

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

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

(UNAUDITED)

FOR THE SEVEN (7) MONTHS ENDED

JANUARY 31, 2014

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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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

April 16, 2014

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 statements).

The attached financial statements have not been audited.

The financial statements presented for the seven months ended January 31, 2014 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)**

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**COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 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 seven months ended January 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 Seven Months Ended January 31,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$318.97		\$322.65	
Nonoperating revenue	0.46		0.37	
TOTAL INCOME	319.43		323.02	
LESS:				
PRIZES	\$195.60	61.3% (1)	\$199.59	61.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$23.58	7.4% (2)	\$24.06	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	6.36		6.25	
Other Operating Expenses	15.99	(4)	15.66	
TOTAL ADMINISTRATIVE COSTS (Note 3)	22.35	7.0% (3)	21.91	6.8% (3)
	77.90		77.46	
NET CHANGE IN NET ASSETS	(0.44)		(0.49)	
PROCEEDS DISTRIBUTION	\$78.34	24.5% (3)	\$77.95	24.1% (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.

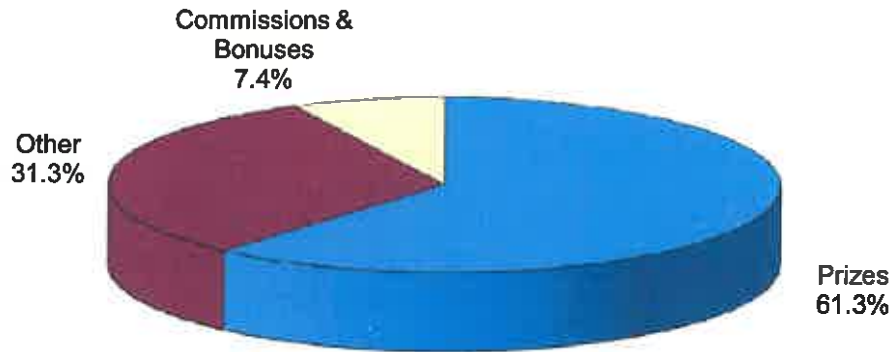
Note 2: Percent of gross ticket sales.

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.

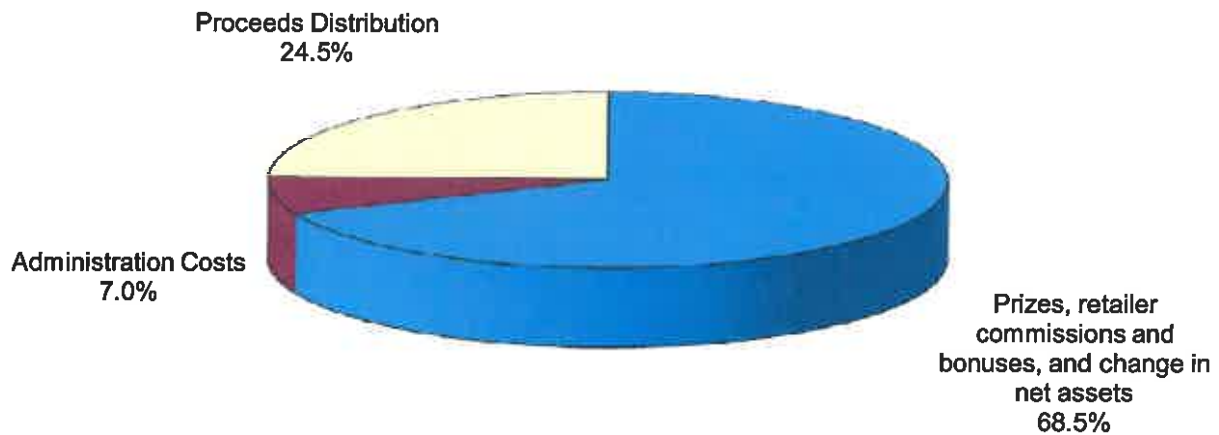
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2014

