

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

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

(UNAUDITED)

FOR THE EIGHT (8) MONTHS ENDED

FEBRUARY 29, 2016

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
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Pueblo, CO 81003
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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

May 11, 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 eight months ended February 29, 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
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Hon. Dennis Maes	Chair, Lottery Commissioner
Mr. Michael Weatherwax, CPA	Vice-Chair, Lottery Commissioner
Mr. Jim Bensberg	Lottery Commissioner
Mr. Jim Davis	Lottery Commissioner
Ms. Stella Peterson	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
Mr. Robert Jaros	State Controller
Ms. Dianne Ray	State Auditor

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**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 EIGHT (8) MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the eight months ended February 29, 2016 and February 28, 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 Eight Months Ended February 29 and February 28,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$416.06		\$353.66	
Nonoperating revenue	0.49		0.44	
TOTAL INCOME	416.55		354.10	
LESS:				
PRIZES	\$259.47	62.4% (1)	\$215.98	61.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$30.68	7.4% (2)	\$26.22	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	8.33		7.02	
Other Operating Expenses	17.23	(4)	19.38	
TOTAL ADMINISTRATIVE COSTS (Note 3)	25.56	6.1% (3)	26.40	7.5% (3)
	100.84		85.50	
NET CHANGE IN NET ASSETS	(0.18)		(0.25)	
PROCEEDS DISTRIBUTION	\$101.02	24.3% (3)	\$85.75	24.2% (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.

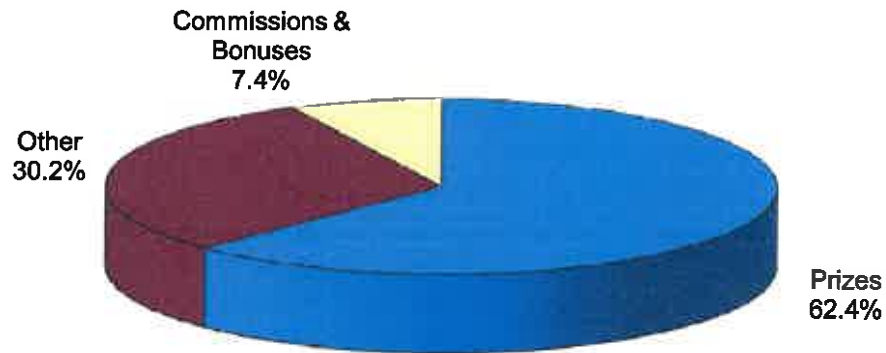
Note 2: Percent of gross ticket sales.

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.

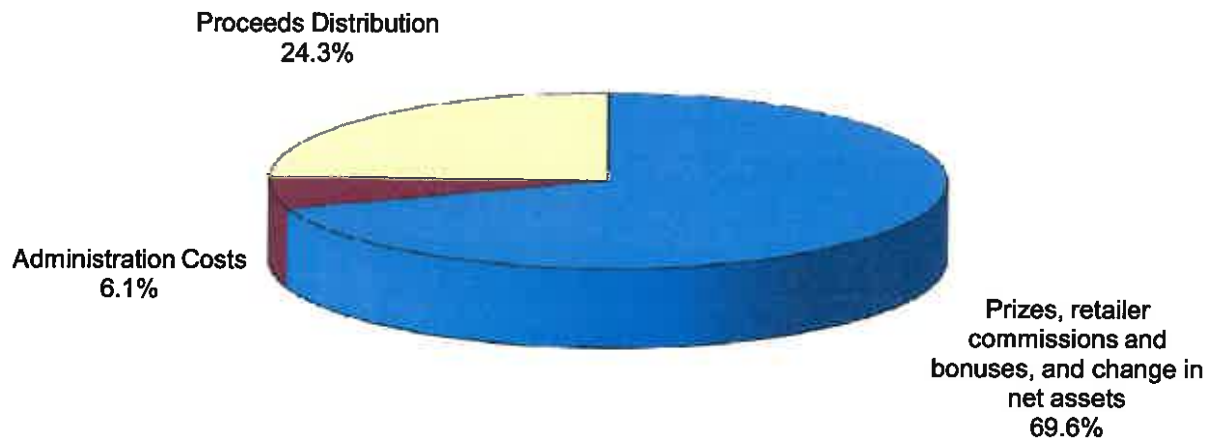
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 29, 2016

