

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

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

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 30, 2013

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Lottery Director

February 12, 2014

Members of the 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 statements).

The attached financial statements have not been audited.

The financial statements presented for the five months ended November 30, 2013 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 the 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 Department of Revenue

**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 Fiduciary Net Position-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Position-Powerball Annuity Winners Trust Fund	6
Schedule of Revenue and Costs for Completed and In-Progress Games	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

**COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 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 five months ended November 30, 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 Five Months Ended November 30,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$222.79		\$232.46	
Nonoperating revenue	0.30		0.26	
TOTAL INCOME	223.09		232.72	
LESS:				
PRIZES	\$136.05	61.1% (1)	\$142.88	61.5% (1)
RETAILER COMMISSIONS AND BONUSES	\$16.47	7.4% (2)	\$17.31	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	4.44		4.46	
Other Operating Expenses	11.29	(4)	11.10	
TOTAL ADMINISTRATIVE COSTS (Note 3)	15.73	7.1% (3)	15.56	6.7% (3)
	54.84		56.97	
NET CHANGE IN NET ASSETS	(0.30)		(0.38)	
PROCEEDS DISTRIBUTION	\$55.14	24.7% (3)	\$57.35	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.

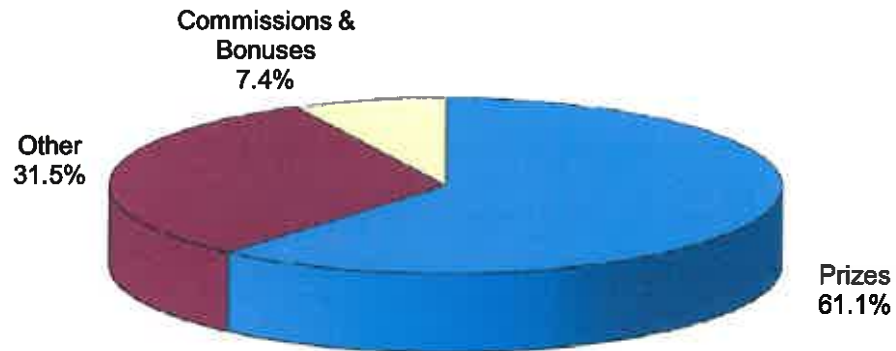
Note 2: Percent of gross ticket sales.

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.

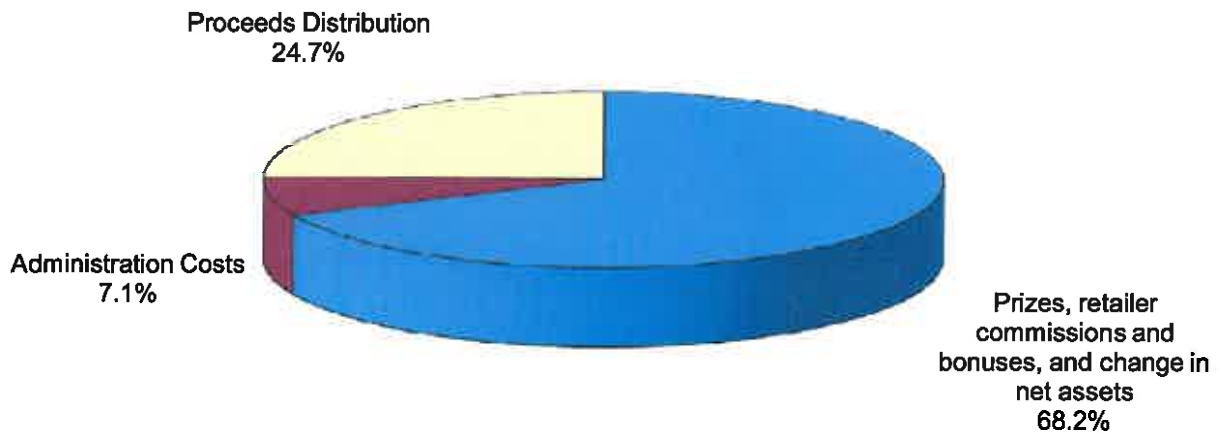
**COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2013**

