

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

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

**(UNAUDITED)**

**FOR THE FOUR (4) MONTHS ENDED**

**OCTOBER 31, 2015**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

**COLORADO LOTTERY DIVISION**  
Department of Revenue

**Headquarters**  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Laura Solano  
Lottery Director

January 13, 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 statements).

The attached financial statements have not been audited.

The financial statements presented for the four months ended October 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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 Four Months Ended October 31,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$178.91		\$169.16	
Nonoperating revenue	0.23		0.18	
<b>TOTAL INCOME</b>	<b>179.14</b>		<b>169.34</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$116.36</b>	<b>65.0% (1)</b>	<b>\$102.97</b>	<b>60.9% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$13.29</b>	<b>7.4% (2)</b>	<b>\$12.59</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	3.63		3.29	
Other Operating Expenses	9.70	(4)	9.30	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>13.33</b>	<b>7.4% (3)</b>	<b>12.59</b>	<b>7.4% (3)</b>
	<b>36.16</b>		<b>41.19</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.03)</b>		<b>(0.07)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$36.19</b>	<b>20.2% (3)</b>	<b>\$41.26</b>	<b>24.4% (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.

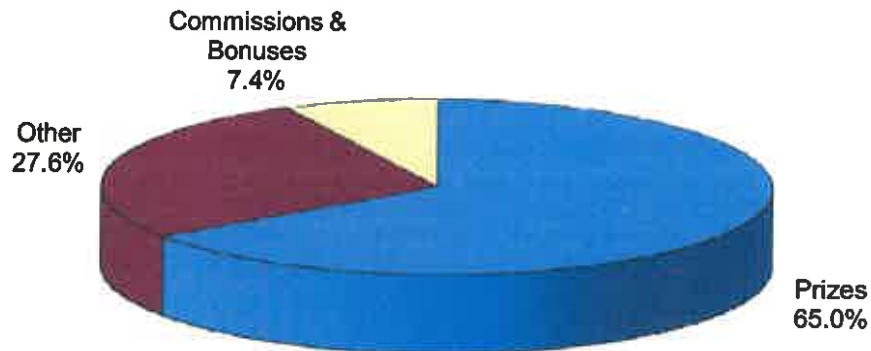
Note 2: Percent of gross ticket sales.

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.

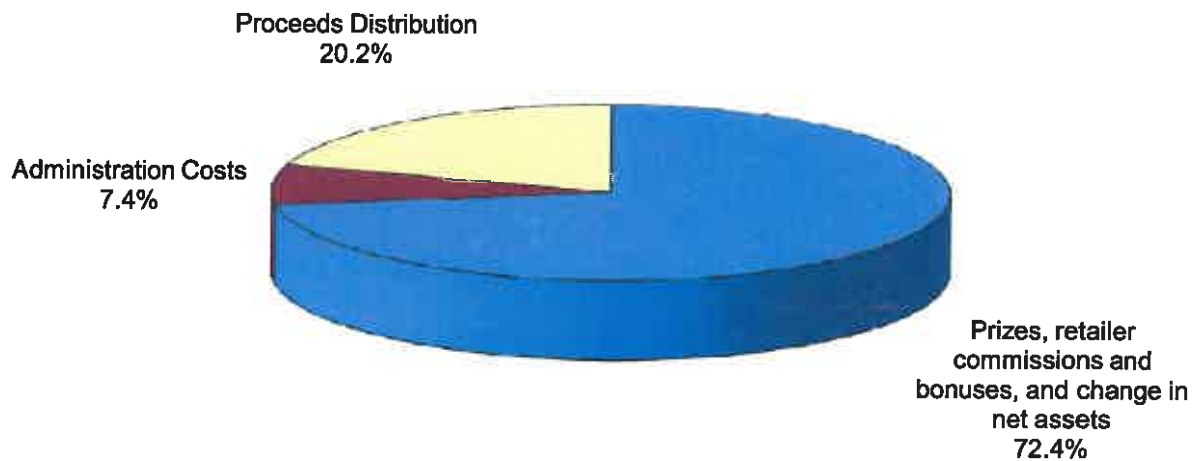
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2015