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
JANUARY 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets:		
Cash and Investments	\$ 47,326,213	\$ 51,695,269
Accounts Receivable, net of the allowance for doubtful accounts of \$144,093 in 2014 and \$151,416 in 2013	19,661,323	20,158,069
Consignment Inventory, at Cost	122,443	111,508
Warehouse Inventory, at Cost	1,183,096	1,199,871
Prepaid Expenses	189,522	120,685
Total Current Assets	68,482,597	73,285,402
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	403,776	375,753
Prepaid Prize Expense with MUSL	5,097,986	4,903,144
Total Reserve and Restricted Assets	6,901,762	6,578,897
Capital Assets:		
Equipment	5,946,887	6,126,496
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,671,949)	(3,876,665)
Total Capital Assets	1,339,649	2,314,542
TOTAL ASSETS	\$ 76,724,008	\$ 82,178,841
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,125,315	\$ 1,104,480
Prize Liability	24,677,143	27,201,271
Payable to MUSL	1,190,586	1,306,315
Wages and Benefits	138,205	69,818
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,071,988	329,602
Funds Available for Distribution	44,640,511	47,277,874
Total Current Liabilities	72,843,748	77,289,360
Long-Term Liabilities:		
Accrued Annual and Sick Leave	676,110	838,276
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	736,835	899,186
TOTAL LIABILITIES	73,580,583	78,188,546
NET POSITION		
Investment in Capital Assets	1,339,649	2,314,542
Restricted-Licensed Agent Recovery Reserve	403,776	375,753
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET POSITION	3,143,425	3,990,295
TOTAL LIABILITIES AND NET POSITION	\$ 76,724,008	\$ 82,178,841

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2014 AND 2013
(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 318,973,998	\$ 322,650,469
DIRECT OPERATING EXPENSES		
Prize Expense	195,604,453	199,591,938
Retailer Commissions and Bonuses	23,577,259	24,063,736
Cost of Tickets and Vendor Fees	6,360,975	6,249,127
Total Direct Operating Expenses	<u>225,542,687</u>	<u>229,904,801</u>
GROSS PROFIT ON SALE OF TICKETS	<u>93,431,311</u>	<u>92,745,668</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	6,776,103	6,687,626
Administration Fees Paid to MUSL	56,535	139,968
Wages and Benefits	5,614,531	5,347,915
Professional Services	78,559	80,661
State Agencies Services	175,459	74,338
Department of Revenue Services	291,818	341,957
Travel	27,857	37,032
Equipment	468,922	45,715
Depreciation	560,673	572,859
Accrued Annual and Sick Leave	(182,025)	1,155
Space Rental	438,321	423,908
Rents for Equipment	13,853	17,739
Motorpool Leasing	210,536	213,113
Materials and Supplies	66,212	69,136
Telephone	132,633	93,471
On-Line Telecommunications	248,649	236,103
Data Processing Supplies and Services	194,775	15,480
Equipment Maintenance	155,944	152,523
Printing	14,285	17,036
Delivery Expense	554,835	555,156
Other	96,474	533,672
Total Other Operating Expenses	<u>15,994,949</u>	<u>15,656,563</u>
OTHER OPERATING REVENUE (EXPENSE)	203,629	109,252
TOTAL OPERATING INCOME	<u>77,639,991</u>	<u>77,198,357</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	255,985	265,448
Funds Distributed for Current Year	(33,701,232)	(30,678,535)
Funds Available for Distribution for Current Year	(44,640,511)	(47,277,874)
Total Nonoperating Revenues (Expenses)	<u>(78,085,758)</u>	<u>(77,690,961)</u>
NET INCOME (LOSS)	<u>\$ (445,767)</u>	<u>\$ (492,604)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(445,767)</u>	<u>(492,604)</u>
NET POSITION, END OF PERIOD	<u>\$ 3,143,425</u>	<u>\$ 3,990,295</u>

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

(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>9,945,873</u>	<u>9,881,055</u>
TOTAL ASSETS	\$ <u>10,414,873</u>	\$ <u>10,332,055</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,414,873</u>	<u>10,332,055</u>
TOTAL NET POSITION	\$ <u>10,414,873</u>	\$ <u>10,332,055</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2014 AND 2013

(UNAUDITED)

