

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

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

(UNAUDITED)

FOR THE THREE (3) QUARTERS ENDED

MARCH 31, 2014

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Ms. Robin Wise	Vice-Chair, Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
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Ms. Barbara Brohl	Executive Director, Department of Revenue
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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

June 11, 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 three quarters ended March 31, 2014 depicts total revenues of \$412.3 million, which includes gross ticket sales of \$411.7 million. Net income before proceeds distributions is \$99.0 million with a decrease in net position of \$0.6 million. Accordingly, a total of \$99.6 million in distributions will have been made by Mar 30, 2014 in the following manner; over \$49.8 million to the Great Outdoors Colorado Fund, nearly \$10.0 million to the Division of Parks and Outdoor Recreation, and over \$39.8 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the three quarters ended March 31, 2014 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)**

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 Cash Flows	5
Statements of Fiduciary Net Position-Powerball Annuity Winners Trust Fund.....	6
Statements of Changes in Fiduciary Net Position-Powerball Annuity Winners Trust Fund	7
Schedule of Revenue and Costs for Scratch and On-Line Games.....	8
Schedule of Percent of Prize Expense to Gross Ticket Sales	8
Budget Status	9

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE THREE QUARTERS ENDED MARCH 31, 2014 AND 2013

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the three quarters ended March 31, 2014 and 2013 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 Three Quarters Ended March 31,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$411.72		\$418.68	
Nonoperating revenue	0.54		0.48	
TOTAL INCOME	412.26		419.16	
LESS:				
PRIZES	\$253.51	61.6% (1)	\$262.09	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$30.43	7.4% (2)	\$31.26	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	8.18		8.18	
Other Operating Expenses	21.14	(4)	19.94	
TOTAL ADMINISTRATIVE COSTS (Note 3)	29.32	7.1% (3)	28.12	6.7% (3)
	99.00		97.69	
NET CHANGE IN NET ASSETS	(0.60)		(0.64)	
PROCEEDS DISTRIBUTION	\$99.60	24.2% (3)	\$98.33	23.5% (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.

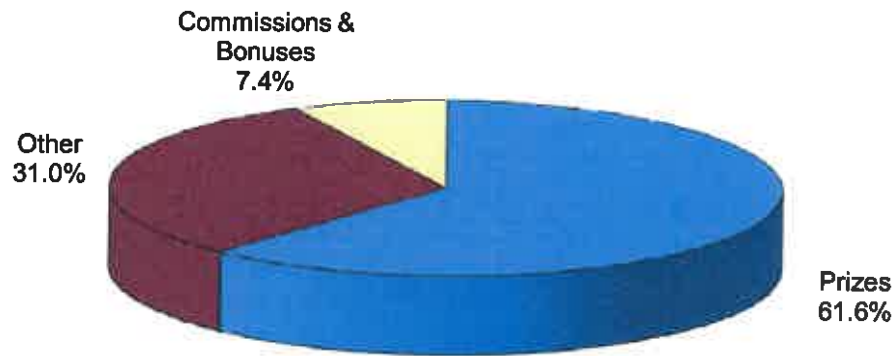
Note 2: Percent of gross ticket sales.

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.

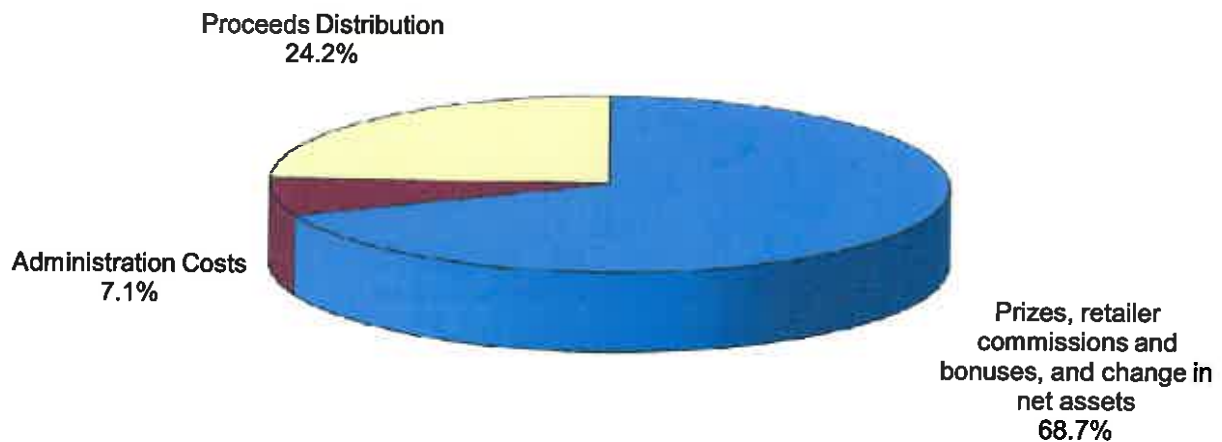
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE THREE QUARTERS ENDED MARCH 31, 2014