**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  
OCTOBER 31, 2015 AND 2014  
(UNAUDITED)

ASSETS	FY 2016	FY 2015
<b>Current Assets:</b>		
Cash and Investments	\$ 45,310,101	\$ 44,580,256
Accounts Receivable, net of the allowance for doubtful accounts of \$198,697 in 2015 and \$160,208 in 2014	22,042,300	19,664,047
Consignment Inventory, at Cost	128,069	127,080
Warehouse Inventory, at Cost	1,375,565	1,212,990
Prepaid Expenses	244,137	182,144
<b>Total Current Assets</b>	<b>69,100,172</b>	<b>65,766,517</b>
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	388,586	368,856
Prepaid Prize Expense with MUSL	4,541,395	4,606,805
<b>Total Reserve and Restricted Assets</b>	<b>6,429,981</b>	<b>6,475,661</b>
<b>Capital Assets:</b>		
Equipment	6,238,217	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,793,042)	(5,214,210)
<b>Total Capital Assets</b>	<b>509,886</b>	<b>799,294</b>
<b>TOTAL ASSETS</b>	<b>\$ 76,040,039</b>	<b>\$ 73,041,472</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,008,723	\$ 438,880
Prize Liability	34,304,139	26,483,352
Payable to MUSL	678,116	682,151
Wages and Benefits	78,333	78,417
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	596,135	589,825
Funds Available for Distribution	36,193,437	41,264,042
<b>Total Current Liabilities</b>	<b>72,858,883</b>	<b>69,536,667</b>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	743,195	775,930
Expired Warrants Liability	39,489	60,725
<b>Total Long-Term Liabilities</b>	<b>782,684</b>	<b>836,655</b>
<b>TOTAL LIABILITIES</b>	<b>73,641,567</b>	<b>70,373,322</b>
<b>NET POSITION</b>		
Investment in Capital Assets	509,886	799,294
Restricted-Licensed Agent Recovery Reserve	388,586	368,856
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<b>2,398,472</b>	<b>2,668,150</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 76,040,039</b>	<b>\$ 73,041,472</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2015 AND 2014  
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 178,908,389	\$ 169,157,221
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	116,360,300	102,965,460
Retailer Commissions and Bonuses	13,287,761	12,587,482
Cost of Tickets and Vendor Fees	3,631,208	3,291,809
Total Direct Operating Expenses	<u>133,279,269</u>	<u>118,844,751</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>45,629,120</u>	<u>50,312,470</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	4,790,030	4,096,350
Administration Fees Paid to MUSL	26,728	28,840
Wages and Benefits	3,214,739	3,279,364
Professional Services	43,472	48,661
State Agencies Services	253,062	245,717
Department of Revenue Services	153,420	194,592
Travel	45,242	50,452
Equipment	12,254	25,526
Depreciation	206,160	184,773
Accrued Annual and Sick Leave	(13,839)	65,864
Space Rental	263,220	256,392
Rents for Equipment	8,811	6,885
Motorpool Leasing	96,369	121,028
Materials and Supplies	67,014	61,090
Telephone	75,022	158,882
Data Processing Supplies and Services	0	11,884
Equipment Maintenance	80,203	74,644
Printing	7,804	22,974
Delivery Expense	322,299	311,145
Other	47,658	57,950
Total Other Operating Expenses	<u>9,699,668</u>	<u>9,303,013</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	<b>34,087</b>	<b>32,066</b>
<b>TOTAL OPERATING INCOME</b>	<u>35,963,539</u>	<u>41,041,523</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	199,777	149,568
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(36,193,437)	(41,264,042)
Total Nonoperating Revenues (Expenses)	<u>(35,993,660)</u>	<u>(41,114,474)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (30,121)</u>	<u>\$ (72,951)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>2,428,593</b>	<b>2,741,101</b>
Net Change in Net Position	<u>(30,121)</u>	<u>(72,951)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,398,472</u>	<u>\$ 2,668,150</u>



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

(UNAUDITED)

<b>ASSETS</b>	<u>FY 2016</u>	<u>FY 2015</u>
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>9,838,815</u>	<u>9,845,827</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,346,815</u></b>	<b>\$ <u>10,333,827</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,346,815</u>	<u>10,333,827</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,346,815</u></b>	<b>\$ <u>10,333,827</u></b>

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

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
<b>Additions</b>		
Investment Income	\$ <u>165,258</u>	\$ <u>172,766</u>
<b>Total Additions</b>	<u>165,258</u>	<u>172,766</u>
 <b>Deductions</b>		
Prize Payments	<u>488,000</u>	<u>469,000</u>
<b>Change in net position</b>	(322,742)	(296,234)
 <b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,669,557</u>	<u>10,630,061</u>
End of Period	\$ <u><u>10,346,815</u></u>	\$ <u><u>10,333,827</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FOUR MONTHS ENDED OCTOBER 31, 2015**  
(With Comparative Totals for the Four Months Ended October 31, 2014)

