COLORADO LOTTERY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

INCLUDING STATEMENT OF LOTTERY REVENUES, PRIZE DISBURSEMENTS AND OTHER EXPENSES

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED
AUGUST 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

November 18, 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 two months ended August 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,

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 TWO (2) MONTHS ENDED AUGUST 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 months ended August 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 Months Ended August 31,						
	FY 20	016	FY 2	015			
	Total	Actual Total Percent		Actual Percent			
INCOME							
Gross Ticket Sales Nonoperating revenue	\$85.58 0.11		\$82.15 0.06				
TOTAL INCOME	85.69		82.21				
LESS:							
PRIZES	\$54.85	64.1% (1)	\$49.45	60.2% (1)			
RETAILER COMMISSIONS AND BONUSES	\$6.36	7.4% (2)	\$6.14	7.5% (2)			
ADMINISTRATIVE COSTS							
Ticket Costs and Vendor Fees Other Operating Expenses	1.73 4.84	(4)	1.62 4.59				
TOTAL ADMINISTRATIVE COSTS (Note 3)	6.57	7.7% (3)	6.21	7.6% (3)			
	17.91		20.41				
NET CHANGE IN NET ASSETS	(0.09)		(0.09)				
PROCEEDS DISTRIBUTION	\$18.00	21.0% (3)	\$20.50	24.9% (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.

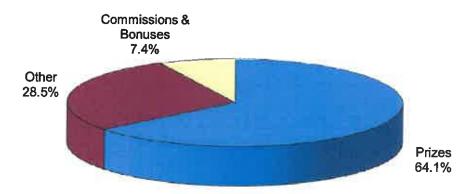
Note 2: Percent of gross ticket sales.

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.

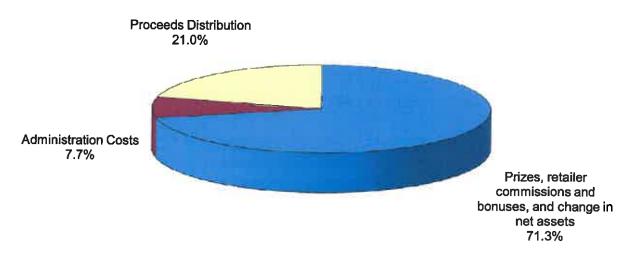
COLORADO LOTTERY SUPPLEMENT OF FINANCIAL HIGHLIGHTS FOR THE TWO MONTHS ENDED AUGUST 31, 2015





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 AUGUST 31, 2015 AND 2014 (UNAUDITED)

ASSETS	FY 2016	FY 2015
Current Assets:		
Cash and Investments	\$ 53,935,542	\$ 22,196,160
Accounts Receivable, net of the allowance for doubtful	9 33,333,342	\$ 22,196,160
accounts of \$189,894 in 2015 and \$186,489 in 2014	20,432,786	20,817,830
Consignment Inventory, at Cost	104,995	97,612
Warehouse Inventory, at Cost	1,386,140	97,01: 1,441,464
Prepaid Expenses	91,124	125,930
Total Current Assets	75,950,587	44,678,996
	10,300,501	41,070,220
Reserve and Restricted Assets:		
Cash and Investments Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery	. ,	-,,
Reserve Receipts	391,017	361,082
Prepaid Prize Expense with MUSL	4,581,640	4,952,819
Total Reserve and Restricted Assets	6,472,657	6,713,901
Capital Assets:		
Equipment	6,071,861	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,686,961)	(5,121,461)
Total Capital Assets	449,611	892,043
TOTAL ASSETS	\$ 82,872,855	\$ 52,284,940
LIABILITIES		
Comment I inhilities		
Current Liabilities: Accounts Payable		
Prize Liability	\$ 1,082,042	\$ 1,351,714
Payable to MUSL	28,415,085	26,559,158
Wages and Benefits	13,364	14,422
Accrued Annual and Sick Leave	39,167	39,208
Retailer Bonus Liability	367,370	250 177
Funds Available for Distribution	49,821,062	359,172 20,501,057
Total Current Liabilities	79,738,090	48,824,731
	17,730,070	70,027,731
Long-Term Liabilities:		
Accrued Annual and Sick Leave	754,648	746,359
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	794,137	807,084
TOTAL LIABILITIES	80,532,227	49,631,815
NET POSITION		
Investment in Capital Assets	449,611	892,043
Restricted-Licensed Agent Recovery Reserve	391,017	361,082
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other		36
TOTAL NET POSITION	2,340,628	2,653,125
		
