

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

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

**(UNAUDITED)**

**FOR THE TWO (2) QUARTERS ENDED**

**DECEMBER 31, 2013**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

**DISTRIBUTION**

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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

Abel Tapia  
Lottery Director

March 12, 2014

State Treasurer and Members of the Colorado Lottery Commission:

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 two quarters ended December 31, 2013 depicts total revenues of \$277.6 million, which includes gross ticket sales of \$277.3 million. Net income before proceeds distributions is \$68.0 million with a decrease in net position of \$0.4 million. Accordingly, a total of nearly \$68.4 million in distributions will have been made by February 28, 2014 in the following manner; nearly \$34.2 million to the Great Outdoors Colorado Fund, over \$6.8 million to the Division of Parks and Outdoor Recreation, and nearly \$27.4 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the two quarters ended December 31, 2013 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 TWO QUARTERS ENDED DECEMBER 31, 2013 AND 2012

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the two quarters ended December 31, 2013 and 2012 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 Two Quarters Ended December 31,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$277.29		\$279.52	
Nonoperating revenue	0.34		0.31	
<b>TOTAL INCOME</b>	<b>277.63</b>		<b>279.83</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$169.44</b>	<b>61.1% (1)</b>	<b>\$172.62</b>	<b>61.8% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$20.49</b>	<b>7.4% (2)</b>	<b>\$20.83</b>	<b>7.5% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	5.51		5.41	
Other Operating Expenses	14.21	(4)	13.55	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>19.72</b>	<b>7.1% (3)</b>	<b>18.96</b>	<b>6.8% (3)</b>
	<b>67.98</b>		<b>67.42</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.37)</b>		<b>(0.46)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$68.35</b>	<b>24.6% (3)</b>	<b>\$67.88</b>	<b>24.3% (3)</b>

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.

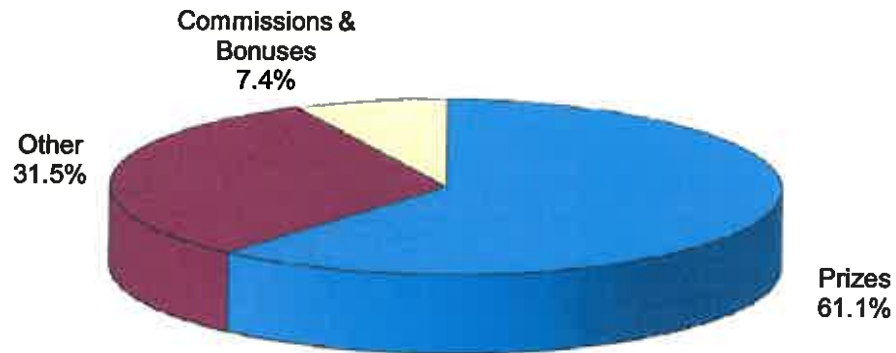
Note 2: Percent of gross ticket sales.

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.

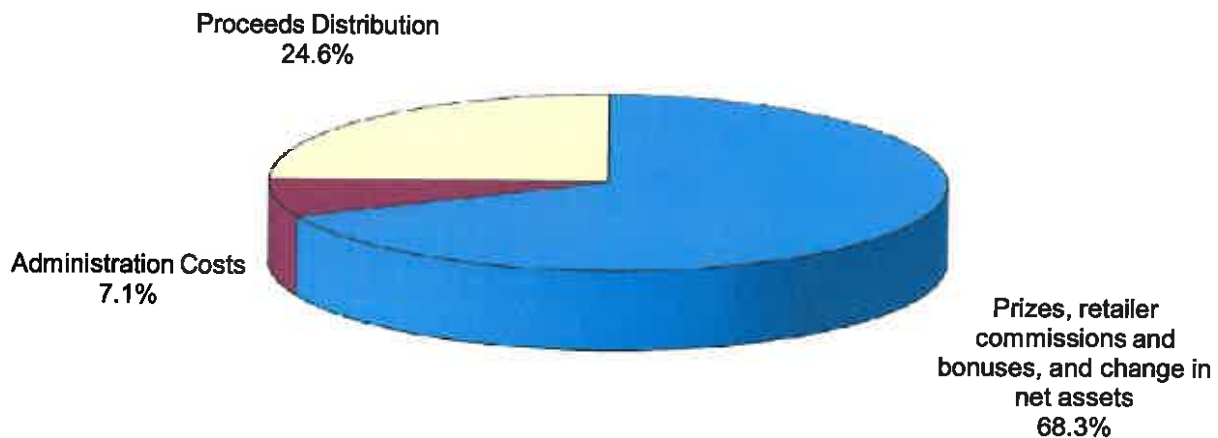
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2013

