

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

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

(UNAUDITED)

FOR THE EIGHT (8) MONTHS ENDED

FEBRUARY 28, 2014

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
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Pueblo, CO 81003
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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

May 14, 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 eight months ended February 28, 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
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Ms. Margie Martinez Perusek	Chair, Lottery Commissioner
Ms. Robin Wise	Vice-Chair, Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
Ms. Frances Koncilja	Lottery Commissioner
Hon. Dennis Maes	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	
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**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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 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 eight months ended February 28, 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 Eight Months Ended February 28,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$363.89		\$366.36	
Nonoperating revenue	0.51		0.43	
TOTAL INCOME	364.40		366.79	
LESS:				
PRIZES	\$223.10	61.3% (1)	\$227.46	62.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$26.89	7.4% (2)	\$27.34	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.26		7.13	
Other Operating Expenses	18.40	(4)	17.82	
TOTAL ADMINISTRATIVE COSTS (Note 3)	25.66	7.0% (3)	24.95	6.8% (3)
	88.75		87.04	
NET CHANGE IN NET ASSETS	(0.51)		(0.57)	
PROCEEDS DISTRIBUTION	\$89.26	24.5% (3)	\$87.61	23.9% (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.

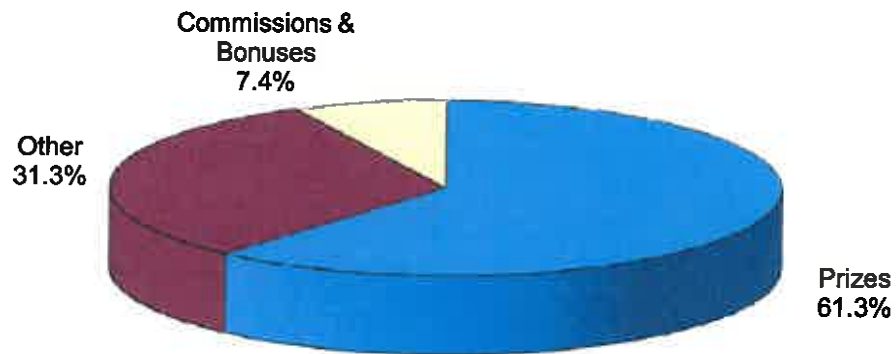
Note 2: Percent of gross ticket sales.

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.

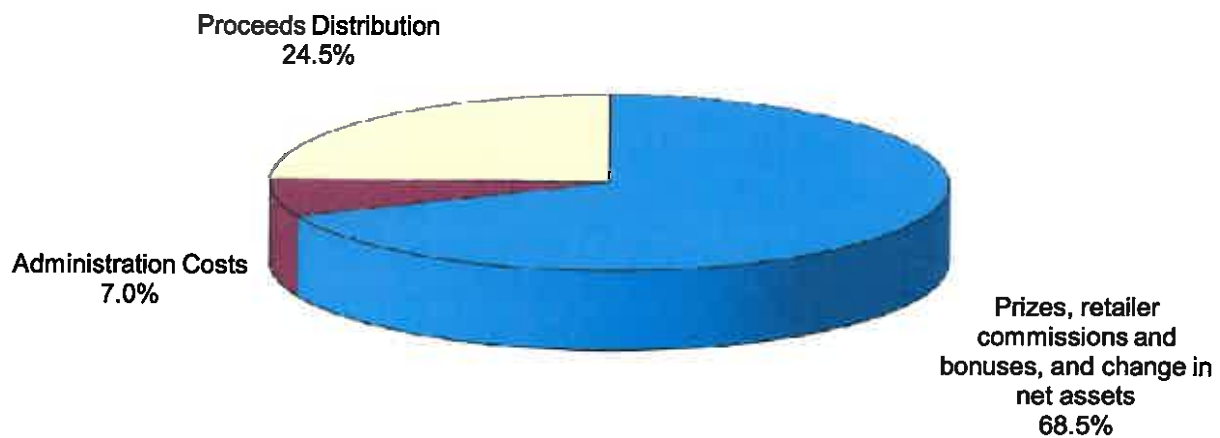
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2014

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
FEBRUARY 28, 2014 AND 2013
(UNAUDITED)

