246)	(154,314)	(44,903)	(2,906,720)	(2,749,365)
Retailer Bonus	(267,120)	(11,276)	(13,546)	(12,714)	(9,118)	(4,795)	(318,569)	(298,146)
Cost of Tickets Sold	(184,124)	N/A	N/A	N/A	N/A	N/A	(184,124)	(184,101)
Telecomm Reimbursements	42,394	4,004	6,007	2,216	3,516	1,023	59,160	60,260
Jackpot Vendor Fees	(538,144)	(50,868)	(76,254)	(28,137)	(44,729)	(13,005)	(751,137)	(676,565)
TOTAL	(3,117,890)	(233,923)	(347,371)	(135,881)	(204,645)	(61,680)	(4,101,390)	(3,847,917)
GROSS PROFIT ON SALE OF TICKETS	\$5,441,140	\$776,552	\$2,000,582	\$566,384	\$1,166,272	\$335,684	\$10,286,614	\$12,064,822
AVERAGE DAILY TICKET SALES	\$1,003,112	\$94,739	\$142,131	\$52,423	\$83,197	\$24,229	\$1,399,831	\$1,322,696

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, 2015**

							FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense (/)/Ticket Sales	\$22,537,428 31,096,458	\$1,926,435 2,936,910	\$2,058,113 4,406,066	\$922,861 1,625,126	\$1,208,186 2,579,103	\$353,738 751,102	\$29,006,761 \$43,394,765	\$25,090,834 41,003,573
Prize %	72.48%	65.59%	46.71%	56.79%	46.85%	47.10%	66.84%	61.19%

**COLORADO LOTTERY  
BUDGET STATUS  
FOR THE ONE (1) MONTH ENDED JULY 31, 2015**

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	662,887	\$8,837,194	7.0%
Amortization Equal	324,547	22,980	301,567	7.1%
Suppl Amortization Equalization	313,483	21,886	291,597	7.0%
Worker's Compensation	93,111	7,759	85,352	8.3%
Health and Life	1,031,570	77,262	954,308	7.5%
Short Term Disability	16,059	1,301	14,758	8.1%
Operating	1,203,156	200,484	1,002,672	16.7%
Variable Vehicle	163,062	14,862	148,200	9.1%
Leased Space	748,017	64,950	683,067	8.7%
Leased Space-Grand Junction	5,947	496	5,451	8.3%
Risk Management	27,896	2,325	25,571	8.3%
Vehicle Lease Payments	153,061	9,428	143,633	6.2%
Travel	113,498	8,235	105,263	7.3%
Marketing, Communications & Sales	14,700,000	748,282	13,951,718	5.1%
Payments to Other Agencies	239,410	2,173	237,237	0.9%
Legal Services	28,408	2,367	26,041	8.3%
Indirect Costs	460,259	38,355	421,904	8.3%
Ticket Costs-Scratch	6,578,000	305,872	6,272,128	4.6%
Research	250,000	24,975	225,025	10.0%
Vendor Fees	12,571,504	751,137	11,820,367	6.0%
Prize Payments	424,104,016	29,006,761	395,097,255	6.8%
Retailer Compensation	52,241,350	3,225,289	49,016,061	6.2%
Multi-State Lottery Funds	177,433	6,682	170,751	3.8%
CORE Modernization	26,567	2,214	24,353	8.3%
OIT Payments	569,011	47,418	521,593	8.3%
<b>TOTAL</b>	<u>\$525,639,446</u>	<u>\$35,256,380</u>	<u>\$489,861,473</u>	<u>6.71%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 112.00 (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	29,006,761
Commissions and Bonuses	3,225,289
Cost of Tickets & Vendor Fees	876,101
Operating Expenses	2,120,125

**Total Expenses per Statement of Revenues, Expenses and Changes in Net Position** 35,228,276

Plus: Telecommunications offset classified as revenue 59,160

Less: Non-appropriated expenses and other adjustments	
Depreciation	(50,354)
Accrued Annual and Sick Leave	19,298
Loss on Disposal of Equipment classified as revenue	0

**Sub-Total** 35,256,380

Plus: Capitalized Fixed Assets 0

\$35,256,380

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 July 31, 2015 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 2016