

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

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

(UNAUDITED)

FOR THE ELEVEN (11) MONTHS ENDED

MAY 31, 2016

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

August 26, 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 eleven months ended May 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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 Eleven Months Ended May 31,			
	FY 2016		FY 2015	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$550.56		\$496.89	
Nonoperating revenue	0.66		0.61	
TOTAL INCOME	551.22		497.50	
LESS:				
PRIZES	\$344.41	62.6% (1)	\$305.73	61.5% (1)
RETAILER COMMISSIONS AND BONUSES	\$40.68	7.4% (2)	\$36.89	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	11.16		10.00	
Other Operating Expenses	23.17	(4)	26.53	
TOTAL ADMINISTRATIVE COSTS (Note 3)	34.33	6.2% (3)	36.53	7.3% (3)
	131.80		118.35	
NET CHANGE IN NET ASSETS	(0.15)		(0.30)	
PROCEEDS DISTRIBUTION	\$131.95	23.9% (3)	\$118.65	23.8% (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.

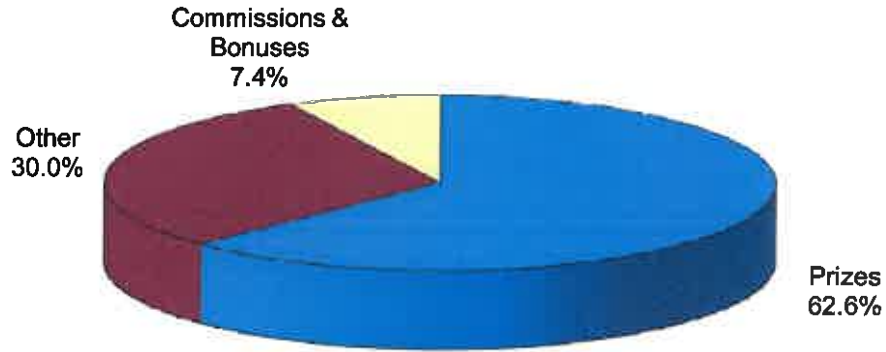
Note 2: Percent of gross ticket sales.

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.

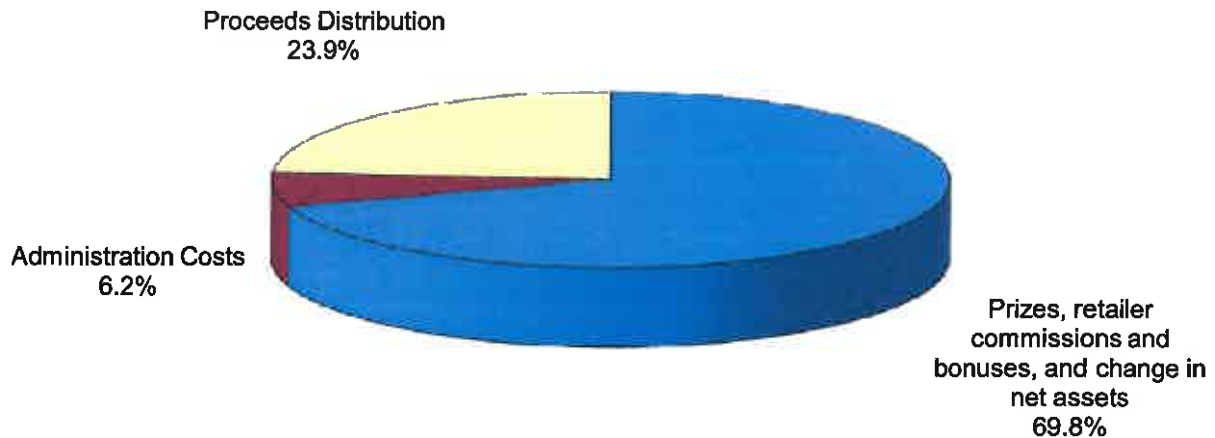
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2016

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
MAY 31, 2016 AND 2015
(UNAUDITED)

ASSETS	FY 2016	FY 2015
Current Assets:		
Cash and Investments	\$ 81,927,863	\$ 60,995,625
Accounts Receivable, net of the allowance for doubtful accounts of \$202,328 in 2016 and \$194,537 in 2015	22,587,848	21,083,585
Consignment Inventory, at Cost	97,622	105,452
Warehouse Inventory, at Cost	1,541,790	1,217,214
Prepaid Expenses	90,133	99,636
Total Current Assets	106,245,256	83,501,512
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	421,113	371,333
Prepaid Prize Expense with MUSL	4,541,395	4,581,628
Total Reserve and Restricted Assets	6,462,508	6,452,961
Capital Assets:		
Equipment	6,021,681	6,043,707
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,736,029)	(5,538,391)
Total Capital Assets	350,363	570,027
TOTAL ASSETS	\$ 113,058,127	\$ 90,524,500
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 470,320	\$ 1,859,079
Prize Liability	35,604,147	24,510,264
Payable to MUSL	746,340	873,381
Wages and Benefits	9,938	-
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,704,336	1,384,657
Funds Available for Distribution	71,439,298	58,569,972
Total Current Liabilities	109,974,379	87,197,353
Long-Term Liabilities:		
Accrued Annual and Sick Leave	772,783	825,062
Expired Warrants Liability	39,489	60,725
Total Long-Term Liabilities	812,272	885,787
TOTAL LIABILITIES	110,786,651	88,083,140
NET POSITION		
Investment in Capital Assets	350,363	570,027
Restricted-Licensed Agent Recovery Reserve	421,113	371,333
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,271,476	2,441,360
TOTAL LIABILITIES AND NET POSITION	\$ 113,058,127	\$ 90,524,500

