

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

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

(UNAUDITED)

FOR THE SEVEN (7) MONTHS ENDED

JANUARY 31, 2016

**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

April 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 seven months ended January 31, 2016 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 SEVEN (7) MONTHS ENDED JANUARY 31, 2016 AND 2015

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the seven months ended January 31, 2016 and 2015 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 Seven Months Ended January 31,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$372.32		\$300.50	
Nonoperating revenue	0.42		0.38	
TOTAL INCOME	372.74		300.88	
LESS:				
PRIZES	\$232.04	62.3% (1)	\$184.70	61.5% (1)
RETAILER COMMISSIONS AND BONUSES	\$27.42	7.4% (2)	\$22.33	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.43		5.92	
Other Operating Expenses	15.44	(4)	16.92	
TOTAL ADMINISTRATIVE COSTS (Note 3)	22.87	6.1% (3)	22.84	7.6% (3)
	90.41		71.01	
NET CHANGE IN NET ASSETS	(0.17)		(0.23)	
PROCEEDS DISTRIBUTION	\$90.58	24.3% (3)	\$71.24	23.7% (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.

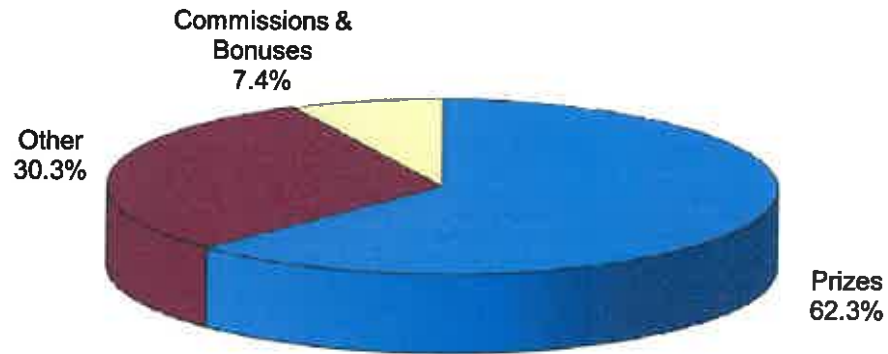
Note 2: Percent of gross ticket sales.

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.

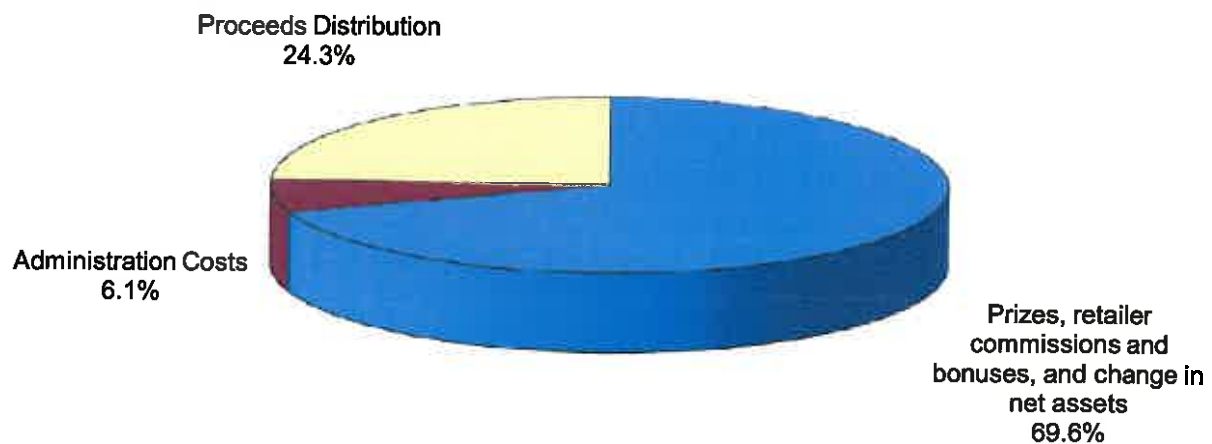
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2016

