

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

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

(UNAUDITED)

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2014

COLORADO LOTTERY FINANCIAL STATEMENTS (UNAUDITED)

DISTRIBUTION

Honorable John Hickenlooper	Governor
Ms. Margie Martinez Perusek	Chair, Lottery Commissioner
Ms. Frances Koncilja	Vice-Chair, Lottery Commissioner
Hon. Dennis Maes	Lottery Commissioner
Mr. Jim Bensberg	Lottery Commissioner
Mr. Michael Weatherwax, CPA	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
Mr. Robert Jaros	State Controller
Ms. Dianne Ray	State Auditor

State Library (including 4 hard copies)

Joint Legislative Library

- State Treasurer
- Speaker of the House of Representatives
- President of the Senate
- Senate Minority Leader
- House Minority Leader

STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

Headquarters

225 N. Main Street
Pueblo, CO 81003-3235
(719) 546-2400
(719) 546-5208 Fax



John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

December 10, 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 first quarter ended September 30, 2014 depicts total revenues of \$124.6 million, which includes gross ticket sales of \$124.5 million. Net income before proceeds distributions is \$29.5 million with a decrease in net position of \$0.1 million. Accordingly, a total of \$29.6 million in distributions will have been made by December 1, 2014 in the following manner; over \$14.8 million to the Great Outdoors Colorado Fund, nearly \$3.0 million to the Colorado Parks and Wildlife, over \$11.8 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 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 FIRST QUARTERS ENDED SEPTEMBER 30, 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 first quarters ended September 30, 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 First Quarters Ended September 30,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$124.46		\$137.16	
Nonoperating revenue	0.13		0.17	
TOTAL INCOME	124.59		137.33	
LESS:				
PRIZES	\$76.03	61.1% (1)	\$84.07	61.3% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.27	7.4% (2)	\$10.13	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.42		2.73	
Other Operating Expenses	7.34	(4)	6.85	
TOTAL ADMINISTRATIVE COSTS (Note 3)	9.76	7.8% (3)	9.58	7.0% (3)
	29.53		33.55	
NET CHANGE IN NET ASSETS	(0.13)		(0.15)	
PROCEEDS DISTRIBUTION	\$29.66	23.8% (3)	\$33.70	24.5% (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.

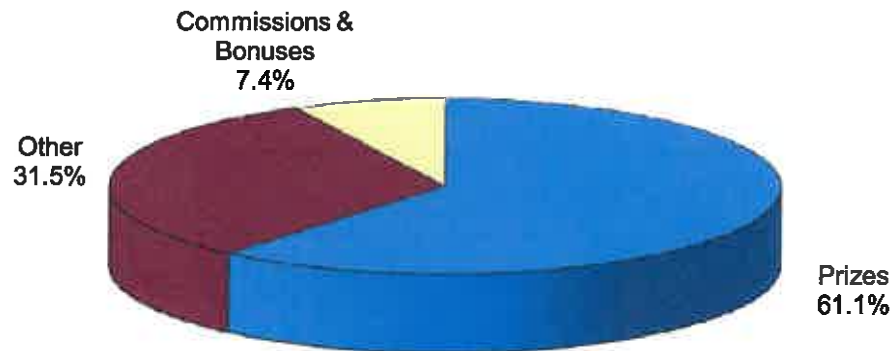
Note 2: Percent of gross ticket sales.

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.

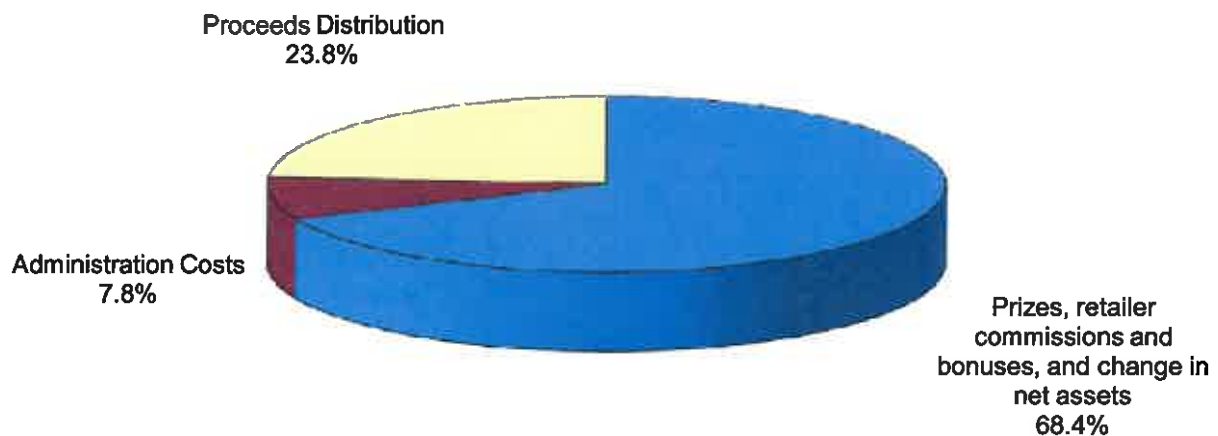
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014

