

***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, 2014

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Ms. Frances Koncilja	Vice-Chair, Lottery Commissioner
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Mr. Michael Weatherwax, CPA	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
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STATE OF COLORADO

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Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

March 11, 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 two quarters ended December 31, 2014 depicts total revenues of \$255.1 million, which includes gross ticket sales of \$254.8 million. Net income before proceeds distributions is \$59.9 million with a decrease in net position of \$0.2 million. Accordingly, a total of \$60.1 million in distributions will have been made by February 27, 2015 in the following manner; nearly \$30.1 million to the Great Outdoors Colorado Fund, \$6.0 million to the Colorado Parks and Wildlife, over \$24.0 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, 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)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE TWO QUARTERS ENDED DECEMBER 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 two quarters ended December 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 Two Quarters Ended December 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$254.80		\$277.29	
Nonoperating revenue	0.31		0.34	
TOTAL INCOME	255.11		277.63	
LESS:				
PRIZES	\$157.14	61.7% (1)	\$169.44	61.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$18.96	7.4% (2)	\$20.49	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.01		5.51	
Other Operating Expenses	14.11	(4)	14.21	
TOTAL ADMINISTRATIVE COSTS (Note 3)	19.12	7.5% (3)	19.72	7.1% (3)
	59.89		67.98	
NET CHANGE IN NET ASSETS	(0.19)		(0.37)	
PROCEEDS DISTRIBUTION	\$60.08	23.6% (3)	\$68.35	24.6% (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.

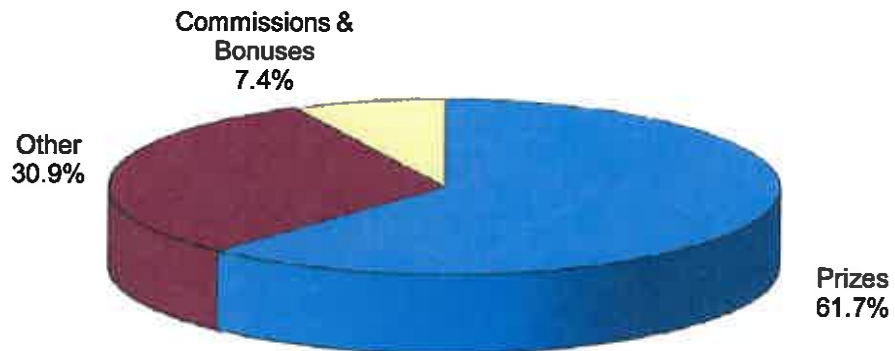
Note 2: Percent of gross ticket sales.

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.

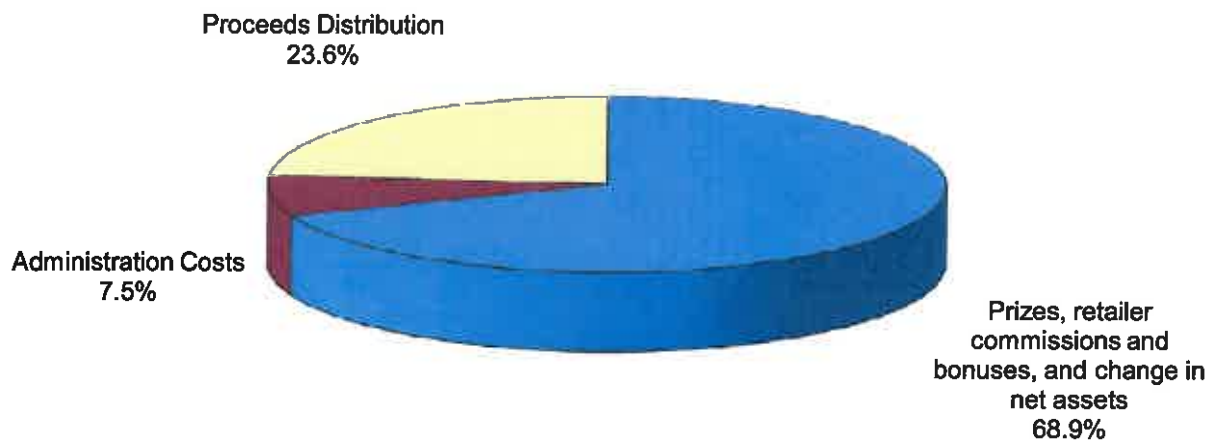
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2014

