

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

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

**(UNAUDITED)**

**FOR THE TEN MONTHS (10) MONTHS ENDED**

**APRIL 30, 2014**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

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**COLORADO LOTTERY DIVISION**

Department of Revenue

**Headquarters**

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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Laura Solano  
Lottery Director

July 9, 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 ten months ended April 30, 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 TEN (10) MONTHS ENDED APRIL 30, 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 ten months ended April 30, 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 Ten Months Ended April 30,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$457.03		\$464.66	
Nonoperating revenue	0.59		0.52	
<b>TOTAL INCOME</b>	<b>457.62</b>		<b>465.18</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$281.70</b>	<b>61.6% (1)</b>	<b>\$291.71</b>	<b>62.8% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$33.80</b>	<b>7.4% (2)</b>	<b>\$34.70</b>	<b>7.5% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	9.10		9.10	
Other Operating Expenses	23.60	(4)	22.14	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>32.70</b>	<b>7.1% (3)</b>	<b>31.24</b>	<b>6.7% (3)</b>
	109.42		107.53	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.66)</b>		<b>(0.72)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$110.08</b>	<b>24.1% (3)</b>	<b>\$108.25</b>	<b>23.3% (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.

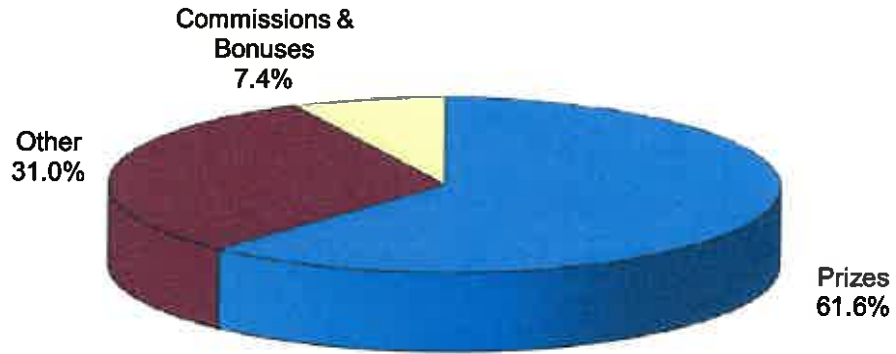
Note 2: Percent of gross ticket sales.

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.

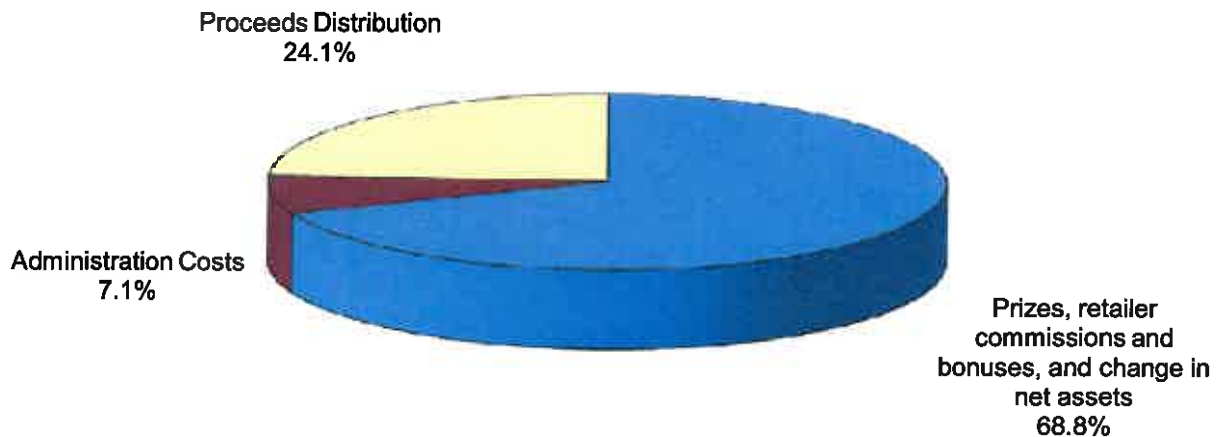
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE TEN MONTHS ENDED APRIL 30, 2014

