

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

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

(UNAUDITED)

FOR THE TEN MONTHS (10) ENDED

APRIL 30, 2016

**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

July 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 ten months ended April 30, 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 TEN (10) MONTHS ENDED APRIL 30, 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 ten months ended April 30, 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 Ten Months Ended April 30,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$505.11		\$447.99	
Nonoperating revenue	0.59		0.54	
TOTAL INCOME	505.70		448.53	
LESS:				
PRIZES	\$316.10	62.6% (1)	\$276.21	61.7% (1)
RETAILER COMMISSIONS AND BONUSES	\$37.31	7.4% (2)	\$33.26	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.21		9.00	
Other Operating Expenses	20.81	(4)	24.12	
TOTAL ADMINISTRATIVE COSTS (Note 3)	31.02	6.1% (3)	33.12	7.4% (3)
	121.27		105.94	
NET CHANGE IN NET ASSETS	(0.21)		(0.34)	
PROCEEDS DISTRIBUTION	\$121.48	24.0% (3)	\$106.28	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.

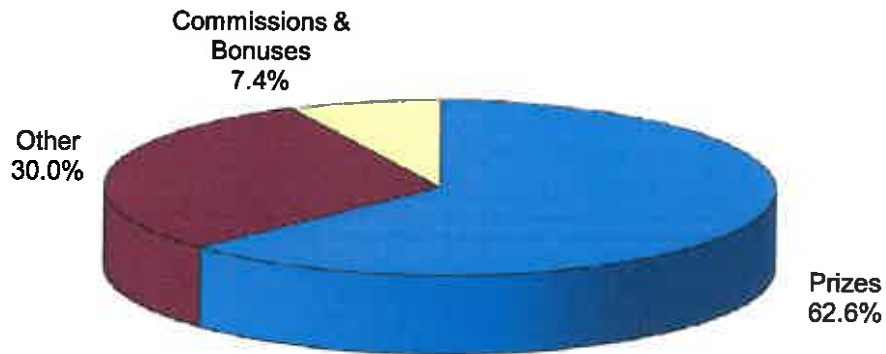
Note 2: Percent of gross ticket sales.

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.

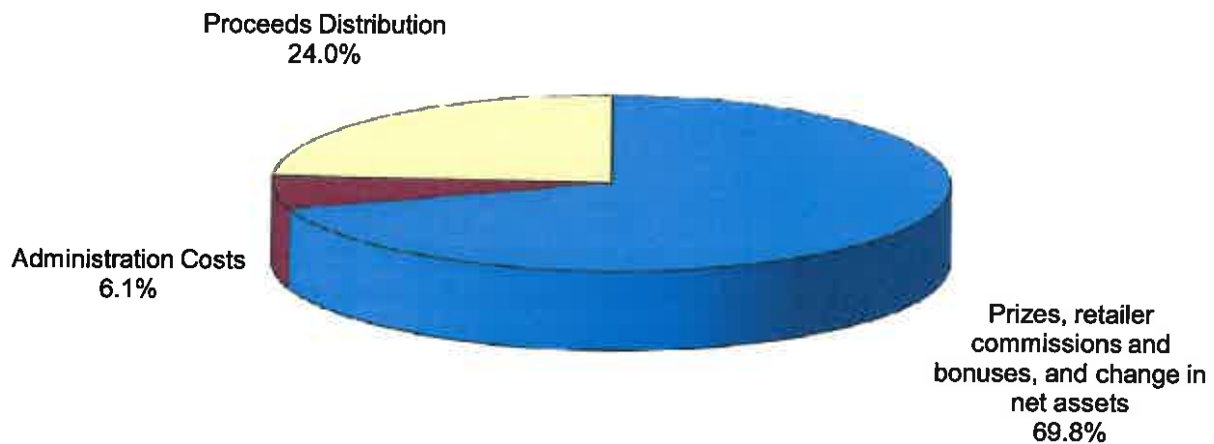
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TEN MONTHS ENDED APRIL 30, 2016

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
APRIL 30, 2016 AND 2015
(UNAUDITED)