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
FEBRUARY 29, 2016 AND FEBRUARY 28, 2015
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Cash and Investments	\$ 77,808,049	\$ 25,900,468
Accounts Receivable, net of the allowance for doubtful accounts of \$196,856 in 2016 and \$199,558 in 2015	24,719,636	22,755,124
Consignment Inventory, at Cost	97,215	99,475
Warehouse Inventory, at Cost	1,378,834	1,179,020
Prepaid Expenses	161,670	163,111
Total Current Assets	<u>104,165,404</u>	<u>50,097,198</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	415,537	352,247
Prepaid Prize Expense with MUSL	4,541,395	4,606,804
Total Reserve and Restricted Assets	<u>6,456,932</u>	<u>6,459,051</u>
Capital Assets:		
Equipment	5,966,333	5,971,272
Leaschold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,699,118)</u>	<u>(5,401,470)</u>
Total Capital Assets	<u>331,926</u>	<u>634,513</u>
TOTAL ASSETS	<u>\$ 110,954,262</u>	<u>\$ 57,190,762</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 634,162	\$ 1,535,387
Prize Liability	32,882,857	25,502,150
Payable to MUSL	724,046	12,000
Wages and Benefits	156,667	-
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,396,940	1,090,313
Funds Available for Distribution	72,101,281	25,674,367
Total Current Liabilities	<u>107,895,953</u>	<u>53,814,217</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	771,357	829,060
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	<u>810,846</u>	<u>889,785</u>
TOTAL LIABILITIES	<u>108,706,799</u>	<u>54,704,002</u>
NET POSITION		
Investment in Capital Assets	331,926	634,513
Restricted-Licensed Agent Recovery Reserve	415,537	352,247
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,247,463</u>	<u>2,486,760</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 110,954,262</u>	<u>\$ 57,190,762</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 416,057,426	\$ 353,656,900
DIRECT OPERATING EXPENSES		
Prize Expense	259,474,565	215,983,128
Retailer Commissions and Bonuses	30,676,047	26,218,154
Cost of Tickets and Vendor Fees	8,331,316	7,018,945
Total Direct Operating Expenses	<u>298,481,928</u>	<u>249,220,227</u>
GROSS PROFIT ON SALE OF TICKETS	<u>117,575,498</u>	<u>104,436,673</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,649,063	9,201,052
Administration Fees Paid to MUSL	66,575	106,958
Wages and Benefits	6,336,754	6,366,916
Professional Services	85,967	202,089
State Agencies Services	472,137	472,194
Department of Revenue Services	306,840	391,184
Travel	67,494	72,893
Equipment	16,583	35,570
Depreciation	384,120	372,033
Accrued Annual and Sick Leave	13,974	129,087
Space Rental	527,129	514,811
Rents for Equipment	18,709	17,512
Motorpool Leasing	192,895	224,043
Materials and Supplies	89,549	96,349
Telephone	159,383	275,004
Data Processing Supplies and Services	0	23,768
Equipment Maintenance	137,690	116,641
Printing	16,635	18,071
Delivery Expense	591,494	642,134
Other	93,633	101,662
Total Other Operating Expenses	<u>17,226,624</u>	<u>19,379,971</u>
OTHER OPERATING REVENUE (EXPENSE)	96,071	122,643
TOTAL OPERATING INCOME	<u>100,444,945</u>	<u>85,179,345</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	390,316	322,289
Funds Distributed for Current Year	(28,915,110)	(60,081,608)
Funds Available for Distribution for Current Year	(72,101,281)	(25,674,367)
Total Nonoperating Revenues (Expenses)	<u>(100,626,075)</u>	<u>(85,433,686)</u>
NET INCOME (LOSS)	<u>\$ (181,130)</u>	<u>\$ (254,341)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(181,130)</u>	<u>(254,341)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,247,463</u>	<u>\$ 2,486,760</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