TOTAL LIABILITIES AND NET POSITION	\$ 82,872,855	\$ 52,284,940

COLORADO LOTTERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2015 AND 2014 (UNAUDITED)

	FY 2016	FY 2015
OPERATING REVENUES		
Gross Ticket Sales	\$ 85,580,292	\$ 82,147,438
	* 00,000,2,2	Ψ 02,147,430
DIRECT OPERATING EXPENSES		
Prize Expense	54,854,172	49,450,448
Retailer Commissions and Bonuses	6,354,257	6,138,850
Cost of Tickets and Vendor Fees	1,730,328	1,618,941
Total Direct Operating Expenses	62,938,757	57,208,239
GROSS PROFIT ON SALE OF TICKETS	22,641,535	24,939,199
OTHER OPERATING EXPENSES		
Marketing and Communications	2,228,656	1 000 240
Administration Fees Paid to MUSL	13,364	1,988,340
Wages and Benefits	1,601,877	14,422 1,663,816
Professional Services	22,142	25,503
State Agencies Services	101,743	111,079
Department of Revenue Services	76,710	
Travel	25,189	97,296 16,025
Equipment	130,658	9,689
Depreciation	100,079	
Accrued Annual and Sick Leave		92,024
Space Rental	(2,683)	31,987
Rents for Equipment	131,965	132,845
Motorpool Leasing	4,044	3,769
Materials and Supplies	47,525	58,192
Telephone	50,351	13,736
Data Processing Supplies and Services	47,205 0	71,464
Equipment Maintenance	49,502	5,942
Printing	8,573	54,375
Delivery Expense	165,862	7,853
Other	34,237	164,982 25,689
Total Other Operating Expenses	4,836,999	4,589,028
	1,030,777	4,505,020
OTHER OPERATING REVENUE (EXPENSE)	25,602	(10,098)
TOTAL OPERATING INCOME	17,830,138	20,340,073
NONOPERATING REVENUES (EXPENSES)		
Investment Income	83,342	73,008
Funds Distributed for Current Year	,	0
Funds Available for Distribution for Current Year	(18,001,445)	(20,501,057)
Total Nonoperating Revenues (Expenses)	(17,918,103)	(20,428,049)
NET INCOME (LOSS)	0 (07.045)	-
NET INCOME (LOSS)	\$ (87,965)	\$ (87,976)
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	(87,965)	(87,976)
NET POSITION, END OF PERIOD	\$ 2,340,628	\$ 2,653,125

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

(UNAUDITED)

ASSETS	F	Y 2016	FY 2015
Current Assets: Current Portion Long Term Investments-PB Annuity		488,000	469,000
Long Term Assets: Long Term Investments-PB Annuity		10,265,203	10,249,203
TOTAL ASSETS	\$	10,753,203	\$ 10,718,203
NET POSITION			
Held in Trust for Powerball Winner		10,753,203	10,718,203
TOTAL NET POSITION	\$	10,753,203	\$ 10,718,203

COLORADO LOTTERY

POWERBALL ANNUITY WINNERS TRUST FUND STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE TWO MONTHS ENDED AUGUST 31, 2015 AND 2014

(UNAUDITED)

Additions		FY 2016		FY 2015
Investment Income	\$	83,646	\$	88,142
Total Additions		83,646		88,142
Deductions				
Prize Payments		0		0
Change in net position		83,646		88,142
Net Position held in Trust for Powerball Winner				
Beginning of Year	_	10,669,557	_	10,630,061
End of Period	\$ =	10,753,203	\$ =	10,718,203

COLORADO LOTTERY SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES FOR THE TWO MONTHS ENDED AUGUST 31, 2015

(With Comparative Totals for the Two Months Ended August 31, 2014)