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2016 AND 2015
(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 550,559,839	\$ 496,893,995
DIRECT OPERATING EXPENSES		
Prize Expense	344,412,773	305,727,743
Retailer Commissions and Bonuses	40,678,614	36,889,843
Cost of Tickets and Vendor Fees	11,156,175	9,997,432
Total Direct Operating Expenses	<u>396,247,562</u>	<u>352,615,018</u>
GROSS PROFIT ON SALE OF TICKETS	<u>154,312,277</u>	<u>144,278,977</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	10,238,299	12,599,497
Administration Fees Paid to MUSL	92,546	128,589
Wages and Benefits	8,455,221	8,759,964
Professional Services	218,261	283,923
State Agencies Services	654,678	638,005
Department of Revenue Services	421,905	537,879
Travel	89,919	92,790
Equipment	36,531	99,884
Depreciation	425,947	508,953
Accrued Annual and Sick Leave	15,633	125,519
Space Rental	725,233	703,465
Rents for Equipment	26,516	25,859
Motorpool Leasing	267,647	290,437
Materials and Supplies	107,113	110,327
Telephone	219,355	344,814
Data Processing Supplies and Services	0	35,657
Equipment Maintenance	191,227	190,325
Printing	18,979	19,569
Delivery Expense	854,069	889,536
Other	116,081	151,997
Total Other Operating Expenses	<u>23,175,160</u>	<u>26,536,989</u>
OTHER OPERATING REVENUE (EXPENSE)	121,530	159,763
TOTAL OPERATING INCOME	<u>131,258,647</u>	<u>117,901,751</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	537,659	450,088
Funds Distributed for Current Year	(60,514,125)	(60,081,608)
Funds Available for Distribution for Current Year	(71,439,298)	(58,569,972)
Total Nonoperating Revenues (Expenses)	<u>(131,415,764)</u>	<u>(118,201,492)</u>
NET INCOME (LOSS)	<u>\$ (157,117)</u>	<u>\$ (299,741)</u>
NET POSITION, BEGINNING OF YEAR	2,428,593	2,741,101
Net Change in Net Position	<u>(157,117)</u>	<u>(299,741)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,271,476</u>	<u>\$ 2,441,360</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
MAY 31, 2016 AND 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	10,182,794	10,139,938
TOTAL ASSETS	\$ 10,690,794	\$ 10,627,938
 NET POSITION		
Held in Trust for Powerball Winner	10,690,794	10,627,938
TOTAL NET POSITION	\$ 10,690,794	\$ 10,627,938

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE ELEVEN MONTHS ENDED MAY 31, 2016 AND 2015

(UNAUDITED)

