

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

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

**(UNAUDITED)**

**FOR THE FIVE (5) MONTHS ENDED**

**NOVEMBER 30, 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

February 10, 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 five months ended November 30, 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 black ink that reads "John Caligaris". The signature is written in a cursive style with a large, stylized initial "J".

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 FIVE (5) MONTHS ENDED NOVEMBER 30, 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 five months ended November 30, 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 Five Months Ended November 30,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$223.57		\$208.77	
Nonoperating revenue	0.30		0.25	
<b>TOTAL INCOME</b>	<b>223.87</b>		<b>209.02</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$144.36</b>	<b>64.6% (1)</b>	<b>\$127.68</b>	<b>61.2% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$16.61</b>	<b>7.4% (2)</b>	<b>\$15.53</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	4.57		4.07	
Other Operating Expenses	11.84	(4)	11.60	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>16.41</b>	<b>7.3% (3)</b>	<b>15.67</b>	<b>7.5% (3)</b>
	<b>46.49</b>		<b>50.14</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.07)</b>		<b>(0.11)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$46.56</b>	<b>20.8% (3)</b>	<b>\$50.25</b>	<b>24.0% (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.

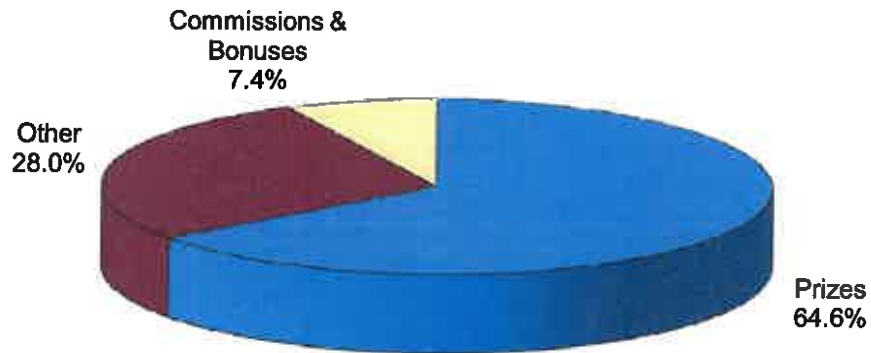
Note 2: Percent of gross ticket sales.

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.

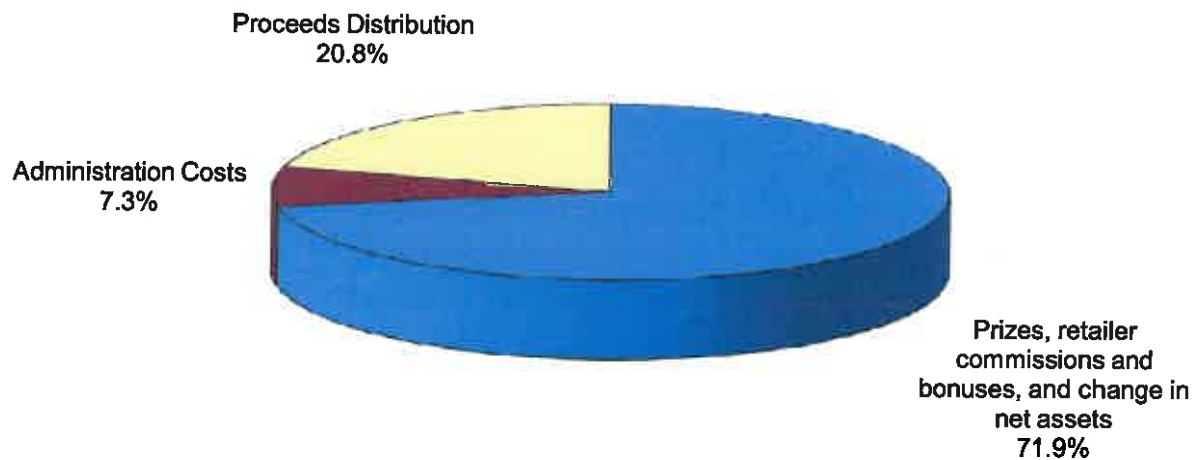
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2015