	Scratch	Scratch \$50	Jackpot Games					FY 16	FY 15
			Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$123,761,090	\$5,692,000	\$9,416,044	\$22,188,987	\$6,398,278	\$8,524,162	\$2,927,828	<b>\$178,908,389</b>	\$169,157,221
PRIZE EXPENSE	(83,733,226)	(7,267,065)	(6,118,980)	(10,378,188)	(3,376,623)	(4,100,513)	(1,385,705)	<b>(116,360,300)</b>	(102,965,460)
NET REVENUE AFTER PRIZES	<u>40,027,864</u>	<u>(1,575,065)</u>	<u>3,297,064</u>	<u>11,810,799</u>	<u>3,021,655</u>	<u>4,423,649</u>	<u>1,542,123</u>	<u>62,548,089</u>	<u>66,191,761</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(8,639,848)	(397,173)	(563,615)	(1,327,208)	(382,919)	(509,960)	(175,101)	(11,995,824)	(11,296,155)
Retailer Bonus	(1,027,151)	(47,422)	(50,006)	(70,439)	(47,915)	(30,413)	(18,591)	(1,291,937)	(1,291,327)
Cost of Tickets Sold	(760,066)	(6,875)	N/A	N/A	N/A	N/A	N/A	(766,941)	(755,448)
Telecomm Reimbursements	174,017	8,003	13,240	31,200	11,986	8,997	4,117	251,560	255,225
Jackpot Vendor Fees	<u>(2,155,686)</u>	<u>(99,144)</u>	<u>(163,956)</u>	<u>(386,168)</u>	<u>(111,384)</u>	<u>(148,501)</u>	<u>(50,988)</u>	<u>(3,115,827)</u>	<u>(2,791,586)</u>
TOTAL	<u>(12,408,734)</u>	<u>(542,611)</u>	<u>(764,337)</u>	<u>(1,752,615)</u>	<u>(530,232)</u>	<u>(679,877)</u>	<u>(240,563)</u>	<u>(16,918,969)</u>	<u>(15,879,291)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$27,619,130</u>	<u>(\$2,117,676)</u>	<u>\$2,532,727</u>	<u>\$10,058,184</u>	<u>\$2,491,423</u>	<u>\$3,743,772</u>	<u>\$1,301,560</u>	<u>\$45,629,120</u>	<u>\$50,312,470</u>
AVERAGE DAILY TICKET SALES	<u>\$1,006,188</u>	<u>\$437,846 *</u>	<u>\$76,553</u>	<u>\$180,398</u>	<u>\$52,019</u>	<u>\$69,302</u>	<u>\$23,803</u>	<u>\$1,454,540</u>	<u>\$1,375,262</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 FOUR MONTHS ENDED OCTOBER 31, 2015**

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 16 Total	FY 15 Total
Prize Expense	\$83,733,226	\$7,267,065	\$6,118,980	\$10,378,188	\$3,376,623	\$4,100,513	\$1,385,705	\$116,360,300	\$102,965,460
(/)/Ticket Sales	<u>123,761,090</u>	<u>5,692,000</u>	<u>9,416,044</u>	<u>22,188,987</u>	<u>6,398,278</u>	<u>8,524,162</u>	<u>2,927,828</u>	<u>\$178,908,389</u>	<u>169,157,221</u>
Prize %	<u>67.66%</u>	<u>127.67%</u>	<u>64.98%</u>	<u>46.77%</u>	<u>52.77%</u>	<u>48.10%</u>	<u>47.33%</u>	<u>65.04%</u>	<u>60.87%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FOUR MONTHS ENDED OCTOMBER 31, 2015

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	2,713,370	\$6,786,711	28.6%
Amortization Equal	324,547	97,101	227,446	29.9%
Suppl Amortization Equalization	313,483	92,476	221,007	29.5%
Worker's Compensation	93,111	31,037	62,074	33.3%
Health and Life	1,031,570	317,258	714,312	30.8%
Short Term Disability	16,059	4,347	11,712	27.1%
Operating	1,203,156	411,029	792,127	34.2%
Variable Vehicle	163,062	54,239	108,823	33.3%
Leased Space	748,017	260,301	487,716	34.8%
Leased Space-Grand Junction	5,947	1,980	3,967	33.3%
Risk Management	27,896	9,299	18,597	33.3%
Vehicle Lease Payments	153,061	42,130	110,931	27.5%
Travel	113,498	45,242	68,256	39.9%
Marketing, Communications & Sales	14,700,000	4,740,080	9,959,920	32.2%
Payments to Other Agencies	239,410	48,800	190,610	20.4%
Legal Services	28,408	14,591	13,817	51.4%
Indirect Costs	460,259	153,420	306,839	33.3%
Ticket Costs-Scratch	6,578,000	1,128,739	5,449,261	17.2%
Research	250,000	49,950	200,050	20.0%
Vendor Fees	12,571,504	3,115,827	9,455,677	24.8%
Prize Payments	424,104,016	116,360,300	307,743,716	27.4%
Retailer Compensation	52,241,350	13,287,761	38,953,589	25.4%
Multi-State Lottery Funds	177,433	26,728	150,705	15.1%
CORE Modernization	26,567	8,856	17,711	33.3%
OIT Payments	569,011	189,671	379,340	33.3%
<b>TOTAL</b>	<u>\$525,639,446</u>	<u>\$143,204,532</u>	<u>\$382,055,574</u>	<u>27.24%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 111.00 (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	116,360,300
Commissions and Bonuses	13,287,761
Cost of Tickets & Vendor Fees	3,631,208
Operating Expenses	9,699,668
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u>142,978,937</u>
Plus: Telecommunications offset classified as revenue	251,560
Less: Non-appropriated expenses and other adjustments	
Depreciation	(206,160)
Accrued Annual and Sick Leave	13,839
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u>143,038,176</u>
Plus: Capitalized Fixed Assets	166,356
	<u>\$143,204,532</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 September 30, 2015 is 33.3%.

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