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>
Current Assets:		
Cash and Investments	\$ 27,841,715	\$ 63,931,993
Accounts Receivable, net of the allowance for doubtful accounts of \$144,244 in 2014 and \$151,273 in 2013	19,049,672	19,459,013
Consignment Inventory, at Cost	103,142	116,650
Warehouse Inventory, at Cost	1,514,165	1,108,089
Prepaid Expenses	164,348	108,663
Total Current Assets	<u>48,673,042</u>	<u>84,724,408</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	407,538	379,837
Prepaid Prize Expense with MUSL	5,119,434	4,930,423
Total Reserve and Restricted Assets	<u>6,926,972</u>	<u>6,610,260</u>
Capital Assets:		
Equipment	5,946,887	6,113,328
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(4,751,668)</u>	<u>(3,947,325)</u>
Total Capital Assets	<u>1,259,930</u>	<u>2,230,714</u>
TOTAL ASSETS	<u>\$ 56,859,944</u>	<u>\$ 93,565,382</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,786,676	\$ 1,378,813
Prize Liability	26,931,184	29,313,174
Payable to MUSL	2,031,019	524,622
Wages and Benefits	157,809	106,432
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,210,023	451,477
Funds Available for Distribution	20,910,006	56,930,029
Total Current Liabilities	<u>53,026,717</u>	<u>88,704,547</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	705,034	889,374
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	<u>765,759</u>	<u>950,284</u>
TOTAL LIABILITIES	<u>53,792,476</u>	<u>89,654,831</u>
NET POSITION		
Investment in Capital Assets	1,259,930	2,230,714
Restricted-Licensed Agent Recovery Reserve	407,538	379,837
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	<u>0</u>	<u>0</u>
TOTAL NET POSITION	<u>3,067,468</u>	<u>3,910,551</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 56,859,944</u>	<u>\$ 93,565,382</u>

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2014 AND 2013
 (UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 363,892,518	\$ 366,357,530
DIRECT OPERATING EXPENSES		
Prize Expense	223,103,852	227,458,244
Retailer Commissions and Bonuses	26,889,760	27,342,992
Cost of Tickets and Vendor Fees	7,263,385	7,128,875
Total Direct Operating Expenses	<u>257,256,997</u>	<u>261,930,111</u>
GROSS PROFIT ON SALE OF TICKETS	<u>106,635,521</u>	<u>104,427,419</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,909,844	7,597,115
Administration Fees Paid to MUSL	64,611	114,883
Wages and Benefits	6,428,389	6,109,701
Professional Services	85,154	92,874
State Agencies Services	188,688	77,889
Department of Revenue Services	333,507	390,808
Travel	32,400	43,561
Equipment	470,113	47,652
Depreciation	640,392	655,371
Accrued Annual and Sick Leave	(152,595)	51,946
Space Rental	501,175	489,521
Rents for Equipment	16,368	21,001
Motorpool Leasing	240,226	245,017
Materials and Supplies	68,891	72,548
Telephone	151,633	112,134
On-Line Telecommunications	286,032	270,020
Data Processing Supplies and Services	221,999	40,487
Equipment Maintenance	171,034	201,408
Printing	18,386	21,139
Delivery Expense	620,441	622,012
Other	104,724	546,837
Total Other Operating Expenses	<u>18,401,412</u>	<u>17,823,924</u>
OTHER OPERATING REVENUE (EXPENSE)	211,803	119,427
TOTAL OPERATING INCOME	<u>88,445,912</u>	<u>86,722,922</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	296,004	313,294
Funds Distributed for Current Year	(68,353,634)	(30,678,535)
Funds Available for Distribution for Current Year	(20,910,006)	(56,930,029)
Total Nonoperating Revenues (Expenses)	<u>(88,967,636)</u>	<u>(87,295,270)</u>
NET INCOME (LOSS)	<u>\$ (521,724)</u>	<u>\$ (572,348)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(521,724)</u>	<u>(572,348)</u>
NET POSITION, END OF PERIOD	<u>\$ 3,067,468</u>	<u>\$ 3,910,551</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
FEBRUARY 28, 2014 AND 2013

(UNAUDITED)

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,986,041</u>	<u>9,922,486</u>
TOTAL ASSETS	\$ <u>10,455,041</u>	\$ <u>10,373,486</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>10,455,041</u>	<u>10,373,486</u>
TOTAL NET POSITION	\$ <u>10,455,041</u>	\$ <u>10,373,486</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2014 AND 2013