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
JANUARY 31, 2016 AND 2015
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Cash and Investments	\$ 68,292,657	\$ 40,531,283
Accounts Receivable, net of the allowance for doubtful accounts of \$199,494 in 2016 and \$196,749 in 2015	23,781,639	23,313,375
Consignment Inventory, at Cost	117,404	99,183
Warehouse Inventory, at Cost	1,350,834	1,383,531
Prepaid Expenses	185,788	187,363
Total Current Assets	<u>93,728,322</u>	<u>65,514,735</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	408,976	351,505
Prepaid Prize Expense with MUSL	4,541,395	4,606,804
Total Reserve and Restricted Assets	<u>6,450,371</u>	<u>6,458,309</u>
Capital Assets:		
Equipment	5,966,333	5,948,793
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,683,505)</u>	<u>(5,354,499)</u>
Total Capital Assets	<u>347,539</u>	<u>659,005</u>
TOTAL ASSETS	<u>\$ 100,526,232</u>	<u>\$ 72,632,049</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,281,304	\$ 748,270
Prize Liability	32,527,983	24,890,599
Payable to MUSL	589,534	1,119,770
Wages and Benefits	137,083	-
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,298,281	920,621
Funds Available for Distribution	61,664,423	41,577,144
Total Current Liabilities	<u>97,498,608</u>	<u>69,256,404</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	731,620	804,410
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	<u>771,109</u>	<u>865,135</u>
TOTAL LIABILITIES	<u>98,269,717</u>	<u>70,121,539</u>
NET POSITION		
Investment in Capital Assets	347,539	659,005
Restricted-Licensed Agent Recovery Reserve	408,976	351,505
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,256,515</u>	<u>2,510,510</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 100,526,232</u>	<u>\$ 72,632,049</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2016 AND 2015
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 372,324,405	\$ 300,500,307
DIRECT OPERATING EXPENSES		
Prize Expense	232,042,007	184,700,637
Retailer Commissions and Bonuses	27,421,372	22,326,825
Cost of Tickets and Vendor Fees	7,425,412	5,925,501
Total Direct Operating Expenses	<u>266,888,791</u>	<u>212,952,963</u>
GROSS PROFIT ON SALE OF TICKETS	<u>105,435,614</u>	<u>87,547,344</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,041,659	8,011,175
Administration Fees Paid to MUSL	46,775	50,470
Wages and Benefits	5,570,612	5,580,902
Professional Services	75,557	195,089
State Agencies Services	414,722	415,412
Department of Revenue Services	268,485	342,286
Travel	61,846	67,365
Equipment	16,583	58,049
Depreciation	368,507	325,062
Accrued Annual and Sick Leave	(25,855)	102,838
Space Rental	460,741	450,518
Rents for Equipment	15,770	15,213
Motorpool Leasing	168,897	201,984
Materials and Supplies	80,326	88,190
Telephone	138,125	226,178
Data Processing Supplies and Services	0	20,797
Equipment Maintenance	125,125	102,848
Printing	13,480	13,427
Delivery Expense	521,668	559,571
Other	80,785	94,627
Total Other Operating Expenses	<u>15,443,808</u>	<u>16,922,001</u>
OTHER OPERATING REVENUE (EXPENSE)	84,077	107,694
TOTAL OPERATING INCOME	<u>90,075,883</u>	<u>70,733,037</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	331,572	272,288
Funds Distributed for Current Year	(28,915,110)	(29,658,772)
Funds Available for Distribution for Current Year	(61,664,423)	(41,577,144)
Total Nonoperating Revenues (Expenses)	<u>(90,247,961)</u>	<u>(70,963,628)</u>
NET INCOME (LOSS)	<u>\$ (172,078)</u>	<u>\$ (230,591)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(172,078)</u>	<u>(230,591)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,256,515</u>	<u>\$ 2,510,510</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
JANUARY 31, 2016 AND 2015

(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,022,501</u>	<u>9,973,460</u>
TOTAL ASSETS	\$ <u>10,530,501</u>	\$ <u>10,461,460</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,530,501</u>	<u>10,461,460</u>
TOTAL NET POSITION	\$ <u>10,530,501</u>	\$ <u>10,461,460</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2016 AND 2015

(UNAUDITED)

	FY 2016	FY 2015
Additions		
Investment Income	\$ <u>348,944</u>	\$ <u>300,399</u>
Total Additions	<u>348,944</u>	<u>300,399</u>
 Deductions		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	(139,056)	(168,601)
 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>10,530,501</u></u>	\$ <u><u>10,461,460</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2016
(With Comparative Totals for the Seven (7) Months Ended January 31, 2015)