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
DECEMBER 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2015	FY 2014
Current Assets:		
Cash and Investments	\$ 32,107,582	\$ 35,627,075
Accounts Receivable, net of the allowance for doubtful accounts of \$196,749 in 2014 and \$147,901 in 2013	24,242,863	21,811,115
Consignment Inventory, at Cost	113,590	111,316
Warehouse Inventory, at Cost	1,319,931	1,169,305
Prepaid Expenses	211,615	214,697
Total Current Assets	57,995,581	58,933,508
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	344,496	395,980
Prepaid Prize Expense with MUSL	4,606,804	5,083,601
Total Reserve and Restricted Assets	6,451,300	6,879,581
Capital Assets:		
Equipment	5,948,793	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,307,528)	(4,592,229)
Total Capital Assets	705,976	1,419,369
TOTAL ASSETS	\$ 65,152,857	\$ 67,232,458
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,806,261	\$ 2,262,248
Prize Liability	28,360,573	24,352,523
Payable to MUSL	387,162	712,377
Wages and Benefits	-	118,601
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	794,520	983,685
Funds Available for Distribution	30,422,836	34,652,402
Total Current Liabilities	61,771,352	63,081,836
Long-Term Liabilities:		
Accrued Annual and Sick Leave	770,308	874,548
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	831,033	935,273
TOTAL LIABILITIES	62,602,385	64,017,109
NET POSITION		
Investment in Capital Assets	705,976	1,419,369
Restricted-Licensed Agent Recovery Reserve	344,496	395,980
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,550,472	3,215,349
TOTAL LIABILITIES AND NET POSITION	\$ 65,152,857	\$ 67,232,458

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

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 254,803,312	\$ 277,289,654
DIRECT OPERATING EXPENSES		
Prize Expense	157,147,334	169,439,243
Retailer Commissions and Bonuses	18,960,469	20,487,810
Cost of Tickets and Vendor Fees	5,006,648	5,510,810
Total Direct Operating Expenses	<u>181,114,451</u>	<u>195,437,863</u>
GROSS PROFIT ON SALE OF TICKETS	<u>73,688,861</u>	<u>81,851,791</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	6,387,738	6,053,142
Administration Fees Paid to MUSL	43,260	48,459
Wages and Benefits	4,786,600	4,798,327
Professional Services	183,353	50,470
State Agencies Services	356,063	167,263
Department of Revenue Services	293,388	250,130
Travel	63,733	24,081
Equipment	57,312	466,755
Depreciation	278,091	480,954
Accrued Annual and Sick Leave	67,546	16,778
Space Rental	384,602	377,232
Rents for Equipment	13,107	11,715
Motorpool Leasing	178,993	180,886
Materials and Supplies	86,594	63,823
Telephone	172,282	113,671
On-Line Telecommunications	52,670	212,597
Data Processing Supplies and Services	17,826	168,463
Equipment Maintenance	91,786	129,142
Printing	35,040	38,147
Delivery Expense	487,842	472,476
Other	73,786	90,205
Total Other Operating Expenses	<u>14,111,612</u>	<u>14,214,716</u>
OTHER OPERATING REVENUE (EXPENSE)	87,695	123,661
TOTAL OPERATING INCOME	<u>59,664,944</u>	<u>67,760,736</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	226,035	219,055
Funds Distributed for Current Year	(29,658,772)	(33,701,232)
Funds Available for Distribution for Current Year	(30,422,836)	(34,652,402)
Total Nonoperating Revenues (Expenses)	<u>(59,855,573)</u>	<u>(68,134,579)</u>
NET INCOME (LOSS)	<u>\$ (190,629)</u>	<u>\$ (373,843)</u>
NET POSITION, BEGINNING OF YEAR	2,741,101	3,589,192
Net Change in Net Position	<u>(190,629)</u>	<u>(373,843)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,550,472</u>	<u>\$ 3,215,349</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST TWO QUARTERS ENDED DECEMBER 31, 2014 AND 2013
(UNAUDITED)