**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  
DECEMBER 31, 2013 AND 2012  
(UNAUDITED)

ASSETS	FY 2014	FY 2013
<b>Current Assets:</b>		
Cash and Investments	\$ 35,627,075	\$ 41,823,534
Accounts Receivable, net of the allowance for doubtful accounts of \$147,901 in 2013 and \$149,266 in 2012	21,811,115	23,606,330
Consignment Inventory, at Cost	111,316	113,080
Warehouse Inventory, at Cost	1,169,305	1,364,689
Prepaid Expenses	214,697	134,465
<b>Total Current Assets</b>	<b>58,933,508</b>	<b>67,042,098</b>
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	395,980	370,438
Prepaid Prize Expense with MUSL	5,083,601	4,866,489
<b>Total Reserve and Restricted Assets</b>	<b>6,879,581</b>	<b>6,536,927</b>
<b>Capital Assets:</b>		
Equipment	5,946,887	6,083,517
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,592,229)	(3,794,869)
<b>Total Capital Assets</b>	<b>1,419,369</b>	<b>2,353,359</b>
<b>TOTAL ASSETS</b>	<b>\$ 67,232,458</b>	<b>\$ 75,932,384</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 2,262,248	\$ 2,417,503
Prize Liability	24,352,523	30,233,329
Payable to MUSL	712,377	270,785
Wages and Benefits	118,601	146,980
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	983,685	762,139
Funds Available for Distribution	34,652,402	37,198,271
<b>Total Current Liabilities</b>	<b>63,081,836</b>	<b>71,029,007</b>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	874,548	818,670
Expired Warrants Liability	60,725	60,910
<b>Total Long-Term Liabilities</b>	<b>935,273</b>	<b>879,580</b>
<b>TOTAL LIABILITIES</b>	<b>64,017,109</b>	<b>71,908,587</b>
<b>NET POSITION</b>		
Investment in Capital Assets	1,419,369	2,353,359
Restricted-Licensed Agent Recovery Reserve	395,980	370,438
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
<b>TOTAL NET POSITION</b>	<b>3,215,349</b>	<b>4,023,797</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 67,232,458</b>	<b>\$ 75,932,384</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE TWO QUARTERS ENDED DECEMBER 31, 2013 AND 2012  
 (UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 277,289,654	\$ 279,520,647
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	169,439,243	172,620,865
Retailer Commissions and Bonuses	20,487,810	20,830,386
Cost of Tickets and Vendor Fees	5,510,810	5,411,352
Total Direct Operating Expenses	<u>195,437,863</u>	<u>198,862,603</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>81,851,791</u>	<u>80,658,044</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	6,053,142	5,762,727
Administration Fees Paid to MUSL	48,459	100,135
Wages and Benefits	4,798,327	4,568,335
Professional Services	50,470	51,350
State Agencies Services	167,263	70,261
Department of Revenue Services	250,130	293,106
Travel	24,081	32,189
Equipment	466,755	76,406
Depreciation	480,954	491,062
Accrued Annual and Sick Leave	16,778	(18,074)
Space Rental	377,232	362,111
Rents for Equipment	11,715	16,201
Motorpool Leasing	180,886	185,237
Materials and Supplies	63,823	60,897
Telephone	113,671	79,830
On-Line Telecommunications	212,597	202,606
Data Processing Supplies and Services	168,463	13,756
Equipment Maintenance	129,142	144,536
Printing	38,147	41,000
Delivery Expense	472,476	495,347
Other	90,205	524,955
Total Other Operating Expenses	<u>14,214,716</u>	<u>13,553,973</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	123,661	90,841
<b>TOTAL OPERATING INCOME</b>	<u>67,760,736</u>	<u>67,194,912</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	219,055	222,792
Funds Distributed for Current Year	(33,701,232)	(30,678,535)
Funds Available for Distribution for Current Year	(34,652,402)	(37,198,271)
Total Nonoperating Revenues (Expenses)	<u>(68,134,579)</u>	<u>(67,654,014)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (373,843)</u>	<u>\$ (459,102)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	3,589,192	4,482,899
Net Change in Net Position	<u>(373,843)</u>	<u>(459,102)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 3,215,349</u>	<u>\$ 4,023,797</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE FIRST TWO QUARTERS ENDED DECEMBER 31, 2013 AND 2012  
(UNAUDITED)