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>
Current Assets:		
Cash and Investments	\$ 71,657,827	\$ 50,764,959
Accounts Receivable, net of the allowance for doubtful accounts of \$200,867 in 2016 and \$199,706 in 2015	21,855,666	18,544,910
Consignment Inventory, at Cost	117,809	101,379
Warehouse Inventory, at Cost	1,470,426	1,103,364
Prepaid Expenses	113,433	114,607
Total Current Assets	<u>95,215,161</u>	<u>70,629,219</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	417,391	361,403
Prepaid Prize Expense with MUSL	4,541,395	4,581,628
Total Reserve and Restricted Assets	<u>6,458,786</u>	<u>6,443,031</u>
Capital Assets:		
Equipment	5,966,333	5,971,272
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,727,553)	(5,495,412)
Total Capital Assets	<u>303,491</u>	<u>540,571</u>
TOTAL ASSETS	<u>\$ 101,977,438</u>	<u>\$ 77,612,821</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 810,098	\$ 993,121
Prize Liability	34,816,684	25,619,753
Payable to MUSL	747,495	233,878
Wages and Benefits	8,625	-
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,591,953	1,279,425
Funds Available for Distribution	60,963,051	46,198,421
Total Current Liabilities	<u>98,937,906</u>	<u>74,324,598</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	779,161	825,524
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	<u>818,650</u>	<u>886,249</u>
TOTAL LIABILITIES	<u>99,756,556</u>	<u>75,210,847</u>
NET POSITION		
Investment in Capital Assets	303,491	540,571
Restricted-Licensed Agent Recovery Reserve	417,391	361,403
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	<u>2,220,882</u>	<u>2,401,974</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 101,977,438</u>	<u>\$ 77,612,821</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE TEN (10) MONTHS ENDED APRIL 30, 2016 AND 2015
 (UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 505,114,790	\$ 447,990,256
DIRECT OPERATING EXPENSES		
Prize Expense	316,096,789	276,205,198
Retailer Commissions and Bonuses	37,314,469	33,264,584
Cost of Tickets and Vendor Fees	<u>10,213,048</u>	<u>8,999,189</u>
Total Direct Operating Expenses	<u>363,624,306</u>	<u>318,468,971</u>
GROSS PROFIT ON SALE OF TICKETS	<u>141,490,484</u>	<u>129,521,285</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,112,473	11,453,486
Administration Fees Paid to MUSL	85,864	121,378
Wages and Benefits	7,699,057	7,951,962
Professional Services	107,198	241,939
State Agencies Services	591,980	583,332
Department of Revenue Services	383,550	488,980
Travel	82,417	85,575
Equipment	28,916	52,230
Depreciation	412,555	465,975
Accrued Annual and Sick Leave	21,491	125,686
Space Rental	659,214	639,207
Rents for Equipment	23,749	23,406
Motorpool Leasing	241,658	268,012
Materials and Supplies	98,908	110,058
Telephone	199,502	323,146
Data Processing Supplies and Services	0	35,657
Equipment Maintenance	167,666	176,674
Printing	14,636	12,712
Delivery Expense	770,186	823,929
Other	106,098	139,919
Total Other Operating Expenses	<u>20,807,118</u>	<u>24,123,263</u>
OTHER OPERATING REVENUE (EXPENSE)	111,363	142,654
TOTAL OPERATING INCOME	<u>120,794,729</u>	<u>105,540,676</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	474,736	400,226
Funds Distributed for Current Year	(60,514,125)	(60,081,608)
Funds Available for Distribution for Current Year	<u>(60,963,051)</u>	<u>(46,198,421)</u>
Total Nonoperating Revenues (Expenses)	<u>(121,002,440)</u>	<u>(105,879,803)</u>
NET INCOME (LOSS)	<u>\$ (207,711)</u>	<u>\$ (339,127)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(207,711)</u>	<u>(339,127)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,220,882</u>	<u>\$ 2,401,974</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
APRIL 30, 2016 AND 2015

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,141,727</u>	<u>10,096,931</u>
TOTAL ASSETS	\$ <u>10,649,727</u>	\$ <u>10,584,931</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,649,727</u>	<u>10,584,931</u>
TOTAL NET POSITION	\$ <u>10,649,727</u>	\$ <u>10,584,931</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE TEN MONTHS ENDED APRIL 30, 2016 AND 2015

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
Additions		
Investment Income	\$ <u>468,170</u>	\$ <u>423,870</u>
Total Additions	<u>468,170</u>	<u>423,870</u>
 Deductions		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	(19,830)	(45,130)
 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>10,649,727</u></u>	\$ <u><u>10,584,931</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE TEN MONTHS ENDED APRIL 30, 2016
(With Comparative Totals for the Ten Months Ended April 30, 2015)