(UNAUDITED)

	FY 2016	FY 2015
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,060,918	10,012,305
TOTAL ASSETS	\$ 10,568,918	\$ 10,500,305
 NET POSITION		
Held in Trust for Powerball Winner	10,568,918	10,500,305
TOTAL NET POSITION	\$ 10,568,918	\$ 10,500,305

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

(UNAUDITED)

	FY 2016	FY 2015
Additions		
Investment Income	\$ <u>387,361</u>	\$ <u>339,244</u>
Total Additions	<u>387,361</u>	<u>339,244</u>
 Deductions		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	(100,639)	(129,756)
 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>10,568,918</u></u>	\$ <u><u>10,500,305</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2016
(With Comparative Totals for the Eight (8) Months Ended February 28, 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	\$244,085,805	\$25,537,050	\$18,789,284	\$91,717,031	\$12,755,983	\$17,304,428	\$5,867,845	\$416,057,426	\$353,656,900
PRIZE EXPENSE	(163,337,423)	(22,144,105)	(11,089,741)	(44,811,984)	(6,939,718)	(8,278,588)	(2,873,006)	(259,474,565)	(215,983,128)
NET REVENUE AFTER PRIZES	<u>80,748,382</u>	<u>3,392,945</u>	<u>7,699,543</u>	<u>46,905,047</u>	<u>5,816,265</u>	<u>9,025,840</u>	<u>2,994,839</u>	<u>156,582,861</u>	<u>137,673,772</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(17,046,370)	(1,780,919)	(1,124,949)	(5,489,873)	(763,516)	(1,035,415)	(350,948)	(27,591,990)	(23,558,236)
Retailer Bonus	(2,164,412)	(228,191)	(106,702)	(362,981)	(104,706)	(75,204)	(41,861)	(3,084,057)	(2,659,918)
Cost of Tickets Sold	(1,618,308)	(30,844)	N/A	N/A	N/A	N/A	N/A	(1,649,152)	(1,609,839)
Telecomm Reimbursements	304,288	31,836	23,424	114,338	15,902	21,572	7,315	518,675	508,985
Jackpot Vendor Fees	(4,251,620)	(444,819)	(326,786)	(1,549,948)	(222,133)	(300,971)	(104,562)	(7,200,839)	(5,918,091)
TOTAL	<u>(24,776,422)</u>	<u>(2,452,937)</u>	<u>(1,535,013)</u>	<u>(7,288,464)</u>	<u>(1,074,453)</u>	<u>(1,390,018)</u>	<u>(490,056)</u>	<u>(39,007,363)</u>	<u>(33,237,099)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$55,971,960</u>	<u>\$940,008</u>	<u>\$6,164,530</u>	<u>\$39,616,583</u>	<u>\$4,741,812</u>	<u>\$7,635,822</u>	<u>\$2,504,783</u>	<u>\$117,575,498</u>	<u>\$104,436,673</u>
AVERAGE DAILY TICKET SALES	<u>\$1,000,352</u>	<u>\$192,008</u> *	<u>\$77,005</u>	<u>\$375,889</u>	<u>\$52,279</u>	<u>\$70,920</u>	<u>\$24,049</u>	<u>\$1,705,153</u>	<u>\$1,455,378</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 EIGHT (8) MONTHS ENDED FEBRUARY 29, 2016

								FY 16	FY 15
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense	\$163,337,423	\$22,144,105	\$11,089,741	\$44,811,984	\$6,939,718	\$8,278,588	\$2,873,006	\$259,474,565	\$215,983,128
(/) Ticket Sales	<u>244,085,805</u>	<u>25,537,050</u>	<u>18,789,284</u>	<u>91,717,031</u>	<u>12,755,983</u>	<u>17,304,428</u>	<u>5,867,845</u>	<u>\$416,057,426</u>	<u>353,656,900</u>
Prize %	<u>66.92%</u>	<u>86.71%</u>	<u>59.02%</u>	<u>48.86%</u>	<u>54.40%</u>	<u>47.84%</u>	<u>48.96%</u>	<u>62.37%</u>	<u>61.07%</u>