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
SEPTEMBER 30, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2015	FY 2014
Current Assets:		
Cash and Investments	\$ 31,885,210	\$ 34,287,724
Accounts Receivable, net of the allowance for doubtful accounts of \$160,208 in 2014 and \$147,496 in 2013	21,807,130	19,741,825
Consignment Inventory, at Cost	104,076	104,301
Warehouse Inventory, at Cost	1,403,298	1,100,220
Prepaid Expenses	196,649	217,533
Total Current Assets	55,396,363	55,451,603
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	365,573	381,052
Prepaid Prize Expense with MUSL	4,942,454	5,006,640
Total Reserve and Restricted Assets	6,708,027	6,787,692
Capital Assets:		
Equipment	5,948,793	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,167,864)	(4,352,413)
Total Capital Assets	845,640	1,659,185
TOTAL ASSETS	\$ 62,950,030	\$ 63,898,480
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 856,908	\$ 2,194,791
Prize Liability	28,376,874	22,207,773
Payable to MUSL	94,981	782,700
Wages and Benefits	58,813	59,790
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	474,267	579,827
Funds Available for Distribution	29,658,772	33,701,232
Total Current Liabilities	59,520,615	59,526,113
Long-Term Liabilities:		
Accrued Annual and Sick Leave	757,477	871,405
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	818,202	932,130
TOTAL LIABILITIES	60,338,817	60,458,243
NET POSITION		
Investment in Capital Assets	845,640	1,659,185
Restricted-Licensed Agent Recovery Reserve	365,573	381,052
Restricted-Operating Reserve	1,400,000	1,400,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,611,213	3,440,237
TOTAL LIABILITIES AND NET POSITION	\$ 62,950,030	\$ 63,898,480

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2014 AND 2013
(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 124,462,535	\$ 137,163,679
DIRECT OPERATING EXPENSES		
Prize Expense	76,025,647	84,071,855
Retailer Commissions and Bonuses	9,272,633	10,127,174
Cost of Tickets and Vendor Fees	2,417,800	2,729,498
Total Direct Operating Expenses	<u>87,716,080</u>	<u>96,928,527</u>
GROSS PROFIT ON SALE OF TICKETS	<u>36,746,455</u>	<u>40,235,152</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,424,401	2,958,447
Administration Fees Paid to MUSL	21,630	23,150
Wages and Benefits	2,466,829	2,418,251
Professional Services	37,341	27,490
State Agencies Services	166,779	50,259
Department of Revenue Services	145,944	124,827
Travel	29,930	14,775
Equipment	25,526	8,849
Depreciation	138,427	241,137
Accrued Annual and Sick Leave	48,023	12,876
Space Rental	206,850	186,922
Rents for Equipment	6,061	6,166
Motorpool Leasing	96,249	93,671
Materials and Supplies	59,287	48,893
Telephone	84,383	56,995
On-Line Telecommunications	34,390	115,476
Data Processing Supplies and Services	8,913	82,108
Equipment Maintenance	53,249	79,987
Printing	11,799	16,852
Delivery Expense	225,812	245,240
Other	52,389	44,661
Total Other Operating Expenses	<u>7,344,212</u>	<u>6,857,032</u>
OTHER OPERATING REVENUE (EXPENSE)	24,388	61,628
TOTAL OPERATING INCOME	<u>29,426,631</u>	<u>33,439,748</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	102,253	112,529
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(29,658,772)	(33,701,232)
Total Nonoperating Revenues (Expenses)	<u>(29,556,519)</u>	<u>(33,588,703)</u>
NET INCOME (LOSS)	<u>\$ (129,888)</u>	<u>\$ (148,955)</u>
NET POSITION, BEGINNING OF YEAR	2,741,101	3,589,192
Net Change in Net Position	<u>(129,888)</u>	<u>(148,955)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,611,213</u>	<u>\$ 3,440,237</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2014 & 2013
(UNAUDITED)