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
NOVEMBER 30, 2013 AND 2012
(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets:		
Cash and Investments	\$ 24,799,185	\$ 20,720,442
Accounts Receivable, net of the allowance for doubtful accounts of \$148,755 in 2013 and \$144,807 in 2012	20,483,788	33,301,303
Consignment Inventory, at Cost	105,653	128,701
Warehouse Inventory, at Cost	1,140,161	1,362,745
Prepaid Expenses	239,872	142,667
Total Current Assets	46,768,659	55,655,858
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	390,912	370,785
Prepaid Prize Expense with MUSL	5,001,820	5,179,658
Total Reserve and Restricted Assets	6,792,732	6,850,443
Capital Assets:		
Equipment	5,946,887	6,083,517
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,512,510)	(3,713,073)
Total Capital Assets	1,499,088	2,435,155
TOTAL ASSETS	\$ 55,060,479	\$ 64,941,456
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,432,534	\$ 2,147,714
Prize Liability	26,043,946	26,891,661
Payable to MUSL	994,285	3,493,037
Wages and Benefits	98,998	110,367
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	797,525	629,104
Funds Available for Distribution	21,438,527	26,670,161
Total Current Liabilities	50,805,815	59,942,044
Long-Term Liabilities:		
Accrued Annual and Sick Leave	903,939	832,562
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	964,664	893,472
TOTAL LIABILITIES	51,770,479	60,835,516
NET POSITION		
Investment in Capital Assets	1,499,088	2,435,155
Restricted-Licensed Agent Recovery Reserve	390,912	370,785
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET POSITION	3,290,000	4,105,940
TOTAL LIABILITIES AND NET POSITION	\$ 55,060,479	\$ 64,941,456

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2013 AND 2012
(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 222,789,327	\$ 232,464,648
DIRECT OPERATING EXPENSES		
Prize Expense	136,049,985	142,878,255
Retailer Commissions and Bonuses	16,467,089	17,312,649
Cost of Tickets and Vendor Fees	4,443,807	4,464,177
Total Direct Operating Expenses	<u>156,960,881</u>	<u>164,655,081</u>
GROSS PROFIT ON SALE OF TICKETS	<u>65,828,446</u>	<u>67,809,567</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	4,771,882	4,478,208
Administration Fees Paid to MUSL	40,382	92,761
Wages and Benefits	4,009,837	3,805,718
Professional Services	44,019	54,859
State Agencies Services	151,121	64,787
Department of Revenue Services	208,442	244,255
Travel	21,406	28,944
Equipment	32,681	72,760
Depreciation	401,234	409,266
Accrued Annual and Sick Leave	45,939	(4,083)
Space Rental	314,383	300,251
Rents for Equipment	10,166	13,505
Motorpool Leasing	154,181	155,829
Materials and Supplies	59,714	43,593
Telephone	94,766	66,530
On-Line Telecommunications	176,544	169,347
Data Processing Supplies and Services	141,572	11,550
Equipment Maintenance	111,672	132,472
Printing	31,918	37,380
Delivery Expense	387,403	400,534
Other	83,310	518,493
Total Other Operating Expenses	<u>11,292,572</u>	<u>11,096,959</u>
OTHER OPERATING REVENUE (EXPENSE)	113,785	71,121
TOTAL OPERATING INCOME	<u>54,649,659</u>	<u>56,783,729</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	190,908	188,008
Funds Distributed for Current Year	(33,701,232)	(30,678,535)
Funds Available for Distribution for Current Year	(21,438,527)	(26,670,161)
Total Nonoperating Revenues (Expenses)	<u>(54,948,851)</u>	<u>(57,160,688)</u>
NET INCOME (LOSS)	<u>\$ (299,192)</u>	<u>\$ (376,959)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(299,192)</u>	<u>(376,959)</u>
NET POSITION, END OF PERIOD	<u>\$ 3,290,000</u>	<u>\$ 4,105,940</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
NOVEMBER 30, 2013 AND 2012

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,856,929</u>	<u>9,789,313</u>
TOTAL ASSETS	\$ <u>10,325,929</u>	\$ <u>10,240,313</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,325,929</u>	<u>10,240,313</u>
TOTAL NET POSITION	\$ <u>10,325,929</u>	\$ <u>10,240,313</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2013 AND 2012