	FY2014	FY2013
<b>Operating Activities</b>		
Cash received from retailers	\$ 276,056,493	\$ 275,635,174
Cash paid in prizes	(170,861,853)	(165,358,004)
Cash paid in retailer commissions	(18,388,710)	(18,529,402)
Cash payments to suppliers	(15,466,710)	(14,703,464)
Cash payments to employees for services	(5,553,052)	(5,263,323)
Cash paid in retailer bonus	(1,822,789)	(2,351,675)
Net cash provided by operating activities	63,963,379	69,429,306
<b>Noncapital Financing Activities</b>		
Distribution of net proceeds	(70,999,594)	(59,662,611)
Net cash used by noncapital financing activities	(70,999,594)	(59,662,611)
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	0	(13,492)
Proceeds from the sale of capital assets	0	0
Net cash used by capital and related financing activities	0	(13,492)
<b>Investing Activities</b>		
Interest received	219,055	222,792
Change in fair market value of investments	0	0
Net cash provided by investing activities	219,055	222,792
<b>Increase (Decrease) in Cash and Investments</b>	(6,817,160)	9,975,995
<b>Cash and Investments, Beginning of Year (including \$1,688,870 and \$1,651,031, respectively, in restricted accounts)</b>	44,240,215	33,517,977
<b>Cash and Investments, End of Period, (including \$1,795,980 and \$1,670,438, respectively, in restricted accounts)</b>	\$ 37,423,055	\$ 43,493,972
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<i>Operating income</i>	\$ 67,760,735	\$ 67,194,912
<i>Depreciation</i>	480,954	491,062
<i>Loss (gain) on disposition of equipment</i>	0	939
<i>Change in:</i>		
<i>Accounts Receivable</i>	(1,550,502)	(4,114,444)
<i>Ticket Inventory</i>	(109,471)	(450,301)
<i>Prepaid Expenses</i>	(163,352)	(61,903)
<i>Prepaid Prize Expense with MUSL</i>	(142,107)	127,533
<i>Liabilities(excluding funds available for distribution)</i>	(2,312,878)	6,241,508
<i>Net cash provided by operating activities</i>	\$ 63,963,379	\$ 69,429,306
<b>Statement of Net Position Classification</b>		
Cash and investments	\$ 35,627,075	\$ 41,823,534
Cash and investments- Licensed Agent Recovery Reserve	395,980	370,438
Cash and investments- Operating Reserve	1,400,000	1,300,000
<b>Cash and Investments, End of Period</b>	\$ 37,423,055	\$ 43,493,972

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2013 AND 2012**

(UNAUDITED)

<b>ASSETS</b>	<u>FY 2014</u>	<u>FY 2013</u>
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>9,901,401</u>	<u>9,835,184</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,370,401</u></b>	<b>\$ <u>10,286,184</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,370,401</u>	<u>10,286,184</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,370,401</u></b>	<b>\$ <u>10,286,184</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE TWO QUARTERS ENDED DECEMBER 31, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Additions</b>		
Investment Income	\$ <u>267,392</u>	\$ <u>274,195</u>
<b>Total Additions</b>	<u>267,392</u>	<u>274,195</u>
<b>Deductions</b>		
Prize Payments	<u>451,000</u>	<u>434,000</u>
<b>Change in net position</b>	(183,608)	(159,805)
<b>Net Position held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,554,009</u>	<u>10,445,989</u>
<b>End of Period</b>	\$ <u><u>10,370,401</u></u>	\$ <u><u>10,286,184</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE TWO QUARTERS ENDED DECEMBER 31, 2013**  
(With Comparative Totals for the Two Quarters Ended December 31, 2012)

	Scratch	Jackpot Games					FY 14	FY 13	
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$178,636,600	\$16,072,166	\$47,400,868	\$9,589,642	\$21,197,400	\$0	\$4,392,978	\$277,289,654	\$279,520,647
PRIZE EXPENSE	(121,404,322)	(7,957,204)	(22,443,577)	(5,144,310)	(10,379,513)	40,120	(2,150,437)	(169,439,243)	(172,620,865)
NET REVENUE AFTER PRIZES	<u>57,232,278</u>	<u>8,114,962</u>	<u>24,957,291</u>	<u>4,445,332</u>	<u>10,817,887</u>	<u>40,120</u>	<u>2,242,541</u>	<u>107,850,411</u>	<u>106,899,782</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(12,481,442)	(962,237)	(2,839,121)	(573,752)	(1,269,248)	0	(262,910)	(18,388,710)	(18,529,402)
Retailer Bonus	(1,624,444)	(86,069)	(184,069)	(79,332)	(91,460)	282	(34,008)	(2,099,100)	(2,300,984)
Cost of Tickets Sold	(1,336,291)	N/A	N/A	N/A	N/A	N/A	N/A	(1,336,291)	(1,200,641)
Telecomm Reimbursements	259,944	23,388	68,976	13,954	30,846	0	6,392	403,500	403,506
Jackpot Vendor Fees	(2,948,709)	(265,192)	(782,117)	(158,229)	(350,770)	0	(73,002)	(4,578,019)	(4,614,217)
TOTAL	<u>(18,130,942)</u>	<u>(1,290,110)</u>	<u>(3,736,331)</u>	<u>(797,359)</u>	<u>(1,680,632)</u>	<u>282</u>	<u>(363,528)</u>	<u>(25,998,620)</u>	<u>(26,241,738)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$39,101,336</u>	<u>\$6,824,852</u>	<u>\$21,220,960</u>	<u>\$3,647,973</u>	<u>\$9,137,255</u>	<u>\$40,402</u>	<u>\$1,879,013</u>	<u>\$81,851,791</u>	<u>\$80,658,044</u>
AVERAGE DAILY TICKET SALES	<u>\$970,851</u>	<u>\$87,349</u>	<u>\$257,613</u>	<u>\$52,118</u>	<u>\$115,203</u>	<u>\$0</u>	<u>\$23,875</u>	<u>\$1,507,009</u>	<u>\$1,519,134</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 TWO QUARTERS ENDED DECEMBER 31, 2013**

