

***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, 2015**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

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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
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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

Laura Solano  
Lottery Director

June 10, 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 three quarters ended March 31, 2015 depicts total revenues of \$402.6 million, which includes gross ticket sales of \$402.1 million. Net income before proceeds distributions is \$95.9 million with a decrease in net position of \$0.3 million. Accordingly, a total of \$96.2 million in distributions will have been made by June 1, 2015 in the following manner; nearly \$48.1 million to the Great Outdoors Colorado Fund, \$9.6 million to the Colorado Parks and Wildlife, and nearly \$38.5 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, 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 THREE QUARTERS ENDED MARCH 31, 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 three quarters ended March 31, 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 Three Quarters Ended March 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$402.13		\$411.72	
Nonoperating revenue	0.48		0.54	
<b>TOTAL INCOME</b>	<b>402.61</b>		<b>412.26</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$247.06</b>	<b>61.4% (1)</b>	<b>\$253.51</b>	<b>61.6% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$29.83</b>	<b>7.4% (2)</b>	<b>\$30.43</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	8.05		8.18	
Other Operating Expenses	21.80	(4)	21.14	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>29.85</b>	<b>7.4% (3)</b>	<b>29.32</b>	<b>7.1% (3)</b>
	95.87		99.00	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.29)</b>		<b>(0.60)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$96.16</b>	<b>23.9% (3)</b>	<b>\$99.60</b>	<b>24.2% (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.

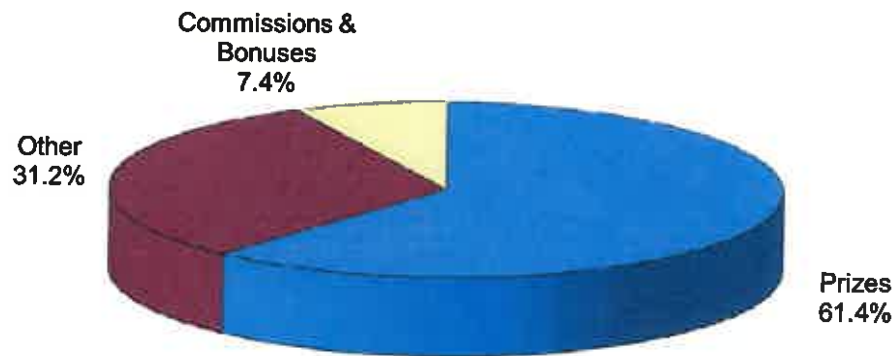
Note 2: Percent of gross ticket sales.

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.

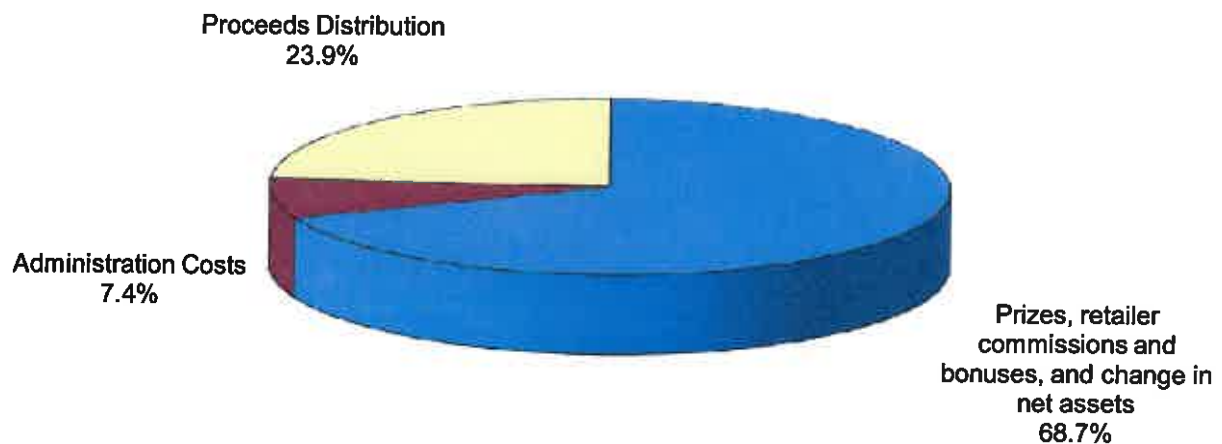
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2015