	<u>FY 2016</u>	<u>FY 2015</u>
Additions		
Investment Income	\$ <u>509,237</u>	\$ <u>466,877</u>
Total Additions	<u>509,237</u>	<u>466,877</u>
 Deductions		
Prize Payments	<u>488,000</u>	<u>469,000</u>
Change in net position	21,237	(2,123)
 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>10,690,794</u></u>	\$ <u><u>10,627,938</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2016
(With Comparative Totals for the Eleven Months Ended May 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	\$332,246,796	\$33,632,800	\$25,146,091	\$109,801,759	\$17,500,467	\$24,011,887	\$8,220,039	\$550,559,839	\$496,893,995
PRIZE EXPENSE	(221,701,040)	(28,213,165)	(15,849,464)	(53,547,525)	(9,609,091)	(11,511,227)	(3,981,261)	(344,412,773)	(305,727,743)
NET REVENUE AFTER PRIZES	<u>110,545,756</u>	<u>5,419,635</u>	<u>9,296,627</u>	<u>56,254,234</u>	<u>7,891,376</u>	<u>12,500,660</u>	<u>4,238,778</u>	<u>206,147,066</u>	<u>191,166,252</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(23,209,604)	(2,346,256)	(1,505,831)	(6,573,280)	(1,047,631)	(1,436,960)	(491,649)	(36,811,211)	(33,201,960)
Retailer Bonus	(2,903,191)	(296,088)	(146,280)	(419,991)	(143,252)	(100,859)	(57,742)	(4,067,403)	(3,687,883)
Cost of Tickets Sold	(2,256,528)	(40,622)	N/A	N/A	N/A	N/A	N/A	(2,297,150)	(2,283,305)
Telecomm Reimbursements	429,395	43,465	32,499	141,907	22,617	31,033	10,624	711,540	702,780
Jackpot Vendor Fees	(5,805,083)	(587,616)	(438,771)	(1,868,031)	(305,705)	(419,364)	(145,995)	(9,570,565)	(8,416,907)
TOTAL	<u>(33,745,011)</u>	<u>(3,227,117)</u>	<u>(2,058,383)</u>	<u>(8,719,395)</u>	<u>(1,473,971)</u>	<u>(1,926,150)</u>	<u>(684,762)</u>	<u>(51,834,789)</u>	<u>(46,887,275)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$76,800,745</u>	<u>\$2,192,518</u>	<u>\$7,238,244</u>	<u>\$47,534,839</u>	<u>\$6,417,405</u>	<u>\$10,574,510</u>	<u>\$3,554,016</u>	<u>\$154,312,277</u>	<u>\$144,278,977</u>
AVERAGE DAILY TICKET SALES	<u>\$988,830</u>	<u>\$149,479 *</u>	<u>\$74,840</u>	<u>\$326,791</u>	<u>\$52,085</u>	<u>\$71,464</u>	<u>\$24,464</u>	<u>\$1,638,571</u>	<u>\$1,483,266</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 ELEVEN MONTHS ENDED MAY 31, 2016

							FY 16	FY 15	
	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense	\$221,701,040	\$28,213,165	\$15,849,464	\$53,547,525	\$9,609,091	\$11,511,227	\$3,981,261	\$344,412,773	\$305,727,743
(/)/Ticket Sales	332,246,796	33,632,800	25,146,091	109,801,759	17,500,467	24,011,887	8,220,039	\$550,559,839	496,893,995
Prize %	<u>66.73%</u>	<u>83.89%</u>	<u>63.03%</u>	<u>48.77%</u>	<u>54.91%</u>	<u>47.94%</u>	<u>48.43%</u>	<u>62.56%</u>	<u>61.53%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2016

	FY16 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,500,081	7,177,676	\$2,322,405	75.6%
Amortization Equal	324,547	261,170	63,377	80.5%
Suppl Amortization Equalization	313,483	251,901	61,582	80.4%
Worker's Compensation	93,111	85,352	7,759	91.7%
Health and Life	1,031,570	879,347	152,223	85.2%
Short Term Disability	16,059	11,712	4,347	72.9%
Operating	1,203,156	861,830	341,326	71.6%
Variable Vehicle	163,062	144,965	18,097	88.9%
Leased Space	782,117	717,238	64,879	91.7%
Leased Space-Grand Junction	5,947	5,445	502	91.6%
Risk Management	27,896	25,571	2,325	91.7%
Vehicle Lease Payments	153,061	121,507	31,554	79.4%
Travel	113,498	89,919	23,579	79.2%
Marketing, Communications & Sales	14,700,000	10,082,074	4,617,926	68.6%
Payments to Other Agencies	239,410	56,281	183,129	23.5%
Legal Services	80,908	76,805	4,103	94.9%
Indirect Costs	460,259	421,905	38,354	91.7%
Ticket Costs-Scratch	6,578,000	3,192,480	3,385,520	48.5%
Research	250,000	156,225	93,775	62.5%
Vendor Fees	12,571,504	9,570,565	3,000,939	76.1%
Prize Payments	424,104,016	344,412,773	79,691,243	81.2%
Retailer Compensation	52,241,350	40,678,614	11,562,736	77.9%
Multi-State Lottery Funds	177,433	92,546	84,887	52.2%
CORE Modernization	26,567	24,354	2,213	91.7%
OIT Payments	569,011	521,592	47,419	91.7%
TOTAL	<u>\$525,726,046</u>	<u>\$419,919,847</u>	<u>\$105,758,780</u>	<u>79.87%</u>

FY16 Staffing - FTE - (Note 4) 117.10 (Appropriated) 108.50 (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	344,412,773
Commissions and Bonuses	40,678,614
Cost of Tickets & Vendor Fees	11,156,175
Operating Expenses	23,175,160

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 419,422,722

Plus: Telecommunications offset classified as revenue	711,540
Less: Non-appropriated expenses and other adjustments	
Depreciation	(425,947)
Accrued Annual and Sick Leave	(15,633)
Loss on Disposal of Equipment classified as revenue	

Sub-Total 419,692,682

Plus: Capitalized Fixed Assets	227,165
	<u>\$419,919,847</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 May 31, 2016 is 91.7%.

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