

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

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

(UNAUDITED)

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Mr. Jim Bensberg	Lottery Commissioner
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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

December 9, 2015

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 performance for the fiscal year ended June 30, 2015 depicts total revenues of \$538.7 million, which includes gross ticket sales of \$538.0 million. Net income before proceeds distributions is \$127.0 million with a decrease in net position of \$1.0 million. Accordingly, a total of \$128.0 million in distributions was made on October 30, 2015 in the following manner; nearly \$62.0 million to the Great Outdoors Colorado Fund, \$12.8 million to the Colorado Parks and Wildlife, and over nearly \$51.2 million to the Conservation Trust Fund, for distribution to cities and other local government agencies and \$2.0 million to the Public School Capital Construction Assistance Fund.

The attached financial statements for the fiscal year ended June 30, 2015 have not been audited. They 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 that 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 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 FISCAL YEARS ENDED JUNE 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 fiscal years ended June 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 Fiscal Years Ended June 30,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$538.03		\$545.03	
Nonoperating revenue	0.64		0.94	
TOTAL INCOME	538.67		545.97	
LESS:				
PRIZES	\$331.50	61.6% (1)	\$336.51	61.7% (1)
RETAILER COMMISSIONS AND BONUSES	\$39.82	7.4% (2)	\$40.21	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.83		10.81	
Other Operating Expenses	28.90	(4)	29.07	
TOTAL ADMINISTRATIVE COSTS (Note 3)	39.73	7.4% (3)	39.88	7.3% (3)
	127.62		129.37	
OTHER NONOPERATING EXPENSES	0.66		0.00	
NET CHANGE IN NET ASSETS	(1.02)		(0.74)	(3)
PROCEEDS DISTRIBUTION	\$127.98	23.8% (3)	\$130.11	23.8%

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.

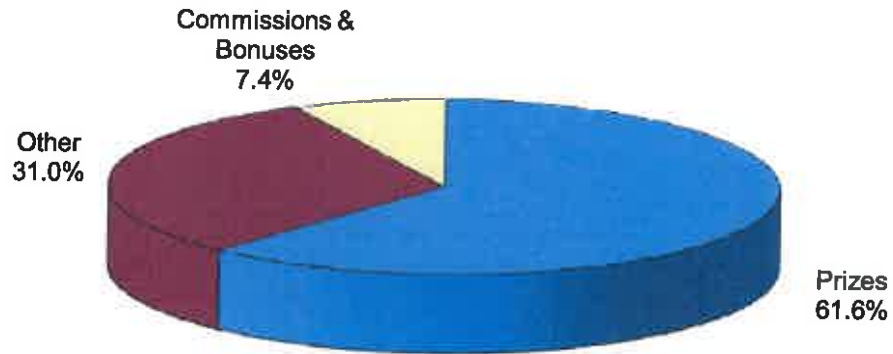
Note 2: Percent of gross ticket sales.

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.

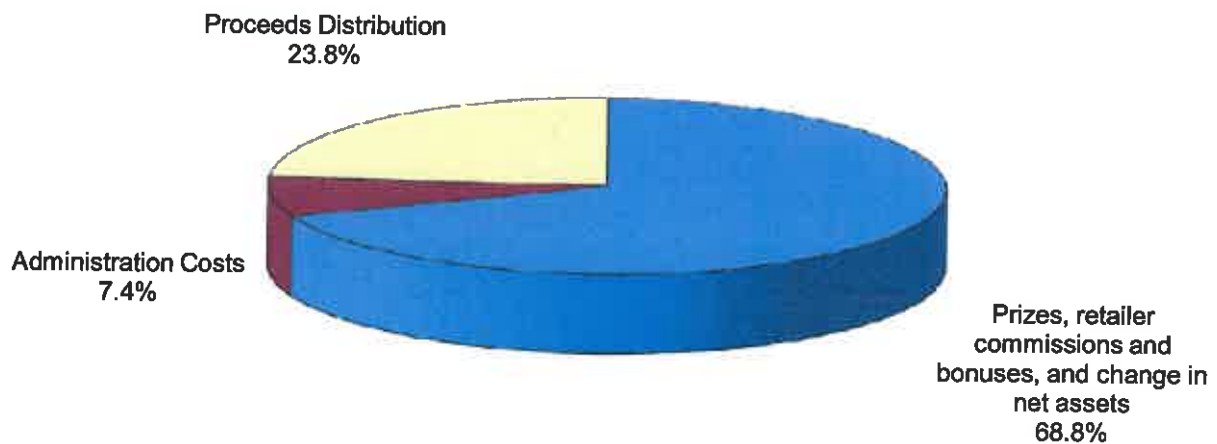
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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
JUNE 30, 2015 AND 2014
(UNAUDITED)