**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  
MARCH 31, 2015 AND 2014  
(UNAUDITED)

ASSETS	FY 2015	FY 2014
<b>Current Assets:</b>		
Cash and Investments	\$ 39,723,618	\$ 38,415,401
Accounts Receivable, net of the allowance for doubtful accounts of \$196,258 in 2015 and \$150,576 in 2014	22,120,160	19,816,561
Consignment Inventory, at Cost	107,325	94,066
Warehouse Inventory, at Cost	1,075,636	1,401,135
Prepaid Expenses	138,859	139,173
Total Current Assets	63,165,598	59,866,336
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	360,028	404,998
Prepaid Prize Expense with MUSL	4,581,628	5,158,260
Total Reserve and Restricted Assets	6,441,656	6,963,258
<b>Capital Assets:</b>		
Equipment	5,971,272	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,448,441)	(4,831,387)
Total Capital Assets	587,542	1,180,211
<b>TOTAL ASSETS</b>	<b>\$ 70,194,796</b>	<b>\$ 68,009,805</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,372,241	\$ 2,037,850
Prize Liability	28,146,341	29,079,138
Payable to MUSL	62,615	558,899
Wages and Benefits	-	976
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,194,005	1,331,449
Funds Available for Distribution	36,079,643	31,251,367
Total Current Liabilities	66,854,845	64,259,679
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	831,656	704,192
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	892,381	764,917
<b>TOTAL LIABILITIES</b>	<b>67,747,226</b>	<b>65,024,596</b>
<b>NET POSITION</b>		
Investment in Capital Assets	587,542	1,180,211
Restricted-Licensed Agent Recovery Reserve	360,028	404,998
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<b>2,447,570</b>	<b>2,985,209</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 70,194,796</b>	<b>\$ 68,009,805</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE THREE QUARTERS ENDED MARCH 31, 2015 AND 2014  
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 402,129,307	\$ 411,724,999
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	247,054,132	253,511,761
Retailer Commissions and Bonuses	29,830,691	30,431,028
Cost of Tickets and Vendor Fees	8,052,756	8,178,612
Total Direct Operating Expenses	<u>284,937,579</u>	<u>292,121,401</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>117,191,728</u>	<u>119,603,598</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	10,358,005	9,561,842
Administration Fees Paid to MUSL	114,168	72,688
Wages and Benefits	7,161,217	7,042,281
Professional Services	226,204	107,587
State Agencies Services	525,490	199,206
Department of Revenue Services	440,082	375,195
Travel	79,546	36,054
Equipment	49,368	472,705
Depreciation	419,004	720,112
Accrued Annual and Sick Leave	131,419	(153,328)
Space Rental	578,206	564,109
Rents for Equipment	19,895	17,962
Motorpool Leasing	245,430	273,149
Materials and Supplies	103,828	82,189
Telephone	245,283	170,546
On-Line Telecommunications	60,656	322,125
Data Processing Supplies and Services	26,739	247,847
Equipment Maintenance	163,161	189,413
Printing	12,732	22,473
Delivery Expense	732,707	704,786
Other	107,876	112,518
Total Other Operating Expenses	<u>21,801,016</u>	<u>21,141,459</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	135,256	213,975
<b>TOTAL OPERATING INCOME</b>	<u>95,525,968</u>	<u>98,676,114</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	341,752	324,904
Funds Distributed for Current Year	(60,081,608)	(68,353,634)
Funds Available for Distribution for Current Year	(36,079,643)	(31,251,367)
Total Nonoperating Revenues (Expenses)	<u>(95,819,499)</u>	<u>(99,280,097)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (293,531)</u>	<u>\$ (603,983)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,741,101	3,589,192
Net Change in Net Position	<u>(293,531)</u>	<u>(603,983)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,447,570</u>	<u>\$ 2,985,209</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2015 AND 2014  
(UNAUDITED)

