

***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

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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,

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)**

TABLE OF CONTENTS

Financial Highlights	1
Supplement to Financial Highlights	2
Statements of Net Position.....	3
Statements of Revenues, Expenses, and Changes in Fund Net Position	4
Statements of Fiduciary Net Position-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Position-Powerball Annuity Winners Trust Fund	6
Schedule of Revenue and Costs for Completed and In-Progress Games.....	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

**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 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$85.58		\$82.15	
Nonoperating revenue	0.11		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	1.73		1.62	
Other Operating Expenses	4.84	(4)	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.

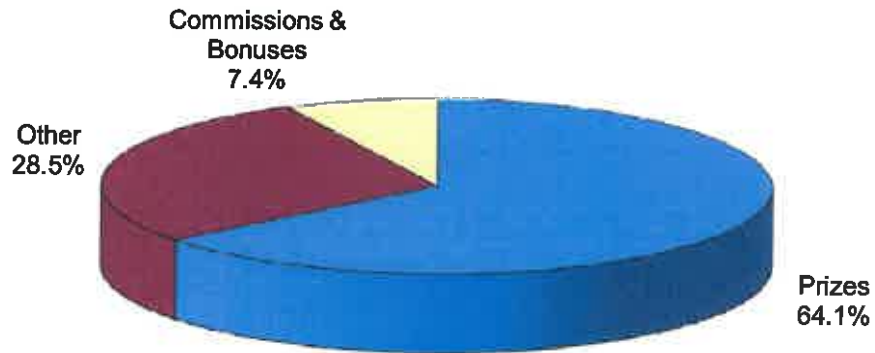
Note 2: Percent of gross ticket sales.

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.

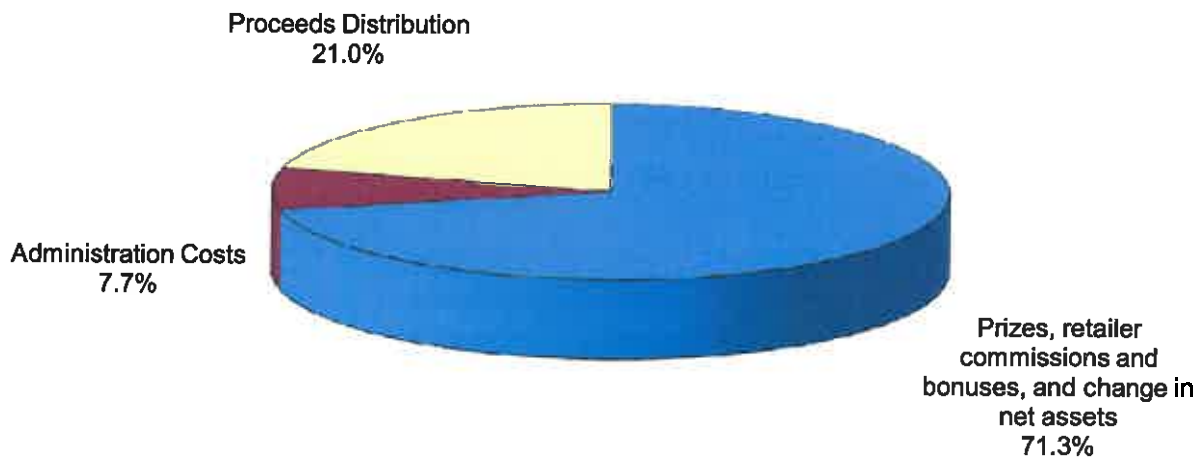
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS ENDED AUGUST 31, 2015

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
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 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	1,441,464
Prepaid Expenses	91,124	125,930
Total Current Assets	75,950,587	44,678,996
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		
Current Liabilities:		
Accounts Payable	\$ 1,082,042	\$ 1,351,714
Prize Liability	28,415,085	26,559,158
Payable to MUSL	13,364	14,422
Wages and Benefits	39,167	39,208
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	367,370	359,172
Funds Available for Distribution	49,821,062	20,501,057
Total Current Liabilities	79,738,090	48,824,731
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	-	-
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)

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

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

(UNAUDITED)

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

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)

	FY 2016	FY 2015
Additions		
Investment Income	\$ <u>83,646</u>	\$ <u>88,142</u>
Total Additions	<u>83,646</u>	<u>88,142</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	83,646	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>10,753,203</u></u>	\$ <u><u>10,718,203</u></u>

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)

	Jackpot Games						FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and 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	1,518,121	2,257,275	805,435	30,726,120	32,696,990
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(4,343,941)	(304,323)	(547,803)	(193,640)	(259,423)	(88,550)	(5,737,680)	(5,495,584)
Retailer Bonus	(514,619)	(28,648)	(25,138)	(24,013)	(14,973)	(9,186)	(616,577)	(643,266)
Cost of Tickets Sold	(372,015)	N/A	N/A	N/A	N/A	N/A	(372,015)	(383,927)
Telecomm Reimbursements	96,937	7,911	14,246	5,035	6,747	2,304	133,180	120,430
Jackpot Vendor Fees	(1,085,810)	(88,543)	(159,449)	(56,363)	(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	<u>\$13,533,328</u>	<u>\$844,560</u>	<u>\$4,416,206</u>	<u>\$1,249,140</u>	<u>\$1,914,091</u>	<u>\$684,210</u>	<u>\$22,641,535</u>	<u>\$24,939,199</u>
AVERAGE DAILY TICKET SALES	<u>\$1,004,683</u>	<u>\$81,997</u>	<u>\$147,654</u>	<u>\$52,182</u>	<u>\$69,932</u>	<u>\$23,880</u>	<u>\$1,380,327</u>	<u>\$1,324,959</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 TWO MONTHS ENDED AUGUST 31, 2015

							FY 16	FY 15
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
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
(/)/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 %	<u>68.29%</u>	<u>75.25%</u>	<u>43.91%</u>	<u>53.08%</u>	<u>47.94%</u>	<u>45.60%</u>	<u>64.10%</u>	<u>60.20%</u>