	Jackpot Games						FY 16	FY 15	
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$215,633,045	\$22,375,000	\$16,609,808	\$85,873,205	\$11,217,169	\$15,482,564	\$5,133,614	\$372,324,405	\$300,500,307
PRIZE EXPENSE	(144,156,989)	(19,773,642)	(10,143,315)	(41,963,980)	(6,147,175)	(7,395,228)	(2,461,678)	(232,042,007)	(184,700,637)
NET REVENUE AFTER PRIZES	<u>71,476,056</u>	<u>2,601,358</u>	<u>6,466,493</u>	<u>43,909,225</u>	<u>5,069,994</u>	<u>8,087,336</u>	<u>2,671,936</u>	<u>140,282,398</u>	<u>115,799,670</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(15,056,127)	(1,560,258)	(994,373)	(5,139,799)	(671,378)	(926,338)	(307,036)	(24,655,309)	(20,059,920)
Retailer Bonus	(1,925,655)	(201,509)	(98,204)	(345,233)	(93,238)	(65,604)	(36,620)	(2,766,063)	(2,266,905)
Cost of Tickets Sold	(1,411,726)	(27,025)	N/A	N/A	N/A	N/A	N/A	(1,438,751)	(1,368,138)
Telecomm Reimbursements	257,419	26,711	19,829	102,514	13,391	18,483	6,128	444,475	449,320
Jackpot Vendor Fees	(3,751,340)	(389,255)	(288,476)	(1,447,106)	(195,079)	(268,942)	(90,938)	(6,431,136)	(5,006,683)
TOTAL	<u>(21,887,429)</u>	<u>(2,151,336)</u>	<u>(1,361,224)</u>	<u>(6,829,624)</u>	<u>(946,304)</u>	<u>(1,242,401)</u>	<u>(428,466)</u>	<u>(34,846,784)</u>	<u>(28,252,326)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$49,588,627</u>	<u>\$450,022</u>	<u>\$5,105,269</u>	<u>\$37,079,601</u>	<u>\$4,123,690</u>	<u>\$6,844,935</u>	<u>\$2,243,470</u>	<u>\$105,435,614</u>	<u>\$87,547,344</u>
AVERAGE DAILY TICKET SALES	<u>\$1,002,944</u>	<u>\$215,144</u> *	<u>\$77,255</u>	<u>\$399,410</u>	<u>\$52,173</u>	<u>\$72,012</u>	<u>\$23,877</u>	<u>\$1,731,741</u>	<u>\$1,397,676</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 SEVEN (7) MONTHS ENDED JANUARY 31, 2016

	Jackpot Games						FY 16	FY 15	
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense	\$144,156,989	\$19,773,642	\$10,143,315	\$41,963,980	\$6,147,175	\$7,395,228	\$2,461,678	\$232,042,007	\$184,700,637
(/)Ticket Sales	<u>215,633,045</u>	<u>22,375,000</u>	<u>16,609,808</u>	<u>85,873,205</u>	<u>11,217,169</u>	<u>15,482,564</u>	<u>5,133,614</u>	<u>\$372,324,405</u>	<u>300,500,307</u>
Prize %	<u>66.85%</u>	<u>88.37%</u>	<u>61.07%</u>	<u>48.87%</u>	<u>54.80%</u>	<u>47.76%</u>	<u>47.95%</u>	<u>62.32%</u>	<u>61.46%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2016

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	4,703,608	\$4,796,473	49.5%
Amortization Equal	324,547	162,080	162,467	49.9%
Suppl Amortization Equalization	313,483	154,362	159,121	49.2%
Worker's Compensation	93,111	54,315	38,796	58.3%
Health and Life	1,031,570	559,604	471,966	54.2%
Short Term Disability	16,059	7,580	8,479	47.2%
Operating	1,203,156	572,520	630,636	47.6%
Variable Vehicle	163,062	91,676	71,386	56.2%
Leased Space	748,017	455,608	292,409	60.9%
Leased Space-Grand Junction	5,947	3,465	2,482	58.3%
Risk Management	27,896	16,273	11,623	58.3%
Vehicle Lease Payments	153,061	76,191	76,870	49.8%
Travel	113,498	61,846	51,652	54.5%
Marketing, Communications & Sales	14,700,000	6,927,721	7,772,279	47.1%
Payments to Other Agencies	239,410	50,712	188,698	21.2%
Legal Services	28,408	32,087	(3,679)	113.0%
Indirect Costs	460,259	268,485	191,774	58.3%
Ticket Costs-Scratch	6,578,000	1,999,996	4,578,004	30.4%
Research	250,000	113,938	136,062	45.6%
Vendor Fees	12,571,504	6,431,136	6,140,368	51.2%
Prize Payments	424,104,016	232,042,007	192,062,009	54.7%
Retailer Compensation	52,241,350	27,421,372	24,819,978	52.5%
Multi-State Lottery Funds	177,433	46,775	130,658	26.4%
CORE Modernization	26,567	15,498	11,069	58.3%
OIT Payments	569,011	331,923	237,088	58.3%
TOTAL	<u>\$525,639,446</u>	<u>\$282,600,778</u>	<u>\$242,801,580</u>	<u>53.76%</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	232,042,007
Commissions and Bonuses	27,421,372
Cost of Tickets & Vendor Fees	7,425,412
Operating Expenses	15,443,808

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 282,332,599

Plus: Telecommunications offset classified as revenue	444,475
Less: Non-appropriated expenses and other adjustments	
Depreciation	(368,507)
Accrued Annual and Sick Leave	25,855
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 282,434,422

Plus: Capitalized Fixed Assets 166,356
\$282,600,778

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 January 31, 2015 is 58.3%.

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