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
MARCH 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets:		
Cash and Investments	\$ 38,415,401	\$ 38,647,793
Accounts Receivable, net of the allowance for doubtful accounts of \$150,576 in 2014 and \$147,498 in 2013	19,816,561	22,189,727
Consignment Inventory, at Cost	94,066	112,340
Warehouse Inventory, at Cost	1,401,135	1,314,884
Prepaid Expenses	139,173	94,043
Total Current Assets	59,866,336	62,358,787
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	404,998	389,128
Prepaid Prize Expense with MUSL	5,158,260	4,963,850
Total Reserve and Restricted Assets	6,963,258	6,652,978
Capital Assets:		
Equipment	5,946,887	6,113,328
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,831,387)	(4,028,743)
Total Capital Assets	1,180,211	2,149,296
TOTAL ASSETS	\$ 68,009,805	\$ 71,161,061
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,037,850	\$ 1,524,636
Prize Liability	29,079,138	31,067,538
Payable to MUSL	558,899	2,542,212
Wages and Benefits	976	143,045
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,331,449	635,719
Funds Available for Distribution	31,251,367	30,456,593
Total Current Liabilities	64,259,679	66,369,743
Long-Term Liabilities:		
Accrued Annual and Sick Leave	704,192	891,984
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	764,917	952,894
TOTAL LIABILITIES	65,024,596	67,322,637
NET POSITION		
Investment in Capital Assets	1,180,211	2,149,296
Restricted-Licensed Agent Recovery Reserve	404,998	389,128
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET POSITION	2,985,209	3,838,424
TOTAL LIABILITIES AND NET POSITION	\$ 68,009,805	\$ 71,161,061

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE THREE QUARTERS ENDED MARCH 31, 2014 AND 2013
 (UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 411,724,999	\$ 418,677,213
DIRECT OPERATING EXPENSES		
Prize Expense	253,511,761	262,088,066
Retailer Commissions and Bonuses	30,431,028	31,260,091
Cost of Tickets and Vendor Fees	8,178,612	8,177,014
Total Direct Operating Expenses	<u>292,121,401</u>	<u>301,525,171</u>
GROSS PROFIT ON SALE OF TICKETS	<u>119,603,598</u>	<u>117,152,042</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,561,842	8,484,532
Administration Fees Paid to MUSL	72,688	122,257
Wages and Benefits	7,042,281	6,908,709
Professional Services	107,587	98,088
State Agencies Services	199,206	81,433
Department of Revenue Services	375,195	439,659
Travel	36,054	48,434
Equipment	472,705	49,134
Depreciation	720,112	736,790
Accrued Annual and Sick Leave	(153,328)	54,725
Space Rental	564,109	543,610
Rents for Equipment	17,962	23,139
Motorpool Leasing	273,149	273,027
Materials and Supplies	82,189	75,382
Telephone	170,546	131,147
On-Line Telecommunications	322,125	303,458
Data Processing Supplies and Services	247,847	18,156
Equipment Maintenance	189,413	262,379
Printing	22,473	29,480
Delivery Expense	704,786	699,229
Other	112,518	558,603
Total Other Operating Expenses	<u>21,141,459</u>	<u>19,941,371</u>
OTHER OPERATING REVENUE (EXPENSE)	213,975	133,910
TOTAL OPERATING INCOME	<u>98,676,114</u>	<u>97,344,581</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	324,904	344,343
Funds Distributed for Current Year	(68,353,634)	(67,876,806)
Funds Available for Distribution for Current Year	(31,251,367)	(30,456,593)
Total Nonoperating Revenues (Expenses)	<u>(99,280,097)</u>	<u>(97,989,056)</u>
NET INCOME (LOSS)	<u>\$ (603,983)</u>	<u>\$ (644,475)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(603,983)</u>	<u>(644,475)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,985,209</u>	<u>\$ 3,838,424</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE THREE QUARTERS ENDED MARCH 31, 2013 AND 2012
(UNAUDITED)