	<u>FY2014</u>	<u>FY2013</u>
Operating Activities		
Cash received from retailers	\$ 122,137,047	\$ 138,466,259
Cash paid in prizes	(73,495,965)	(87,357,330)
Cash paid in retailer commissions	(8,316,252)	(9,080,347)
Cash payments to suppliers	(9,998,572)	(8,609,084)
Cash payments to employees for services	(3,178,251)	(3,231,028)
Cash paid in retailer bonus	(2,015,811)	(1,174,076)
Net cash provided by operating activities	<u>25,132,196</u>	<u>29,014,394</u>
Noncapital Financing Activities		
Distribution of net proceeds	(30,508,507)	(37,298,362)
Net cash used by noncapital financing activities	<u>(30,508,507)</u>	<u>(37,298,362)</u>
Capital and Related Financing Activities		
Acquisition of capital assets	(26,500)	-
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	<u>(26,500)</u>	<u>-</u>
Investing Activities		
Interest received	102,253	112,529
Change in fair market value of investments	-	-
Net cash provided by investing activities	<u>102,253</u>	<u>112,529</u>
Increase (Decrease) in Cash and Investments	(5,300,558)	(8,171,439)
Cash and Investments, Beginning of Year (including \$1,783,534 and \$1,688,870, respectively, in restricted accounts)	<u>38,951,341</u>	<u>44,240,215</u>
Cash and Investments, End of Period, (including \$1,781,052 and \$1,781,052 respectively, in restricted accounts)	<u>\$ 33,650,783</u>	<u>\$ 36,068,776</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 29,426,631	\$ 33,439,748
<i>Depreciation</i>	138,427	241,137
<i>Loss (gain) on disposition of equipment</i>	-	-
<i>Change in:</i>		
<i> Accounts Receivable</i>	(2,883,602)	518,788
<i> Ticket Inventory</i>	(251,709)	(33,371)
<i> Prepaid Expenses</i>	(12,985)	(166,188)
<i> Prepaid Prize Expense with MUSL</i>	10,364	(65,146)
<i> Liabilities(excluding funds available for distribution)</i>	(1,294,930)	(4,920,574)
Net cash provided by operating activities	<u>\$ 25,132,196</u>	<u>\$ 29,014,394</u>
Statement of Net Position Classification		
Cash and investments	\$ 31,885,210	\$ 34,287,724
Cash and investments- Licensed Agent Recovery Reserve	365,573	381,052
Cash and investments- Operating Reserve	<u>1,400,000</u>	<u>1,400,000</u>
Cash and Investments, End of Period	<u>\$ 33,650,783</u>	<u>\$ 36,068,776</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)

	FY 2015	FY 2014
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,290,823	10,238,421
TOTAL ASSETS	\$ 10,759,823	\$ 10,689,421
 NET POSITION		
Held in Trust for Powerball Winner	10,759,823	10,689,421
TOTAL NET POSITION	\$ 10,759,823	\$ 10,689,421

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2014 AND 2013

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
Additions		
Investment Income	\$ <u>129,762</u>	\$ <u>135,412</u>
Total Additions	<u>129,762</u>	<u>135,412</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	129,762	135,412
Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,630,061</u>	<u>10,554,009</u>
End of Period	\$ <u><u>10,759,823</u></u>	\$ <u><u>10,689,421</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014
(With Comparative Totals for the First Quarters Ended September 30, 2013)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$87,582,048	\$7,330,972	\$15,980,004	\$4,781,420	\$6,577,005	\$2,211,086	\$124,462,535	\$137,163,679
PRIZE EXPENSE	(57,911,007)	(3,684,565)	(7,588,393)	(2,649,749)	(3,073,527)	(1,118,406)	(76,025,647)	(84,071,855)
NET REVENUE AFTER PRIZES	29,671,041	3,646,407	8,391,611	2,131,671	3,503,478	1,092,680	48,436,888	53,091,824
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(6,110,721)	(438,532)	(955,491)	(286,059)	(393,224)	(132,225)	(8,316,252)	(9,080,347)
Retailer Bonus	(737,849)	(33,449)	(107,978)	(37,635)	(24,157)	(15,313)	(956,381)	(1,046,827)
Cost of Tickets Sold	(558,976)	N/A	N/A	N/A	N/A	N/A	(558,976)	(674,156)
Telecomm Reimbursements	137,429	11,503	25,075	7,503	10,320	3,470	195,300	208,880
Jackpot Vendor Fees	(1,445,579)	(120,961)	(263,670)	(78,893)	(108,521)	(36,500)	(2,054,124)	(2,264,222)
TOTAL	(8,715,696)	(581,439)	(1,302,064)	(395,084)	(515,582)	(180,568)	(11,690,433)	(12,856,672)
GROSS PROFIT ON SALE OF TICKETS	<u>\$20,955,345</u>	<u>\$3,064,968</u>	<u>\$7,089,547</u>	<u>\$1,736,587</u>	<u>\$2,987,896</u>	<u>\$912,112</u>	<u>\$36,746,455</u>	<u>\$40,235,152</u>
AVERAGE DAILY TICKET SALES	<u>\$951,979</u>	<u>\$79,684</u>	<u>\$173,696</u>	<u>\$51,972</u>	<u>\$71,489</u>	<u>\$24,034</u>	<u>\$1,352,854</u>	<u>\$1,490,910</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 FIRST QUARTER ENDED SEPTEMBER 30, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
Prize Expense (/)/Ticket Sales	\$57,911,007 87,582,048	\$3,684,565 7,330,972	\$7,588,393 15,980,004	\$2,649,749 4,781,420	\$3,073,527 6,577,005	\$1,118,406 2,211,086	\$76,025,647 \$124,462,535	\$84,071,855 137,163,679
Prize %	<u>66.12%</u>	<u>50.26%</u>	<u>47.49%</u>	<u>55.42%</u>	<u>46.73%</u>	<u>50.58%</u>	<u>61.08%</u>	<u>61.29%</u>