	FY2015	FY2014
Operating Activities		
Cash received from retailers	\$ 249,633,394	\$ 276,056,493
Cash paid in prizes	(154,650,420)	(170,861,853)
Cash paid in retailer commissions	(17,037,814)	(18,388,710)
Cash payments to suppliers	(14,751,164)	(15,466,710)
Cash payments to employees for services	(5,563,527)	(5,553,052)
Cash paid in retailer bonus	(2,661,988)	(1,822,789)
Net cash provided by operating activities	54,968,481	63,963,379
Noncapital Financing Activities		
Distribution of net proceeds	(60,167,279)	(70,999,594)
Net cash used by noncapital financing activities	(60,167,279)	(70,999,594)
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	(26,500)	-
Investing Activities		
Interest received	226,035	219,055
Change in fair market value of investments	-	-
Net cash provided by investing activities	226,035	219,055
Increase (Decrease) in Cash and Investments	(4,999,263)	(6,817,160)
Cash and Investments, Beginning of Year (including \$1,783,534 and \$1,688,870, respectively, in restricted accounts)	38,951,341	44,240,215
Cash and Investments, End of Period, (including \$1,844,496 and \$1,795,980 respectively, in restricted accounts)	\$ 33,952,078	\$ 37,423,055
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 59,664,944	\$ 67,760,735
<i>Depreciation</i>	278,091	480,954
<i>Loss (gain) on disposition of equipment</i>	-	-
<i>Change in:</i>		
<i>Accounts Receivable</i>	(5,319,335)	(1,550,502)
<i>Ticket Inventory</i>	(177,856)	(109,471)
<i>Prepaid Expenses</i>	(27,951)	(163,352)
<i>Prepaid Prize Expense with MUSL</i>	346,014	(142,107)
<i>Liabilities(excluding funds available for distribution)</i>	204,574	(2,312,878)
Net cash provided by operating activities	\$ 54,968,481	\$ 63,963,379
Statement of Net Position Classification		
Cash and investments	\$ 32,107,582	\$ 35,627,075
Cash and investments- Licensed Agent Recovery Reserve	344,496	395,980
Cash and investments- Operating Reserve	1,500,000	1,400,000
Cash and Investments, End of Period	\$ 33,952,078	\$ 37,423,055

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

(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>9,930,454</u>	<u>9,901,401</u>
TOTAL ASSETS	\$ <u>10,418,454</u>	\$ <u>10,370,401</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,418,454</u>	<u>10,370,401</u>
TOTAL NET POSITION	\$ <u>10,418,454</u>	\$ <u>10,370,401</u>

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

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
Additions		
Investment Income	\$ <u>257,393</u>	\$ <u>267,392</u>
Total Additions	<u>257,393</u>	<u>267,392</u>
 Deductions		
Prize Payments	<u>469,000</u>	<u>451,000</u>
Change in net position	(211,607)	(183,608)
 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>10,418,454</u></u>	\$ <u><u>10,370,401</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2014
(With Comparative Totals for the Two Quarters Ended December 31, 2013)