	FY 2014	FY 2013
Additions		
Investment Income	\$ <u>311,864</u>	\$ <u>320,066</u>
Total Additions	<u>311,864</u>	<u>320,066</u>
Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	(139,136)	(113,934)
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>10,414,873</u></u>	\$ <u><u>10,332,055</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2014
(With Comparative Totals for the Seven (7) Months Ended January 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	\$207,863,054	\$18,402,546	\$53,302,030	\$11,217,215	\$23,134,059	\$0	\$5,055,094	\$318,973,998	\$322,650,469
PRIZE EXPENSE	(140,608,909)	(9,852,721)	(25,262,795)	(6,202,436)	(11,326,971)	40,120	(2,390,741)	(195,604,453)	(199,591,938)
NET REVENUE AFTER PRIZES	<u>67,254,145</u>	<u>8,549,825</u>	<u>28,039,235</u>	<u>5,014,779</u>	<u>11,807,088</u>	<u>40,120</u>	<u>2,664,353</u>	<u>123,369,545</u>	<u>123,058,531</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(14,519,591)	(1,101,359)	(3,191,516)	(671,133)	(1,385,021)	0	(302,530)	(21,171,150)	(21,409,602)
Retailer Bonus	(1,870,242)	(99,788)	(205,682)	(93,883)	(98,802)	282	(37,994)	(2,406,109)	(2,654,134)
Cost of Tickets Sold	(1,558,420)	N/A	N/A	N/A	N/A	N/A	N/A	(1,558,420)	(1,385,330)
Telecomm Reimbursements	302,036	26,740	77,450	16,299	33,615	0	7,345	463,485	463,400
Jackpot Vendor Fees	(3,430,946)	(303,651)	(879,514)	(185,084)	(382,917)	0	(83,928)	(5,266,040)	(5,327,197)
TOTAL	<u>(21,077,163)</u>	<u>(1,478,058)</u>	<u>(4,199,262)</u>	<u>(933,801)</u>	<u>(1,833,125)</u>	<u>282</u>	<u>(417,107)</u>	<u>(29,938,234)</u>	<u>(30,312,863)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$46,176,982</u>	<u>\$7,071,767</u>	<u>\$23,839,973</u>	<u>\$4,080,978</u>	<u>\$9,973,963</u>	<u>\$40,402</u>	<u>\$2,247,246</u>	<u>\$93,431,311</u>	<u>\$92,745,668</u>
AVERAGE DAILY TICKET SALES	<u>\$966,805</u>	<u>\$85,593</u>	<u>\$247,916</u>	<u>\$52,173</u>	<u>\$107,600</u>	<u>\$0</u>	<u>\$23,512</u>	<u>\$1,483,600</u>	<u>\$1,500,700</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 SEVEN (7) MONTHS ENDED JANUARY 31, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense	\$140,608,909	\$9,852,721	\$25,262,795	\$6,202,436	\$11,326,971	(\$40,120)	\$2,390,741	\$195,604,453	\$199,591,938
(/) Ticket Sales	<u>207,863,054</u>	<u>18,402,546</u>	<u>53,302,030</u>	<u>11,217,215</u>	<u>23,134,059</u>	<u>0</u>	<u>5,055,094</u>	<u>\$318,973,998</u>	<u>322,650,469</u>
Prize %	<u>67.64%</u>	<u>53.54%</u>	<u>47.40%</u>	<u>55.29%</u>	<u>48.96%</u>	<u>N/A</u>	<u>47.29%</u>	<u>61.32%</u>	<u>61.86%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2014

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$4,827,804	\$4,268,665	53.1%
Amortization Equal	247,901	137,846	110,055	55.6%
Suppl Amortization Equalization	225,199	122,477	102,722	54.4%
Workmen's Compensation	77,428	45,166	32,262	58.3%
Health and Life	876,940	540,671	336,269	61.7%
Short Term Disability	13,178	7,760	5,418	58.9%
Operating	1,203,156	470,514	732,642	39.1%
Variable Vehicle	202,985	119,794	83,191	59.0%
Leased Space	758,805	432,876	325,929	57.0%
Leased Space-Grand Junction	7,661	4,469	3,192	58.3%
Risk Management	27,049	15,779	11,270	58.3%
Vehicle Lease Payments	160,731	90,364	70,367	56.2%
Travel	113,498	27,823	85,675	24.5%
Purch. Of Services-Computer Center	276,527	161,308	115,219	58.3%
Marketing, Communications & Sales	14,700,000	6,697,974	8,002,026	45.6%
Communications Services	3,029	1,010	2,019	33.3%
Payments to MNT	282,286	164,661	117,625	58.3%
Payments to Other Agencies	239,410	93,296	146,114	39.0%
Legal Services	125,592	48,127	77,465	38.3%
Indirect Costs	500,260	291,818	208,442	58.3%
Ticket Costs-Scratch	6,578,000	2,153,026	4,424,974	32.7%
Research	250,000	74,829	175,171	29.9%
Vendor Fees	12,571,504	5,799,998	6,771,506	46.1%
Prize Payments	424,104,016	195,604,453	228,499,563	46.1%
Retailer Compensation	52,241,350	23,577,259	28,664,091	45.1%
Multi-State Lottery Funds	177,433	56,535	120,898	31.9%
COFRS Modernization	35,657	20,800	14,857	58.3%
OIT Security	13,167	7,681	5,486	58.3%
MNT & AD OIT	45,180	26,355	18,825	58.3%
TOTAL	<u>\$525,154,411</u>	<u>\$241,622,473</u>	<u>\$283,507,627</u>	<u>46.01%</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	195,604,453
Commissions and Bonuses	23,577,259
Cost of Tickets & Vendor Fees	6,360,975
Operating Expenses	15,994,949

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 241,537,636

Plus: Telecommunications offset classified as revenue	463,485
Less: Non-appropriated expenses and other adjustments	
Depreciation	(560,673)
Accrued Annual and Sick Leave	182,025
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 241,622,473

Plus: Capitalized Fixed Assets 0
\$241,622,473

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 January 31, 2014 is 58.3%.

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