	FY2015	FY2014
<b>Operating Activities</b>		
Cash received from retailers	\$ 399,241,797	\$ 412,896,691
Cash paid in prizes	(244,799,304)	(250,333,808)
Cash paid in retailer commissions	(26,824,718)	(27,331,966)
Cash payments to suppliers	(23,401,387)	(23,533,559)
Cash payments to employees for services	(7,940,669)	(7,914,881)
Cash paid in retailer bonus	(3,346,072)	(2,475,201)
Net cash provided by operating activities	92,929,647	101,307,276
<b>Noncapital Financing Activities</b>		
Distribution of net proceeds	(90,590,115)	(105,651,996)
Net cash used by noncapital financing activities	(90,590,115)	(105,651,996)
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	(48,979)	-
Proceeds from the sale of capital assets	-	-
Net cash used by capital and related financing activities	(48,979)	-
<b>Investing Activities</b>		
Interest received	341,752	324,904
Change in fair market value of investments	-	-
Net cash provided by investing activities	341,752	324,904
<b>Increase (Decrease) in Cash and Investments</b>	2,632,305	(4,019,816)
<b>Cash and Investments, Beginning of Year (including \$1,783,534 and \$1,688,870, respectively, in restricted accounts)</b>	38,951,341	44,240,215
<b>Cash and Investments, End of Period, (including \$1,860,028 and \$1,804,998 respectively, in restricted accounts)</b>	\$ 41,583,646	\$ 40,220,399
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<i>Operating income</i>	\$ 95,525,968	\$ 98,676,113
<i>Depreciation</i>	419,004	720,112
<i>Loss (gain) on disposition of equipment</i>	-	-
<i>Change in:</i>		
<i>Accounts Receivable</i>	(3,177,879)	444,052
<i>Ticket Inventory</i>	72,704	(324,051)
<i>Prepaid Expenses</i>	44,805	(87,828)
<i>Prepaid Prize Expense with MUSL</i>	371,190	(216,766)
<i>Liabilities(excluding funds available for distribution)</i>	(326,145)	2,095,644
<i>Net cash provided by operating activities</i>	\$ 92,929,647	\$ 101,307,276
<b>Statement of Net Position Classification</b>		
Cash and investments	\$ 39,723,618	\$ 38,415,401
Cash and investments- Licensed Agent Recovery Reserve	360,028	404,998
Cash and investments- Operating Reserve	1,500,000	1,400,000
<b>Cash and Investments, End of Period</b>	\$ 41,583,646	\$ 40,220,399

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**MARCH 31, 2015 AND 2014**

(UNAUDITED)

<b>ASSETS</b>	<u>FY 2015</u>	<u>FY 2014</u>
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>10,055,312</u>	<u>10,030,513</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,543,312</u></b>	<b>\$ <u>10,499,513</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,543,312</u>	<u>10,499,513</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,543,312</u></b>	<b>\$ <u>10,499,513</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE THREE QUARTERS ENDED MARCH 31, 2015 AND 2014**

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>Additions</b>		
Investment Income	\$ <u>382,251</u>	\$ <u>396,504</u>
<b>Total Additions</b>	<u>382,251</u>	<u>396,504</u>
 <b>Deductions</b>		
Prize Payments	<u>469,000</u>	<u>451,000</u>
<b>Change in net position</b>	(86,749)	(54,496)
 <b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,630,061</u>	<u>10,554,009</u>
End of Period	\$ <u><u>10,543,312</u></u>	\$ <u><u>10,499,513</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE THREE QUARTERS ENDED MARCH 31, 2015**  
(With Comparative Totals for the Three Quarter Ended March 31, 2014)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$276,469,355	\$23,091,693	\$58,147,612	\$14,418,835	\$23,479,014	\$6,522,798	<b>\$402,129,307</b>	\$411,724,999
PRIZE EXPENSE	(183,680,261)	(13,122,044)	(28,011,340)	(7,715,349)	(11,274,561)	(3,250,577)	<b>(247,054,132)</b>	(253,511,761)
NET REVENUE AFTER PRIZES	<u>92,789,094</u>	<u>9,969,649</u>	<u>30,136,272</u>	<u>6,703,486</u>	<u>12,204,453</u>	<u>3,272,221</u>	<u>155,075,175</u>	<u>158,213,238</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(19,304,631)	(1,382,329)	(3,480,230)	(862,711)	(1,404,750)	(390,067)	(26,824,718)	(27,331,966)
Retailer Bonus	(2,358,390)	(122,823)	(274,027)	(113,398)	(91,713)	(45,622)	(3,005,973)	(3,099,062)
Cost of Tickets Sold	(1,877,828)	N/A	N/A	N/A	N/A	N/A	(1,877,828)	(1,979,450)
Telecomm Reimbursements	401,186	33,508	84,378	20,923	34,070	9,465	583,530	598,615
Jackpot Vendor Fees	(4,641,045)	(389,536)	(978,857)	(243,285)	(395,675)	(110,060)	(6,758,458)	(6,797,777)
TOTAL	<u>(27,780,708)</u>	<u>(1,861,180)</u>	<u>(4,648,736)</u>	<u>(1,198,471)</u>	<u>(1,858,068)</u>	<u>(536,284)</u>	<u>(37,883,447)</u>	<u>(38,609,640)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$65,008,386</u>	<u>\$8,108,469</u>	<u>\$25,487,536</u>	<u>\$5,505,015</u>	<u>\$10,346,385</u>	<u>\$2,735,937</u>	<u>\$117,191,728</u>	<u>\$119,603,598</u>
AVERAGE DAILY TICKET SALES	<u>\$1,009,012</u>	<u>\$84,276</u>	<u>\$212,218</u>	<u>\$52,623</u>	<u>\$85,690</u>	<u>\$23,806</u>	<u>\$1,467,625</u>	<u>\$1,502,646</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 THREE QUARTERS ENDED MARCH 31, 2015**