	Scratch	Jackpot Games				Pick 3	FY 15	FY 14
		Lotto	Powerball	Cash 5	Mega Millions		Total	Scratch and Jackpot Games
TICKET SALES	\$179,260,560	\$14,541,353	\$31,166,731	\$9,568,242	\$15,936,625	\$4,329,801	\$254,803,312	\$277,289,654
PRIZE EXPENSE	(118,178,923)	(9,047,932)	(14,842,479)	(5,296,520)	(7,639,535)	(2,141,945)	(157,147,334)	(169,439,243)
NET REVENUE AFTER PRIZES	<u>61,081,637</u>	<u>5,493,421</u>	<u>16,324,252</u>	<u>4,271,722</u>	<u>8,297,090</u>	<u>2,187,856</u>	<u>97,655,978</u>	<u>107,850,411</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(12,517,233)	(870,360)	(1,865,156)	(572,567)	(953,505)	(258,993)	(17,037,814)	(18,388,710)
Retailer Bonus	(1,505,031)	(86,068)	(165,826)	(75,862)	(60,235)	(29,633)	(1,922,655)	(2,099,100)
Cost of Tickets Sold	(1,190,431)	N/A	N/A	N/A	N/A	N/A	(1,190,431)	(1,336,291)
Telecomm Reimbursements	274,129	22,236	47,661	14,632	24,371	6,621	389,650	403,500
Jackpot Vendor Fees	(2,952,135)	(241,256)	(517,176)	(158,890)	(264,503)	(71,907)	(4,205,867)	(4,578,019)
TOTAL	<u>(17,890,701)</u>	<u>(1,175,448)</u>	<u>(2,500,497)</u>	<u>(792,687)</u>	<u>(1,253,872)</u>	<u>(353,912)</u>	<u>(23,967,117)</u>	<u>(25,998,620)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$43,190,936</u>	<u>\$4,317,973</u>	<u>\$13,823,755</u>	<u>\$3,479,035</u>	<u>\$7,043,218</u>	<u>\$1,833,944</u>	<u>\$73,688,861</u>	<u>\$81,851,791</u>
AVERAGE DAILY TICKET SALES	<u>\$974,242</u>	<u>\$79,029</u>	<u>\$169,384</u>	<u>\$52,001</u>	<u>\$86,612</u>	<u>\$23,532</u>	<u>\$1,384,801</u>	<u>\$1,507,009</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, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15	FY 14
							Total	Total
Prize Expense (/)/Ticket Sales	\$118,178,923 179,260,560	\$9,047,932 14,541,353	\$14,842,479 31,166,731	\$5,296,520 9,568,242	\$7,639,535 15,936,625	\$2,141,945 4,329,801	\$157,147,334 \$254,803,312	\$169,439,243 277,289,654
Prize %	<u>65.93%</u>	<u>62.22%</u>	<u>47.62%</u>	<u>55.36%</u>	<u>47.94%</u>	<u>49.47%</u>	<u>61.67%</u>	<u>61.11%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) QUARTERS ENDED DECEMBER 31, 2014

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	4,198,015	\$5,146,719	44.9%
Amortization Equal	294,742	132,576	162,166	45.0%
Suppl Amortization Equalization	276,321	122,110	154,211	44.2%
Worker's Compensation	89,739	44,870	44,869	50.0%
Health and Life	953,274	460,458	492,816	48.3%
Short Term Disability	16,213	7,925	8,288	48.9%
Operating	1,203,156	499,644	703,512	41.5%
Variable Vehicle	206,469	95,609	110,860	46.3%
Leased Space	772,800	393,308	379,492	50.9%
Leased Space-Grand Junction	6,465	2,518	3,947	38.9%
Risk Management	27,222	13,611	13,611	50.0%
Vehicle Lease Payments	142,681	82,939	59,742	58.1%
Travel	113,498	63,733	49,765	56.2%
Marketing, Communications & Sales	14,700,000	6,281,973	8,418,027	42.7%
Payments to Other Agencies	239,410	39,039	200,371	16.3%
Legal Services	116,426	20,334	96,092	17.5%
Indirect Costs	586,778	293,388	293,390	50.0%
Ticket Costs-Scratch	6,578,000	1,715,585	4,862,415	26.1%
Research	250,000	105,765	144,235	42.3%
Vendor Fees	12,571,504	4,257,597	8,313,907	33.9%
Prize Payments	424,104,016	157,147,334	266,956,682	37.1%
Retailer Compensation	52,241,350	18,960,469	33,280,881	36.3%
Multi-State Lottery Funds	177,433	43,260	134,173	24.4%
CORE Conversion	35,657	17,826	17,831	50.0%
OIT Payments	593,380	296,690	296,690	50.0%
Postage	7,892	-	7,892	0.0%
TOTAL	<u>\$525,649,160</u>	<u>\$195,296,576</u>	<u>\$330,048,002</u>	<u>37.15%</u>

FY15 Staffing - FTE - (Note 4) 117.00 (Appropriated) 119.00 (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	157,147,334
Commissions and Bonuses	18,960,469
Cost of Tickets & Vendor Fees	5,006,648
Operating Expenses	14,111,612

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 195,226,063

Plus: Telecommunications offset classified as revenue	389,650
Less: Non-appropriated expenses and other adjustments	
Depreciation	(278,091)
Accrued Annual and Sick Leave	(67,546)
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 195,270,076

Plus: Capitalized Fixed Assets	26,500
	0
	<u>\$195,296,576</u>

Note 1 - FY15 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, 2014 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 2015