	FY2014	FY2013
Operating Activities		
Cash received from retailers	\$ 412,896,691	\$ 415,853,047
Cash paid in prizes	(250,333,808)	(251,116,626)
Cash paid in retailer commissions	(27,331,966)	(27,819,114)
Cash payments to suppliers	(23,533,559)	(22,299,585)
Cash payments to employees for services	(7,914,881)	(7,607,117)
Cash paid in retailer bonus	(2,475,201)	(3,618,649)
Net cash provided by operating activities	101,307,276	103,391,956
Noncapital Financing Activities		
Distribution of net proceeds	(105,651,996)	(96,860,882)
Net cash used by noncapital financing activities	(105,651,996)	(96,860,882)
Capital and Related Financing Activities		
Acquisition of capital assets	0	(56,473)
Proceeds from the sale of capital assets	0	0
Net cash used by capital and related financing activities	0	(56,473)
Investing Activities		
Interest received	324,904	344,343
Change in fair market value of investments	0	0
Net cash provided by investing activities	324,904	344,343
Increase (Decrease) in Cash and Investments	(4,019,816)	6,818,944
Cash and Investments, Beginning of Year (including \$1,688,870 and \$1,651,031, respectively, in restricted accounts)	44,240,215	33,517,977
Cash and Investments, End of Period, (including \$1,804,998 and \$1,689,128, respectively, in restricted accounts)	\$ 40,220,399	\$ 40,336,921
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 98,676,113	\$ 97,344,581
<i>Depreciation</i>	720,112	736,790
<i>Loss (gain) on disposition of equipment</i>	0	2,255
<i>Change in:</i>		
<i>Accounts Receivable</i>	444,052	(2,697,841)
<i>Ticket Inventory</i>	(324,051)	(399,756)
<i>Prepaid Expenses</i>	(87,828)	(21,481)
<i>Prepaid Prize Expense with MUSL</i>	(216,766)	30,172
<i>Liabilities(excluding funds available for distribution)</i>	2,095,644	8,397,236
<i>Net cash provided by operating activities</i>	\$ 101,307,276	\$ 103,391,956
Statement of Net Position Classification		
Cash and investments	\$ 38,415,401	\$ 38,647,793
Cash and investments- Licensed Agent Recovery Reserve	404,998	389,128
Cash and investments- Operating Reserve	1,400,000	1,300,000
Cash and Investments, End of Period	\$ 40,220,399	\$ 40,336,921

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
MARCH 31, 2014 AND 2013

(UNAUDITED)

	FY 2014	FY 2013
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,030,513	9,968,357
TOTAL ASSETS	\$ 10,499,513	\$ 10,419,357
 NET POSITION		
Held in Trust for Powerball Winner	10,499,513	10,419,357
TOTAL NET POSITION	\$ 10,499,513	\$ 10,419,357

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE THREE QUARTERS ENDED MARCH 31, 2014 AND 2013

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
Additions		
Investment Income	\$ <u>396,504</u>	\$ <u>407,368</u>
Total Additions	<u>396,504</u>	<u>407,368</u>
 Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	(54,496)	(26,632)
 Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,554,009</u>	<u>10,445,989</u>
End of Period	\$ <u><u>10,499,513</u></u>	\$ <u><u>10,419,357</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE THREE QUARTERS ENDED MARCH 31, 2014
(With Comparative Totals for the Three Quarters Ended March 31, 2013)