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense (/)/Ticket Sales	\$121,404,322 178,636,600	\$7,957,204 16,072,166	\$22,443,577 47,400,868	\$5,144,310 9,589,642	\$10,379,513 21,197,400	(\$40,120) 0	\$2,150,437 4,392,978	\$169,439,243 \$277,289,654	\$172,620,865 279,520,647
Prize %	<u>67.96%</u>	<u>49.51%</u>	<u>47.35%</u>	<u>53.64%</u>	<u>48.97%</u>	<u>N/A</u>	<u>48.95%</u>	<u>61.11%</u>	<u>61.76%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE TWO (2) QUARTERS ENDED DECEMBER 31, 2013

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$4,110,988	\$4,985,481	45.2%
Amortization Equal	249,451	115,919	133,532	46.5%
Suppl Amortization Equalization	225,199	102,282	122,917	45.4%
Workmen's Compensation	77,428	38,713	38,715	50.0%
Health and Life	876,940	463,780	413,160	52.9%
Short Term Disability	13,166	6,673	6,493	50.7%
Operating	1,203,156	435,544	767,612	36.2%
Variable Vehicle	202,985	104,345	98,640	51.4%
Leased Space	758,805	372,516	386,289	49.1%
Leased Space-Grand Junction	7,661	3,830	3,831	50.0%
Risk Management	27,049	13,524	13,525	50.0%
Vehicle Lease Payments	160,731	76,163	84,568	47.4%
Travel	113,498	24,081	89,417	21.2%
Purch. Of Services-Computer Center	276,527	138,264	138,263	50.0%
Marketing, Communications & Sales	14,700,000	5,975,013	8,724,987	40.6%
Communications Services	3,029	757	2,272	25.0%
Payments to MNT	282,286	141,138	141,148	50.0%
Payments to Other Agencies	239,410	92,506	146,904	38.6%
Legal Services	125,592	45,583	80,009	36.3%
Indirect Costs	500,260	250,130	250,130	50.0%
Ticket Costs-Scratch	6,578,000	1,848,537	4,729,463	28.1%
Research	250,000	74,829	175,171	29.9%
Vendor Fees	12,571,504	5,100,717	7,470,787	40.6%
Prize Payments	424,104,016	169,439,243	254,664,773	40.0%
Retailer Compensation	52,241,350	20,487,810	31,753,540	39.2%
Multi-State Lottery Funds	177,433	48,459	128,974	27.3%
COFRS Modernization	35,657	17,829	17,828	50.0%
OIT Security	13,167	6,584	6,583	50.0%
MNT & AD OIT	45,180	22,590	22,590	50.0%
<b>TOTAL</b>	<b>\$525,155,949</b>	<b>\$209,558,347</b>	<b>\$315,568,429</b>	<b>39.90%</b>

FY14 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.30 (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	169,439,243
Commissions and Bonuses	20,487,810
Cost of Tickets & Vendor Fees	5,510,810
Operating Expenses	14,214,716
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<b>209,652,579</b>
Plus: Telecommunications offset classified as revenue	403,500
Less: Non-appropriated expenses and other adjustments	
Depreciation	(480,954)
Accrued Annual and Sick Leave	(16,778)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<b>209,558,347</b>
Plus: Capitalized Fixed Assets	0
	<b>\$209,558,347</b>

- Note 1 - FY14 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.  
Note 2 - Percent of fiscal year elapsed through December 31, 2013 is 50.0%.  
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 2014