**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  
NOVEMBER 30, 2015 AND 2014  
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
<b>Current Assets:</b>		
Cash and Investments	\$ 56,361,234	\$ 22,556,513
Accounts Receivable, net of the allowance for doubtful accounts of \$201,335 in 2015 and \$160,369 in 2014	22,802,224	20,755,274
Consignment Inventory, at Cost	105,079	102,317
Warehouse Inventory, at Cost	1,403,737	1,423,455
Prepaid Expenses	236,239	139,511
<b>Total Current Assets</b>	<u><b>80,908,513</b></u>	<u><b>44,977,070</b></u>
<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	395,975	375,850
Prepaid Prize Expense with MUSL	4,541,395	4,606,804
<b>Total Reserve and Restricted Assets</b>	<u><b>6,437,370</b></u>	<u><b>6,482,654</b></u>
<b>Capital Assets:</b>		
Equipment	6,238,217	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,846,030)	(5,260,557)
<b>Total Capital Assets</b>	<u><b>456,898</b></u>	<u><b>752,947</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 87,802,781</b></u>	<u><b>\$ 52,212,671</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,142,474	\$ 2,010,078
Prize Liability	35,753,161	25,156,628
Payable to MUSL	436,093	183,499
Wages and Benefits	97,917	98,021
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	686,183	680,229
Funds Available for Distribution	46,562,317	20,590,881
<b>Total Current Liabilities</b>	<u><b>84,678,145</b></u>	<u><b>48,719,336</b></u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	732,274	803,813
Expired Warrants Liability	39,489	60,725
<b>Total Long-Term Liabilities</b>	<u><b>771,763</b></u>	<u><b>864,538</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>85,449,908</b></u>	<u><b>49,583,874</b></u>
<b>NET POSITION</b>		
Investment in Capital Assets	456,898	752,947
Restricted-Licensed Agent Recovery Reserve	395,975	375,850
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<u><b>2,352,873</b></u>	<u><b>2,628,797</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 87,802,781</b></u>	<u><b>\$ 52,212,671</b></u>

**COLORADO LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2015 AND 2014**  
**(UNAUDITED)**

	<u>FY 2016</u>	<u>FY 2015</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 223,568,927	\$ 208,764,883
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	144,358,548	127,676,474
Retailer Commissions and Bonuses	16,613,733	15,528,322
Cost of Tickets and Vendor Fees	4,570,874	4,074,805
Total Direct Operating Expenses	<u>165,543,155</u>	<u>147,279,601</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>58,025,772</u>	<u>61,485,282</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	5,749,698	5,105,392
Administration Fees Paid to MUSL	33,410	36,050
Wages and Benefits	4,022,518	4,080,773
Professional Services	54,216	84,618
State Agencies Services	305,261	302,000
Department of Revenue Services	191,775	244,490
Travel	50,494	58,900
Equipment	13,293	31,686
Depreciation	259,148	231,120
Accrued Annual and Sick Leave	(24,818)	94,545
Space Rental	329,172	320,470
Rents for Equipment	11,200	11,003
Motorpool Leasing	122,206	151,860
Materials and Supplies	70,954	73,172
Telephone	103,263	194,386
Data Processing Supplies and Services	0	14,855
Equipment Maintenance	98,505	84,364
Printing	30,420	26,866
Delivery Expense	364,680	388,694
Other	55,457	65,545
Total Other Operating Expenses	<u>11,840,852</u>	<u>11,600,789</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	54,541	52,208
<b>TOTAL OPERATING INCOME</b>	<u>46,239,461</u>	<u>49,936,701</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	247,136	200,648
Funds Distributed for Current Year	0	(29,658,772)
Funds Available for Distribution for Current Year	(46,562,317)	(20,590,881)
Total Nonoperating Revenues (Expenses)	<u>(46,315,181)</u>	<u>(50,049,005)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (75,720)</u>	<u>\$ (112,304)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,428,593	2,741,101
Net Change in Net Position	<u>(75,720)</u>	<u>(112,304)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,352,873</u>	<u>\$ 2,628,797</u>



**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**NOVEMBER 30, 2015 AND 2014**

(UNAUDITED)

	FY 2016	FY 2015
<b>ASSETS</b>		
<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	9,878,953	9,887,447
<b>TOTAL ASSETS</b>	\$ 10,386,953	\$ 10,375,447
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	10,386,953	10,375,447
<b>TOTAL NET POSITION</b>	\$ 10,386,953	\$ 10,375,447