	Scratch	Scratch \$50	Jackpot Games				FY 16	FY 15	
			Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$303,299,661	\$31,250,750	\$23,161,753	\$102,998,771	\$15,930,891	\$21,042,163	\$7,431,001	\$505,114,790	\$447,990,256
PRIZE EXPENSE	(202,545,891)	(26,427,437)	(14,501,041)	(50,216,076)	(8,754,815)	(10,070,661)	(3,580,868)	(316,096,789)	(276,205,198)
NET REVENUE AFTER PRIZES	<u>100,753,770</u>	<u>4,823,313</u>	<u>8,660,712</u>	<u>52,782,695</u>	<u>7,175,876</u>	<u>10,971,502</u>	<u>3,850,133</u>	<u>189,018,001</u>	<u>171,785,058</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(21,186,082)	(2,179,828)	(1,386,944)	(6,165,672)	(953,595)	(1,259,151)	(444,412)	(33,575,684)	(29,923,401)
Retailer Bonus	(2,657,650)	(275,676)	(138,128)	(395,259)	(130,979)	(89,068)	(52,025)	(3,738,785)	(3,341,183)
Cost of Tickets Sold	(2,042,501)	(37,745)	N/A	N/A	N/A	N/A	N/A	(2,080,246)	(2,083,408)
Telecomm Reimbursements	382,730	39,434	29,227	129,972	20,103	26,553	9,376	637,395	643,155
Jackpot Vendor Fees	(5,294,894)	(545,556)	(403,808)	(1,748,834)	(278,050)	(366,962)	(132,093)	(8,770,197)	(7,558,936)
TOTAL	<u>(30,798,397)</u>	<u>(2,999,371)</u>	<u>(1,899,653)</u>	<u>(8,179,793)</u>	<u>(1,342,521)</u>	<u>(1,688,628)</u>	<u>(619,154)</u>	<u>(47,527,517)</u>	<u>(42,263,773)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$69,955,373</u>	<u>\$1,823,942</u>	<u>\$6,761,059</u>	<u>\$44,602,902</u>	<u>\$5,833,355</u>	<u>\$9,282,874</u>	<u>\$3,230,979</u>	<u>\$141,490,484</u>	<u>\$129,521,285</u>
AVERAGE DAILY TICKET SALES	<u>\$994,425</u>	<u>\$234,968</u>	<u>\$75,940</u>	<u>\$337,701</u>	<u>\$52,232</u>	<u>\$68,991</u>	<u>\$24,364</u>	<u>\$1,656,114</u>	<u>\$1,473,652</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 TEN MONTHS ENDED APRIL 30, 2016

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 16	FY 15
								Total	Total
Prize Expense (/)/Ticket Sales	\$202,545,891 303,299,661	\$26,427,437 31,250,750	\$14,501,041 23,161,753	\$50,216,076 102,998,771	\$8,754,815 15,930,691	\$10,070,661 21,042,163	\$3,580,868 7,431,001	\$316,096,789 \$505,114,790	\$276,205,198 447,990,256
Prize %	<u>66.78%</u>	<u>84.57%</u>	<u>62.61%</u>	<u>48.75%</u>	<u>54.96%</u>	<u>47.86%</u>	<u>48.19%</u>	<u>62.58%</u>	<u>61.65%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TEN MONTHS ENDED APRIL 30, 2016

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	6,447,912	\$3,052,169	67.9%
Amortization Equal	324,547	236,759	87,788	73.0%
Suppl Amortization Equalization	313,483	228,021	85,462	72.7%
Worker's Compensation	93,111	77,593	15,518	83.3%
Health and Life	1,031,570	799,245	232,325	77.5%
Short Term Disability	16,059	10,671	5,388	66.4%
Operating	1,203,156	729,336	473,820	60.6%
Variable Vehicle	163,062	130,987	32,075	80.3%
Leased Space	782,117	651,913	130,204	83.4%
Leased Space-Grand Junction	5,947	4,950	997	83.2%
Risk Management	27,896	23,247	4,649	83.3%
Vehicle Lease Payments	153,061	109,641	43,420	71.6%
Travel	113,498	82,417	31,081	72.6%
Marketing, Communications & Sales	14,700,000	8,956,248	5,743,752	60.9%
Payments to Other Agencies	239,410	55,017	184,393	23.0%
Legal Services	80,908	62,788	18,120	77.6%
Indirect Costs	460,259	383,550	76,709	83.3%
Ticket Costs-Scratch	6,578,000	2,890,975	3,687,025	43.9%
Research	250,000	156,225	93,775	62.5%
Vendor Fees	12,571,504	8,770,197	3,801,307	69.8%
Prize Payments	424,104,016	316,096,789	108,007,227	74.5%
Retailer Compensation	52,241,350	37,314,469	14,926,881	71.4%
Multi-State Lottery Funds	177,433	85,864	91,569	48.4%
CORE Modernization	26,567	22,140	4,427	83.3%
OIT Payments	569,011	474,175	94,836	83.3%
TOTAL	<u>\$525,726,046</u>	<u>\$384,801,129</u>	<u>\$140,830,081</u>	<u>73.19%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 110.00 (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	316,096,789
Commissions and Bonuses	37,314,469
Cost of Tickets & Vendor Fees	10,213,048
Operating Expenses	20,807,118

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 384,431,424

Plus: Telecommunications offset classified as revenue	637,395
Less: Non-appropriated expenses and other adjustments	
Depreciation	(412,555)
Accrued Annual and Sick Leave	(21,491)
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 384,634,773

Plus: Capitalized Fixed Assets 166,356
\$384,801,129

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 April 30, 2016 is 83.3%.

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