ASSETS	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets:		
Cash and Investments	\$ 36,567,210	\$ 37,344,039
Accounts Receivable, net of the allowance for doubtful accounts of \$192,396 in 2015 and \$156,458 in 2014	20,217,923	18,923,528
Consignment Inventory, at Cost	97,796	96,822
Warehouse Inventory, at Cost	1,027,328	1,158,843
Prepaid Expenses	75,733	183,664
Total Current Assets	<u>57,985,990</u>	<u>57,706,896</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	378,903	383,534
Prepaid Prize Expense with MUSL	4,581,640	4,952,818
Total Reserve and Restricted Assets	<u>6,460,543</u>	<u>6,736,352</u>
Capital Assets:		
Equipment	6,071,861	5,922,293
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,586,882)	(5,029,437)
Total Capital Assets	<u>549,690</u>	<u>957,567</u>
TOTAL ASSETS	<u>\$ 64,996,223</u>	<u>\$ 65,400,815</u>
DEFERRED OUTFLOWS - PENSION	<u>\$ 1,071,597</u>	<u>\$ -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 66,067,820</u></u>	<u><u>\$ 65,400,815</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,580,911	\$ 2,551,217
Prize Liability	26,019,403	25,829,136
Payable to MUSL	84,015	520,686
Wages and Benefits	765,035	770,834
Accrued Annual and Sick Leave	36,427	9,305
Retailer Bonus Liability	1,340,842	1,533,522
Funds Available for Distribution	31,819,617	30,508,507
Total Current Liabilities	<u>61,646,250</u>	<u>61,723,207</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	756,884	699,550
Expired Warrants Liability	39,489	60,725
Net Pension Liability	23,627,441	-
Total Long-Term Liabilities	<u>24,423,814</u>	<u>760,275</u>
TOTAL LIABILITIES	<u>86,070,064</u>	<u>62,483,482</u>
DEFERRED INFLOWS - PENSION	<u>\$ 136,155</u>	<u>\$ -</u>
NET POSITION		
Investment in Capital Assets	549,690	957,567
Restricted-Licensed Agent Recovery Reserve	378,903	383,534
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Unrealized Gain/(Loss) on Investments	125,007	176,232
Unrestricted-Unfunded Pension Liability	(22,691,999)	-
TOTAL NET POSITION	<u>(20,138,399)</u>	<u>2,917,333</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u><u>\$ 66,067,820</u></u>	<u><u>\$ 65,400,815</u></u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 538,025,144	\$ 545,030,260
DIRECT OPERATING EXPENSES		
Prize Expense	331,498,987	336,511,493
Retailer Commissions and Bonuses	39,815,292	40,212,982
Cost of Tickets and Vendor Fees	10,834,131	10,805,730
Total Direct Operating Expenses	<u>382,148,410</u>	<u>387,530,205</u>
GROSS PROFIT ON SALE OF TICKETS	<u>155,876,734</u>	<u>157,500,055</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	13,823,454	13,629,282
Administration Fees Paid to MUSL	127,709	85,228
Wages and Benefits	9,577,776	9,415,045
Professional Services	308,721	178,471
State Agencies Services	724,982	267,553
Department of Revenue Services	529,826	486,936
Travel	103,739	51,803
Equipment	104,848	521,428
Depreciation	557,445	960,109
Accrued Annual and Sick Leave	57,630	(158,551)
Space Rental	775,080	754,269
Rents for Equipment	29,076	25,557
Motorpool Leasing	311,069	368,640
Materials and Supplies	117,657	100,755
Telephone	307,533	233,137
On-Line Telecommunications	57,368	431,334
Data Processing Supplies and Services	35,657	329,666
Equipment Maintenance	208,613	272,636
Printing	18,227	21,526
Delivery Expense	961,753	961,938
Other	158,571	131,927
Total Other Operating Expenses	<u>28,896,734</u>	<u>29,068,689</u>
OTHER OPERATING REVENUE (EXPENSE)	195,041	382,539
TOTAL OPERATING INCOME	<u>127,175,041</u>	<u>128,813,905</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	442,094	554,251
Unfunded Pension Expense	(660,976)	-
Funds Distributed for Current Year	(96,161,251)	(99,605,001)
Funds Available for Distribution for Current Year	(31,819,617)	(30,508,507)
Total Nonoperating Revenues (Expenses)	<u>(128,199,750)</u>	<u>(129,559,257)</u>
NET INCOME (LOSS)	<u>\$ (1,024,709)</u>	<u>\$ (745,352)</u>
NET POSITION, BEGINNING OF YEAR - Previously Reported	2,917,333	3,662,685
Restatement - Adoption of New Accounting Standard	<u>(22,031,023)</u>	-
NET POSITION, BEGINNING OF YEAR - As Restated	(19,113,690)	3,662,685
Net Change in Net Position	<u>(1,024,709)</u>	<u>(745,352)</u>
NET POSITION, END OF PERIOD	<u>\$ (20,138,399)</u>	<u>\$ 2,917,333</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014
(UNAUDITED)