	Jackpot Games						FY 14	FY 13	
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$268,511,806	\$23,430,164	\$67,763,976	\$14,422,007	\$31,120,149	\$0	\$6,476,897	\$411,724,999	\$418,677,213
PRIZE EXPENSE	(183,160,972)	(12,136,431)	(32,059,565)	(7,868,226)	(15,262,759)	40,120	(3,063,928)	(253,511,761)	(262,088,066)
NET REVENUE AFTER PRIZES	85,350,834	11,293,733	35,704,411	6,553,781	15,857,390	40,120	3,412,969	158,213,238	156,589,147
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(18,757,694)	(1,402,409)	(4,058,001)	(862,949)	(1,863,205)	0	(387,708)	(27,331,966)	(27,819,114)
Retailer Bonus	(2,419,193)	(120,949)	(258,353)	(119,408)	(132,779)	282	(48,662)	(3,099,062)	(3,440,977)
Cost of Tickets Sold	(1,979,450)	N/A	N/A	N/A	N/A	N/A	N/A	(1,979,450)	(1,848,757)
Telecomm Reimbursements	390,395	34,066	98,523	20,968	45,246	0	9,417	598,615	583,490
Jackpot Vendor Fees	(4,431,984)	(386,607)	(1,118,137)	(237,963)	(515,697)	0	(107,389)	(6,797,777)	(6,911,747)
TOTAL	(27,197,926)	(1,875,899)	(5,335,968)	(1,199,352)	(2,466,435)	282	(534,342)	(38,609,640)	(39,437,105)
GROSS PROFIT ON SALE OF TICKETS	\$58,152,908	\$9,417,834	\$30,368,443	\$5,354,429	\$13,390,955	\$40,402	\$2,878,627	\$119,603,598	\$117,152,042
AVERAGE DAILY TICKET SALES	\$979,970	\$86,512	\$247,314	\$52,635	\$113,577	\$0	\$23,638	\$1,502,646	\$1,528,019

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 THREE QUARTERS ENDED MARCH 31, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense (/)/Ticket Sales	\$183,160,972 268,511,806	\$12,136,431 23,430,164	\$32,059,565 67,763,976	\$7,868,226 14,422,007	\$15,262,759 31,120,149	(\$40,120) 0	\$3,063,928 6,476,897	\$253,511,761 \$411,724,999	\$262,088,066 418,677,213
Prize %	68.21%	51.80%	47.31%	54.56%	49.04%	N/A	47.31%	61.57%	62.60%

COLORADO LOTTERY
BUDGET STATUS
FOR THE THREE (3) QUARTERS ENDED MARCH 31, 2014

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$6,032,615	\$3,063,854	66.3%
Amortization Equal	247,901	180,832	67,069	72.9%
Suppl Amortization Equalization	225,199	162,070	63,129	72.0%
Workmen's Compensation	77,428	58,071	19,357	75.0%
Health and Life	876,940	693,250	183,690	79.1%
Short Term Disability	13,178	9,977	3,201	75.7%
Operating	1,203,156	580,366	622,790	48.2%
Variable Vehicle	206,485	151,037	55,448	73.1%
Leased Space	758,805	557,086	201,719	73.4%
Leased Space-Grand Junction	7,661	5,746	1,915	75.0%
Risk Management	27,049	20,287	6,762	75.0%
Vehicle Lease Payments	160,731	121,834	38,897	75.8%
Travel	113,498	36,054	77,444	31.8%
Purch. Of Services-Computer Center	276,527	207,395	69,132	75.0%
Marketing, Communications & Sales	14,700,000	9,487,013	5,212,987	64.5%
Communications Services	3,029	1,767	1,262	58.3%
Payments to MNT	282,286	211,707	70,579	75.0%
Payments to Other Agencies	239,410	93,770	145,640	39.2%
Legal Services	125,592	61,676	63,916	49.1%
Indirect Costs	500,260	375,195	125,065	75.0%
Ticket Costs-Scratch	6,578,000	2,728,910	3,849,090	41.5%
Research	250,000	74,829	175,171	29.9%
Vendor Fees	12,571,504	7,357,224	5,214,280	58.5%
Prize Payments	424,104,016	253,511,761	170,592,255	59.8%
Retailer Compensation	52,241,350	30,431,028	21,810,322	58.3%
Multi-State Lottery Funds	177,433	72,688	104,745	41.0%
COFRS Modernization	35,657	26,743	8,914	75.0%
OIT Security	13,167	9,875	3,292	75.0%
MNT & AD OIT	45,180	33,885	11,295	75.0%
TOTAL	<u>\$525,157,911</u>	<u>\$313,294,691</u>	<u>\$211,848,633</u>	<u>59.66%</u>

FY14 Staffing - FTE - (Note 4) 117.00 (Appropriated) 121.00 (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	253,511,761
Commissions and Bonuses	30,431,028
Cost of Tickets & Vendor Fees	8,178,612
Operating Expenses	21,141,459
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>313,262,860</u>
Plus: Telecommunications offset classified as revenue	598,615
Less: Non-appropriated expenses and other adjustments	
Depreciation	(720,112)
Accrued Annual and Sick Leave	153,328
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	<u>313,294,691</u>
Plus: Capitalized Fixed Assets	0
	<u>\$313,294,691</u>

- 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 March 31, 2014 is 75.0%.
 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