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
	Prize Expense (/)/Ticket Sales	\$183,680,261 276,469,355	\$13,122,044 23,091,693	\$28,011,340 58,147,612	\$7,715,349 14,418,835	\$11,274,561 23,479,014	\$3,250,577 6,522,798	\$247,054,132 \$402,129,307
Prize %	<u>66.44%</u>	<u>56.83%</u>	<u>48.17%</u>	<u>53.51%</u>	<u>48.02%</u>	<u>49.83%</u>	<u>61.44%</u>	<u>61.57%</u>

**COLORADO LOTTERY  
BUDGET STATUS  
FOR THE THREE (3) QUARTERS ENDED MARCH 31, 2015**

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	6,226,518	\$3,118,216	66.6%
Amortization Equal	294,742	199,565	95,177	67.7%
Suppl Amortization Equalization	276,321	183,812	92,509	66.5%
Worker's Compensation	89,739	67,304	22,435	75.0%
Health and Life	953,274	697,741	255,533	73.2%
Short Term Disability	16,213	11,935	4,278	73.6%
Operating	1,203,156	700,113	503,043	58.2%
Variable Vehicle	206,469	126,219	80,250	61.1%
Leased Space	772,800	572,817	199,983	74.1%
Leased Space-Grand Junction	6,465	3,471	2,994	53.7%
Risk Management	27,222	20,417	6,805	75.0%
Vehicle Lease Payments	142,681	119,584	23,097	83.8%
Travel	113,498	79,546	33,952	70.1%
Marketing, Communications & Sales	14,700,000	10,227,240	4,472,760	69.6%
Payments to Other Agencies	239,410	49,530	189,880	20.7%
Legal Services	116,426	30,925	85,501	26.6%
Indirect Costs	586,778	440,082	146,696	75.0%
Ticket Costs-Scratch	6,578,000	2,652,144	3,925,856	40.3%
Research	250,000	130,765	119,235	52.3%
Vendor Fees	12,571,504	6,810,188	5,761,316	54.2%
Prize Payments	424,104,016	247,054,132	177,049,884	58.3%
Retailer Compensation	52,241,350	29,830,691	22,410,659	57.1%
Multi-State Lottery Funds	177,433	114,168	63,265	64.3%
CORE Conversion	35,657	26,739	8,918	75.0%
OIT Payments	593,380	445,035	148,345	75.0%
Postage	7,892	*	7,892	0.0%
<b>TOTAL</b>	<b><u>\$525,649,160</u></b>	<b><u>\$306,820,681</u></b>	<b><u>\$218,672,242</u></b>	<b><u>58.37%</u></b>

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	247,054,132
Commissions and Bonuses	29,830,691
Cost of Tickets & Vendor Fees	8,052,756
Operating Expenses	21,801,016

**Total Expenses per Statement of Revenues, Expenses and Changes in Net Position** 306,738,595

Plus: Telecommunications offset classified as revenue	583,530
Less: Non-appropriated expenses and other adjustments	
Depreciation	(419,004)
Accrued Annual and Sick Leave	(131,419)
Loss on Disposal of Equipment classified as revenue	0

**Sub-Total** 306,771,702

Plus: Capitalized Fixed Assets 48,979  
\$306,820,681

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 March, 2015 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 2015