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
Additions		
Investment Income	\$ <u>352,032</u>	\$ <u>361,497</u>
Total Additions	<u>352,032</u>	<u>361,497</u>
Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	(98,968)	(72,503)
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>10,455,041</u></u>	\$ <u><u>10,373,486</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2014
(With Comparative Totals for the Eight (8) Months Ended February 28, 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	\$235,927,564	\$20,620,063	\$62,959,985	\$12,724,884	\$25,962,163	\$0	\$5,697,859	\$363,892,518	\$366,357,530
PRIZE EXPENSE	(160,040,871)	(10,883,897)	(29,859,844)	(6,986,928)	(12,718,496)	40,120	(2,653,936)	(223,103,852)	(227,458,244)
NET REVENUE AFTER PRIZES	<u>75,886,693</u>	<u>9,736,166</u>	<u>33,100,141</u>	<u>5,737,956</u>	<u>13,243,667</u>	<u>40,120</u>	<u>3,043,923</u>	<u>140,788,666</u>	<u>138,899,286</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(16,481,475)	(1,234,145)	(3,770,159)	(761,374)	(1,554,355)	0	(341,029)	(24,142,537)	(24,341,126)
Retailer Bonus	(2,133,340)	(109,691)	(243,880)	(106,263)	(111,762)	282	(42,569)	(2,747,223)	(3,001,866)
Cost of Tickets Sold	(1,779,097)	N/A	N/A	N/A	N/A	N/A	N/A	(1,779,097)	(1,603,920)
Telecomm Reimbursements	339,460	29,669	90,589	18,309	37,355	0	8,198	523,580	523,410
Jackpot Vendor Fees	(3,894,344)	(340,240)	(1,038,871)	(209,961)	(429,918)	0	(94,534)	(6,007,868)	(6,048,365)
TOTAL	<u>(23,948,796)</u>	<u>(1,654,407)</u>	<u>(4,962,321)</u>	<u>(1,059,289)</u>	<u>(2,058,680)</u>	<u>282</u>	<u>(469,934)</u>	<u>(34,153,145)</u>	<u>(34,471,867)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$51,937,897</u>	<u>\$8,081,759</u>	<u>\$28,137,820</u>	<u>\$4,678,667</u>	<u>\$11,184,987</u>	<u>\$40,402</u>	<u>\$2,573,989</u>	<u>\$106,635,521</u>	<u>\$104,427,419</u>
AVERAGE DAILY TICKET SALES	<u>\$970,895</u>	<u>\$84,856</u>	<u>\$259,095</u>	<u>\$52,366</u>	<u>\$106,840</u>	<u>\$0</u>	<u>\$23,448</u>	<u>\$1,497,500</u>	<u>\$1,507,644</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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense	\$160,040,871	\$10,883,897	\$29,859,844	\$6,986,928	\$12,718,496	(\$40,120)	\$2,653,936	\$223,103,852	\$227,458,244
(/)/Ticket Sales	235,927,564	20,620,063	62,959,985	12,724,884	25,962,163	0	5,697,859	\$363,892,518	366,357,530
Prize %	67.83%	52.78%	47.43%	54.91%	48.99%	N/A	46.58%	61.31%	62.09%

COLORADO LOTTERY
BUDGET STATUS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2014

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$5,521,611	\$3,574,858	60.7%
Amortization Equal	247,901	159,664	88,237	64.4%
Suppl Amortization Equalization	225,199	142,573	82,626	63.3%
Workmen's Compensation	77,428	51,619	25,809	66.7%
Health and Life	876,940	617,225	259,715	70.4%
Short Term Disability	13,178	8,876	4,302	67.4%
Operating	1,203,156	519,170	683,986	43.2%
Variable Vehicle	202,985	135,674	67,311	66.8%
Leased Space	758,805	494,945	263,860	65.2%
Leased Space-Grand Junction	7,661	5,107	2,554	66.7%
Risk Management	27,049	18,033	9,016	66.7%
Vehicle Lease Payments	160,731	104,274	56,457	64.9%
Travel	113,498	32,400	81,098	28.5%
Purch. Of Services-Computer Center	276,527	184,351	92,176	66.7%
Marketing, Communications & Sales	14,700,000	7,835,177	6,864,823	53.3%
Communications Services	3,029	1,767	1,262	58.3%
Payments to MNT	282,286	188,184	94,102	66.7%
Payments to Other Agencies	239,410	93,572	145,838	39.1%
Legal Services	125,592	56,217	69,375	44.8%
Indirect Costs	500,260	333,507	166,753	66.7%
Ticket Costs-Scratch	6,578,000	2,439,309	4,138,691	37.1%
Research	250,000	74,829	175,171	29.9%
Vendor Fees	12,571,504	6,555,216	6,016,288	52.1%
Prize Payments	424,104,016	223,103,852	201,000,164	52.6%
Retailer Compensation	52,241,350	26,889,760	25,351,590	51.5%
Multi-State Lottery Funds	177,433	64,611	112,822	36.4%
COFRS Modernization	35,657	23,771	11,886	66.7%
OIT Security	13,167	8,778	4,389	66.7%
MNT & AD OIT	45,180	30,120	15,060	66.7%
TOTAL	<u>\$525,154,411</u>	<u>\$275,694,192</u>	<u>\$249,440,770</u>	<u>52.50%</u>

FY14 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	223,103,852
Commissions and Bonuses	26,889,760
Cost of Tickets & Vendor Fees	7,263,385
Operating Expenses	18,401,412
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>275,658,409</u>
Plus: Telecommunications offset classified as revenue	523,580
Less: Non-appropriated expenses and other adjustments	
Depreciation	(640,392)
Accrued Annual and Sick Leave	152,595
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	275,694,192
Plus: Capitalized Fixed Assets	0
	<u>\$275,694,192</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 February 28, 2014 is 66.7%.

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