	FY2015	FY2014
Operating Activities		
Cash received from retailers	\$ 536,875,049	\$ 547,217,929
Cash paid in prizes	(331,401,331)	(336,622,967)
Cash paid in retailer commissions	(35,964,041)	(36,249,056)
Cash payments to suppliers	(30,212,388)	(30,518,493)
Cash payments to employees for services	(9,556,749)	(9,507,901)
Cash paid in retailer bonus	(4,044,768)	(3,138,356)
Net cash provided by operating activities	125,695,772	131,181,156
Noncapital Financing Activities		
Distribution of net proceeds	(126,669,758)	(136,903,363)
Net cash used by noncapital financing activities	(126,669,758)	(136,903,363)
Capital and Related Financing Activities		
Acquisition of capital assets	(149,568)	(18,179)
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	(149,568)	(18,179)
Investing Activities		
Interest received	493,319	451,512
Change in fair market value of investments	(51,225)	102,739
Net cash provided by investing activities	442,094	554,251
Increase (Decrease) in Cash and Investments	(681,460)	(5,186,135)
Cash and Investments, Beginning of Year (including \$1,783,534 and \$1,688,870, respectively, in restricted accounts)	39,127,573	44,313,708
Cash and Investments, End of Period, (including \$1,878,903 and \$1,783,534 respectively, in restricted accounts)	\$ 38,446,113	\$ 39,127,573
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 127,175,041	\$ 128,813,905
Depreciation	557,445	960,109
Loss (gain) on disposition of equipment	-	825
Change in:		
Accounts Receivable	(1,294,395)	1,337,085
Ticket Inventory	130,541	(84,515)
Prepaid Expenses	107,931	(132,319)
Prepaid Prize Expense with MUSL	371,178	(11,324)
Liabilities(excluding funds available for distribution)	(1,351,969)	297,390
Net cash provided by operating activities	\$ 125,695,772	\$ 131,181,156
Statement of Net Position Classification		
Cash and investments	\$ 36,567,210	\$ 37,344,039
Cash and investments- Licensed Agent Recovery Reserve	378,903	383,534
Cash and investments- Operating Reserve	1,500,000	1,400,000
Cash and Investments, End of Period	\$ 38,446,113	\$ 39,127,573

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

(UNAUDITED)

ASSETS	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>11,354,742</u>	<u>11,206,761</u>
TOTAL ASSETS	\$ <u>11,842,742</u>	\$ <u>11,675,761</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>11,842,742</u>	<u>11,675,761</u>
TOTAL NET POSITION	\$ <u>11,842,742</u>	\$ <u>11,675,761</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

(UNAUDITED)

	FY 2015	FY 2014
Additions		
Investment Income	\$ <u>635,981</u>	\$ <u>559,084</u>
Total Additions	<u>635,981</u>	<u>559,084</u>
 Deductions		
Prize Payments	<u>469,000</u>	<u>451,000</u>
Change in net position	166,981	108,084
 Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>11,675,761</u>	<u>11,567,677</u>
End of Period	\$ <u><u>11,842,742</u></u>	\$ <u><u>11,675,761</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$377,164,257	\$29,837,628	\$72,009,314	\$19,263,308	\$31,015,743	\$8,734,894	\$538,025,144	\$545,030,260
PRIZE EXPENSE	(250,776,391)	(16,356,901)	(34,701,513)	(10,446,120)	(14,827,976)	(4,390,086)	(331,498,987)	(336,511,493)
NET REVENUE AFTER PRIZES	<u>126,387,866</u>	<u>13,480,727</u>	<u>37,307,801</u>	<u>8,817,188</u>	<u>16,187,767</u>	<u>4,344,808</u>	<u>206,526,157</u>	<u>208,518,767</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(26,337,052)	(1,786,307)	(4,310,127)	(1,152,588)	(1,855,815)	(522,162)	(35,964,041)	(36,249,056)
Retailer Bonus	(3,095,355)	(148,862)	(296,137)	(144,843)	(109,882)	(56,172)	(3,861,251)	(3,963,926)
Cost of Tickets Sold	(2,480,847)	N/A	N/A	N/A	N/A	N/A	(2,480,847)	(2,601,233)
Telecomm Reimbursements	544,823	43,101	104,019	27,826	44,803	12,618	777,190	793,860
Jackpot Vendor Fees	(6,397,994)	(507,401)	(1,221,383)	(327,836)	(527,194)	(148,666)	(9,130,474)	(8,998,357)
TOTAL	<u>(37,766,425)</u>	<u>(2,399,469)</u>	<u>(5,723,628)</u>	<u>(1,597,441)</u>	<u>(2,448,088)</u>	<u>(714,372)</u>	<u>(50,649,423)</u>	<u>(51,018,712)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$88,621,441</u>	<u>\$11,081,258</u>	<u>\$31,584,173</u>	<u>\$7,219,747</u>	<u>\$13,739,679</u>	<u>\$3,630,436</u>	<u>\$155,876,734</u>	<u>\$157,500,055</u>
AVERAGE DAILY TICKET SALES	<u>\$1,033,327</u>	<u>\$81,747</u>	<u>\$197,286</u>	<u>\$52,776</u>	<u>\$84,975</u>	<u>\$23,931</u>	<u>\$1,474,041</u>	<u>\$1,493,234</u>