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2015 AND 2014**

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
<b>Additions</b>		
Investment Income	\$ <u>205,396</u>	\$ <u>214,386</u>
Total Additions	<u>205,396</u>	<u>214,386</u>
 <b>Deductions</b>		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	(282,604)	(254,614)
 <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>10,386,953</u></u>	\$ <u><u>10,375,447</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2015**  
(With Comparative Totals for the Five Months Ended November 30, 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	\$150,774,959	\$12,380,850	\$11,658,713	\$26,356,199	\$7,924,124	\$10,818,617	\$3,655,465	\$223,568,927	\$208,764,883
PRIZE EXPENSE	(100,884,521)	(12,281,428)	(7,611,370)	(12,366,071)	(4,248,237)	(5,174,585)	(1,792,336)	(144,358,548)	(127,676,474)
NET REVENUE AFTER PRIZES	<u>49,890,438</u>	<u>99,422</u>	<u>4,047,343</u>	<u>13,990,128</u>	<u>3,675,887</u>	<u>5,644,032</u>	<u>1,863,129</u>	<u>79,210,379</u>	<u>81,088,409</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(10,528,185)	(863,923)	(697,959)	(1,576,842)	(474,311)	(647,328)	(218,677)	(15,007,225)	(13,945,449)
Retailer Bonus	(1,242,478)	(102,536)	(57,857)	(82,975)	(59,011)	(37,869)	(23,782)	(1,606,508)	(1,582,873)
Cost of Tickets Sold	(978,374)	(14,954)	N/A	N/A	N/A	N/A	N/A	(993,328)	(960,840)
Telecomm Reimbursements	219,655	18,037	16,969	38,399	11,530	15,764	5,341	325,695	314,925
Jackpot Vendor Fees	(2,633,008)	(216,209)	(203,527)	(459,709)	(138,351)	(188,917)	(63,520)	(3,903,241)	(3,428,890)
TOTAL	<u>(15,162,390)</u>	<u>(1,179,585)</u>	<u>(942,374)</u>	<u>(2,081,127)</u>	<u>(660,143)</u>	<u>(858,350)</u>	<u>(300,638)</u>	<u>(21,184,607)</u>	<u>(19,603,127)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$34,728,048</u>	<u>(\$1,080,163)</u>	<u>\$3,104,969</u>	<u>\$11,909,001</u>	<u>\$3,015,744</u>	<u>\$4,785,682</u>	<u>\$1,562,491</u>	<u>\$58,025,772</u>	<u>\$61,485,282</u>
AVERAGE DAILY TICKET SALES	<u>\$985,457</u>	<u>\$287,927 *</u>	<u>\$76,201</u>	<u>\$172,263</u>	<u>\$51,792</u>	<u>\$70,710</u>	<u>\$23,892</u>	<u>\$1,461,235</u>	<u>\$1,364,476</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 FIVE MONTHS ENDED NOVEMBER 30, 2015**

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 16 Total	FY 15 Total
Prize Expense (/)/Ticket Sales	\$100,884,521 150,774,959	\$12,281,428 12,380,850	\$7,611,370 11,658,713	\$12,366,071 26,356,199	\$4,248,237 7,924,124	\$5,174,585 10,818,617	\$1,792,336 3,655,465	\$144,358,548 \$223,568,927	\$127,676,474 208,764,883
Prize %	<u>66.91%</u>	<u>99.20%</u>	<u>65.28%</u>	<u>46.92%</u>	<u>53.61%</u>	<u>47.83%</u>	<u>49.03%</u>	<u>64.57%</u>	<u>61.16%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2015

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	3,386,327	\$6,113,754	35.6%
Amortization Equal	324,547	120,537	204,010	37.1%
Suppl Amortization Equalization	313,483	114,797	198,686	36.6%
Worker's Compensation	93,111	38,796	54,315	41.7%
Health and Life	1,031,570	407,520	624,050	39.5%
Short Term Disability	16,059	5,445	10,614	33.9%
Operating	1,203,156	492,792	710,364	41.0%
Variable Vehicle	163,062	67,691	95,371	41.5%
Leased Space	748,017	325,503	422,514	43.5%
Leased Space-Grand Junction	5,947	2,475	3,472	41.6%
Risk Management	27,896	11,623	16,273	41.7%
Vehicle Lease Payments	153,061	53,485	99,576	34.9%
Travel	113,498	50,494	63,004	44.5%
Marketing, Communications & Sales	14,700,000	5,699,748	9,000,252	38.8%
Payments to Other Agencies	239,410	50,261	189,149	21.0%
Legal Services	28,408	17,912	10,496	63.1%
Indirect Costs	460,259	191,775	268,484	41.7%
Ticket Costs-Scratch	6,578,000	1,397,507	5,180,493	21.2%
Research	250,000	49,950	200,050	20.0%
Vendor Fees	12,571,504	3,903,241	8,668,263	31.0%
Prize Payments	424,104,016	144,358,548	279,745,468	34.0%
Retailer Compensation	52,241,350	16,613,733	35,627,617	31.8%
Multi-State Lottery Funds	177,433	33,410	144,023	18.8%
CORE Modernization	26,567	11,070	15,497	41.7%
OIT Payments	569,011	237,088	331,923	41.7%
<b>TOTAL</b>	<u>\$525,639,446</u>	<u>\$177,641,728</u>	<u>\$347,665,795</u>	<u>33.80%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 113.00 (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	144,358,548
Commissions and Bonuses	16,613,733
Cost of Tickets & Vendor Fees	4,570,874
Operating Expenses	11,840,852
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u>177,384,007</u>
Plus: Telecommunications offset classified as revenue	325,695
Less: Non-appropriated expenses and other adjustments	
Depreciation	(259,148)
Accrued Annual and Sick Leave	24,818
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u>177,475,372</u>
Plus: Capitalized Fixed Assets	<u>166,356</u>
	<u>\$177,641,728</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 November 30, 2015 is 41.7%.

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