							FY 16	FY 15
	Jackpot Games							Scratch and
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Tota!	Jackpot Games
TICKET SALES	\$62,290,373	\$5,083,828	\$9,154,530	\$3,235,271	\$4,335,754	\$1,480,536	\$85,580,292	\$82,147,438
PRIZE EXPENSE	(42,537,597)	(3,825,665)	(4,020,180)	(1,717,150)	(2,078,479)	(675,101)	(54,854,172)	(49,450,448)
NET REVENUE AFTER PRIZES	19,752,776	1,258,163	5,134,350	4 540 404	0.053.035	205 405		
74 (2)(1)(220	18,732,770	1,200,103	0,134,330	1,518,121	2,257,275	805,435	30,726,120	32,696,990
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1) Retailer Commission Retailer Bonus Cost of Tickets Sold	(4,343,941) (514,619) (372,015)	(304,323) (28,648) N/A	(547,803) (25,138) N/A	(193,640) (24,013) N/A	(259,423) (14,973) N/A	(88,550) (9,186) N/A	(5,737,680) (616,577)	(5,495,584) (643,266)
Telecomm Reimbursements	96,937	7,911	14,246	5,035	6,747	2,304	(372,015)	(383,927)
Jackpot Vendor Fees	(1,085,810)	(88,543)	(159,449)	(56,363)	•	•	133,180	120,430
		(00,040)	(109,449)	(00,303)	(75,535)	(25,793)	(1,491,493)	(1,355,444)
TOTAL	(6,219,448)	(413,603)	(718,144)	(268,981)	(343,184)	(121,225)	(8,084,585)	(7,757,791)
GROSS PROFIT ON SALE OF TICKETS	\$13.533.328	\$844.560	\$4.416.206	\$1.249.140	\$1.914.091	\$684.210	\$22.641.535	\$24.939.199
AVERAGE DAILY TICKET SALES	\$1.004.683	<u>\$81.997</u>	<u>\$147.654</u>	<u>\$52.182</u>	\$69.932	<u>\$23.880</u>	<u>\$1.380.327</u>	\$1.324,959

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 TWO MONTHS ENDED AUGUST 31, 2015

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 16 Total	FY 15 Total
Prize Expense (/)Ticket Sales	\$42,537,597 62,290,373	\$3,825,665 5,083,828	\$4,020,180 9,154,530	\$1,717,150 3,235,271	\$2,078,479 4,335,754	\$675,101 1,480,536	\$54,854,172 \$85,580,292	\$49,450,448 82,147,438
Prize %	68.29%	<u>75.25%</u>	43.91%	53.08%	<u>47.94%</u>	<u>45.60%</u>	64.10%	60.20%

COLORADO LOTTERY **BUDGET STATUS**

FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2015

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	1,358,080	\$8,142,001	14.3%
Amortization Equal	324,547	47,059	277,488	14.5%
Suppl Amortization Equalization	313,483	44,819	268,664	14.3%
Worker's Compensation	93,111	15,518	77,593	16.7%
Health and Life	1,031,570	154,524	877,046	15.0%
Short Term Disability	16,059	2,602	13,457	16.2%
Operating	1,203,156	279,528	923,628	23.2%
Variable Vehicle	163,062	27,185	135,877	16.7%
Leased Space	748,017	130,518	617,499	17.4%
Leased Space-Grand Junction	5,947	991	4,956	16.7%
Risk Management	27,896	4,650	23,246	16.7%
Vehicle Lease Payments	153,061	20,340	132,721	13.3%
Travel	113,498	25,189	88,309	22.2%
Marketing, Communications & Sales	14,700,000	2,203,681	12,496,319	15.0%
Payments to Other Agencies	239,410	2,173	237,237	0.9%
Legal Services	28,408	4,734	23,674	16.7%
Indirect Costs	460,259	76,710	383,549	16.7%
Ticket Costs-Scratch	6,578,000	575,714	6,002,286	8.8%
Research	250,000	24,975	225,025	10.0%
Vendor Fees	12,571,504	1,491,493	11,080,011	11.9%
Prize Payments	424,104,016	54,854,172	369,249,844	12.9%
Retailer Compensation	52,241,350	6,354,257	45,887,093	12.2%
Multi-State Lottery Funds	177,433	13,364	164,069	7.5%
CORE Modernization	26,567	4,428	22,139	16.7%
OIT Payments	569,011	94,836	474,175	16.7%
TOTAL	\$525,639,446	\$67,811,540	\$457,353,731	12.90%
FY16 Staffing - FTE - (Note 4)	117.10 (Appro	opriated) 112	2.00 (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 Commissions and Bonuses Cost of Tickets & Vendor Fees Operating Expenses	54,854,172 6,354,257 1,730,328 4,836,999
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	67,775,756
Plus: Telecommunications offset classified as revenue	133,180
Less: Non-appropriated expenses and other adjustments Depreciation Accrued Annual and Sick Leave Loss on Disposal of Equipment classified as revenue	(100,079) 2,683 0
Sub-Total	67,811,540
Plus: Capitalized Fixed Assets	0 \$67,811,540

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 August 31, 2015 is 16.7%.

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 2016