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
Additions		
Investment Income	\$ <u>222,920</u>	\$ <u>228,324</u>
Total Additions	<u>222,920</u>	<u>228,324</u>
 Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	(228,080)	(205,676)
 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>10,325,929</u></u>	\$ <u><u>10,240,313</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2013
(With Comparative Totals for the Five Months Ended November 30, 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	\$145,163,593	\$13,225,893	\$42,062,330	\$7,977,192	\$10,641,909	\$0	\$3,718,410	\$222,789,327	\$232,464,648
PRIZE EXPENSE	(98,508,989)	(6,464,538)	(19,965,716)	(4,204,962)	(5,126,614)	40,120	(1,819,286)	(136,049,985)	(142,878,255)
NET REVENUE AFTER PRIZES	<u>46,654,604</u>	<u>6,761,355</u>	<u>22,096,614</u>	<u>3,772,230</u>	<u>5,515,295</u>	<u>40,120</u>	<u>1,899,124</u>	<u>86,739,342</u>	<u>89,586,393</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(10,143,213)	(791,829)	(2,519,312)	(477,352)	(637,033)	0	(222,527)	(14,791,266)	(15,371,872)
Retailer Bonus	(1,313,706)	(67,707)	(158,450)	(64,687)	(42,997)	282	(28,558)	(1,675,823)	(1,940,777)
Cost of Tickets Sold	(1,093,967)	N/A	N/A	N/A	N/A	N/A	N/A	(1,093,967)	(955,183)
Telecomm Reimbursements	214,026	19,500	62,016	11,761	15,690	0	5,600	328,593	328,795
Jackpot Vendor Fees	(2,396,404)	(218,228)	(694,031)	(131,624)	(176,601)	0	(61,545)	(3,678,433)	(3,837,789)
TOTAL	<u>(14,733,264)</u>	<u>(1,058,264)</u>	<u>(3,309,777)</u>	<u>(661,902)</u>	<u>(840,941)</u>	<u>282</u>	<u>(307,030)</u>	<u>(20,910,896)</u>	<u>(21,776,826)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$31,921,340</u>	<u>\$5,703,091</u>	<u>\$18,786,837</u>	<u>\$3,110,328</u>	<u>\$4,674,354</u>	<u>\$40,402</u>	<u>\$1,592,094</u>	<u>\$65,828,446</u>	<u>\$67,809,567</u>
AVERAGE DAILY TICKET SALES	<u>\$948,782</u>	<u>\$86,444</u>	<u>\$274,917</u>	<u>\$52,139</u>	<u>\$69,555</u>	<u>\$0</u>	<u>\$24,303</u>	<u>\$1,456,139</u>	<u>\$1,519,377</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 FIVE MONTHS ENDED NOVEMBER 30, 2013

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense	\$98,508,989	\$6,464,538	\$19,965,716	\$4,204,962	\$5,126,614	(\$40,120)	\$1,819,286	\$136,049,985	\$142,878,255
(/)/Ticket Sales	145,163,593	13,225,893	42,062,330	7,977,192	10,641,909	0	3,718,410	\$222,789,327	232,464,648
Prize %	<u>67.86%</u>	<u>48.88%</u>	<u>47.47%</u>	<u>52.71%</u>	<u>48.17%</u>	<u>N/A</u>	<u>48.93%</u>	<u>61.07%</u>	<u>61.46%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2013

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$3,437,459	\$5,659,010	37.8%
Amortization Equal	240,527	96,887	143,640	40.3%
Suppl Amortization Equalization	217,174	85,489	131,685	39.4%
Workmen's Compensation	77,428	32,262	45,166	41.7%
Health and Life	851,601	385,952	465,649	45.3%
Short Term Disability	12,698	5,567	7,131	43.8%
Operating	1,203,156	394,573	808,583	32.8%
Variable Vehicle	207,185	71,579	135,606	34.5%
Leased Space	758,805	310,426	448,379	40.9%
Leased Space-Grand Junction	7,661	3,192	4,469	41.7%
Risk Management	27,049	11,270	15,779	41.7%
Vehicle Lease Payments	160,731	64,500	96,231	40.1%
Travel	113,498	21,406	92,092	18.9%
Purch. Of Services-Computer Center	276,527	115,220	161,307	41.7%
Marketing, Communications & Sales	14,700,000	4,711,662	9,988,338	32.1%
Communications Services	3,029	505	2,524	16.7%
Payments to MNT	282,286	117,615	164,671	41.7%
Payments to Other Agencies	239,410	88,491	150,919	37.0%
Legal Services	125,592	38,320	87,272	30.5%
Indirect Costs	500,260	208,442	291,818	41.7%
Ticket Costs-Scratch	6,578,000	1,521,142	5,056,858	23.1%
Research	250,000	60,220	189,780	24.1%
Vendor Fees	12,571,504	3,755,953	8,815,551	29.9%
Prize Payments	424,104,016	136,049,984	288,054,032	32.1%
Retailer Compensation	52,241,350	16,467,089	35,774,261	31.5%
Multi-State Lottery Funds	177,433	40,382	137,051	22.8%
COFRS Modernization	35,657	14,857	20,800	41.7%
OIT Security	13,167	5,486	7,681	41.7%
MNT & AD OIT	45,180	18,825	26,355	41.7%
TOTAL	<u>\$525,117,393</u>	<u>\$168,134,755</u>	<u>\$356,948,602</u>	<u>32.02%</u>
FY14 Staffing - FTE - (Note 4)	117.00 (Appropriated)		119.30 (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	136,049,985
Commissions and Bonuses	16,467,089
Cost of Tickets & Vendor Fees	4,443,807
Operating Expenses	11,292,572
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>168,253,453</u>
Plus: Telecommunications offset classified as revenue	328,475
Less: Non-appropriated expenses and other adjustments	
Depreciation	(401,234)
Accrued Annual and Sick Leave	(45,939)
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	168,134,755
Plus: Capitalized Fixed Assets	0
	<u>168,134,755</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 November 30, 2013 is 41.7%.

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