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
Prize Expense (/)/Ticket Sales	\$250,776,391 377,164,257	\$16,356,901 29,837,628	\$34,701,513 72,009,314	\$10,446,120 19,263,308	\$14,827,976 31,015,743	\$4,390,086 8,734,894	\$331,498,987 \$538,025,144	\$336,511,493 545,030,260
Prize %	<u>66.49%</u>	<u>54.82%</u>	<u>48.19%</u>	<u>54.23%</u>	<u>47.81%</u>	<u>50.26%</u>	<u>61.61%</u>	<u>61.74%</u>

**COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Fiscal Year 2015 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2015 Final Budget	Fiscal Year 2015 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$ 9,344,734	\$ (9,057)	\$ 9,335,677	\$ 8,315,799	\$ 1,019,878	10.92%
Amortization Equalization	294,742	-	294,742	276,492	18,250	6.19%
Supplemental Amort. Equal.	276,321	-	276,321	259,191	17,130	6.20%
Workmen's Compensation	89,739	-	89,739	89,739	-	0.00%
Health and Life	953,274	-	953,274	922,572	30,702	3.22%
Short Term Disability	16,213	-	16,213	15,624	589	3.63%
Operating	1,203,156	-	1,203,156	1,039,853	163,303	13.57%
Variable Vehicle	206,469	(12,900)	193,569	160,201	33,368	17.24%
Leased Space	764,387	2,000	766,387	765,855	532	0.07%
Leased Space-Grand Junction	6,465	-	6,465	6,465	-	0.00%
Risk Management	27,222	-	27,222	27,222	-	0.00%
Vehicle Lease Payments	142,681	19,000	161,681	150,788	10,893	6.74%
Travel	113,498	-	113,498	103,739	9,759	8.60%
Marketing, Communications & Sales	14,700,000	-	14,700,000	13,692,689	1,007,311	6.85%
Payments to Other Agencies	239,410	-	239,410	95,569	143,841	60.08%
Legal Services	116,426	(80,392)	36,034	36,033	1	0.00%
Indirect Costs	586,778	-	586,778	529,826	56,952	9.71%
Ticket Costs-Scratch	6,578,000	-	6,578,000	3,485,176	3,092,824	47.02%
Research	250,000	-	250,000	130,765	119,235	47.69%
Vendor Fees	12,571,504	-	12,571,504	9,182,204	3,389,300	26.96%
Prize Payments	424,104,016	-	424,104,016	331,498,987	92,605,029	21.84%
Retailer Compensation	52,241,350	-	52,241,350	39,815,292	12,426,058	23.79%
Multi-State Lottery Fund	177,433	-	177,433	127,709	49,724	28.02%
CORE Conversion	35,657	-	35,657	35,657	-	0.00%
OIT Payments	593,380	-	593,380	593,380	-	0.00%
Postage	7,892	(7,892)	-	-	-	N/A
TOTAL	\$ 525,640,747	\$ (89,241)	\$ 525,551,506	\$ 411,356,827	\$ 114,194,679	21.73%

FY15 Staffing - FTE - (Note 1) 117.0 (Appropriated) 120.0 (Actual)

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	\$ 331,498,987
Commissions and Bonuses	39,815,292
Cost of Tickets & Vendor Fees	10,834,131
Operating Expenses	<u>28,896,734</u>

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

411,045,144

Plus: Telecommunications offset classified as revenue

777,190

Less: Non-appropriated expenses

Depreciation	(557,445)
Accrued Annual and Sick Leave	(57,630)
Book Value of Assets Written Off	<u>-</u>

Sub-Total

411,207,259

Plus: Capitalized purchases

149,568

\$ 411,356,827

Note 1 - The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2015