**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  
APRIL 30, 2014 AND 2013  
(UNAUDITED)

ASSETS	FY 2014	FY 2013
<b>Current Assets:</b>		
Cash and Investments	\$ 47,599,428	\$ 45,439,128
Accounts Receivable, net of the allowance for doubtful accounts of \$120,489 in 2014 and \$131,440 in 2013	22,192,890	23,082,486
Consignment Inventory, at Cost	97,506	141,032
Warehouse Inventory, at Cost	1,205,041	1,261,074
Prepaid Expenses	113,998	86,575
Total Current Assets	71,208,863	70,010,295
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	410,366	390,167
Prepaid Prize Expense with MUSL	4,952,785	4,987,960
Total Reserve and Restricted Assets	6,763,151	6,678,127
<b>Capital Assets:</b>		
Equipment	5,965,066	6,113,328
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,911,106)	(4,110,163)
Total Capital Assets	1,118,671	2,067,876
<b>TOTAL ASSETS</b>	<b>\$ 79,090,685</b>	<b>\$ 78,756,298</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,597,780	\$ 2,342,356
Prize Liability	30,219,491	30,540,136
Payable to MUSL	408,372	314,793
Wages and Benefits	976	139,450
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,433,169	342,582
Funds Available for Distribution	41,718,436	40,376,109
Total Current Liabilities	75,378,224	74,055,426
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	722,699	881,919
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	783,424	942,829
<b>TOTAL LIABILITIES</b>	<b>76,161,648</b>	<b>74,998,255</b>
<b>NET POSITION</b>		
Investment in Capital Assets	1,118,671	2,067,876
Restricted-Licensed Agent Recovery Reserve	410,366	390,167
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
<b>TOTAL NET POSITION</b>	<b>2,929,037</b>	<b>3,758,043</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 79,090,685</b>	<b>\$ 78,756,298</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE TEN (10) MONTHS ENDED APRIL 30, 2014 AND 2013  
 (UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 457,033,514	\$ 464,664,977
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	281,701,042	291,705,384
Retailer Commissions and Bonuses	33,802,435	34,704,128
Cost of Tickets and Vendor Fees	<u>9,101,198</u>	<u>9,101,871</u>
Total Direct Operating Expenses	<u>324,604,675</u>	<u>335,511,383</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>132,428,839</u>	<u>129,153,594</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	10,748,249	9,542,025
Administration Fees Paid to MUSL	80,764	129,631
Wages and Benefits	7,838,345	7,649,784
Professional Services	114,490	103,106
State Agencies Services	214,733	84,457
Department of Revenue Services	416,883	488,510
Travel	39,931	57,908
Equipment	484,650	49,768
Depreciation	799,831	818,209
Accrued Annual and Sick Leave	(134,940)	44,141
Space Rental	626,976	604,511
Rents for Equipment	20,752	27,742
Motorpool Leasing	307,631	302,880
Materials and Supplies	88,007	79,755
Telephone	192,024	150,272
On-Line Telecommunications	358,498	337,315
Data Processing Supplies and Services	276,013	44,645
Equipment Maintenance	204,348	250,945
Printing	22,199	18,032
Delivery Expense	782,580	794,301
Other	121,211	567,142
Total Other Operating Expenses	<u>23,603,175</u>	<u>22,145,079</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	224,484	140,727
<b>TOTAL OPERATING INCOME</b>	<u>109,050,148</u>	<u>107,149,242</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	361,767	378,817
Funds Distributed for Current Year	(68,353,634)	(67,876,806)
Funds Available for Distribution for Current Year	<u>(41,718,436)</u>	<u>(40,376,109)</u>
Total Nonoperating Revenues (Expenses)	<u>(109,710,303)</u>	<u>(107,874,098)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (660,155)</u>	<u>\$ (724,856)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	3,589,192	4,482,899
Net Change in Net Position	<u>(660,155)</u>	<u>(724,856)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,929,037</u>	<u>\$ 3,758,043</u>



**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**APRIL 30, 2014 AND 2013**

(UNAUDITED)

	FY 2014	FY 2013
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	10,073,551	10,012,748
<b>TOTAL ASSETS</b>	\$ 10,542,551	\$ 10,463,748
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	10,542,551	10,463,748
<b>TOTAL NET POSITION</b>	\$ 10,542,551	\$ 10,463,748

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE TEN MONTHS ENDED APRIL 30, 2014 AND 2013**

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Additions</b>		
Investment Income	\$ <u>439,542</u>	\$ <u>451,759</u>
Total Additions	<u>439,542</u>	<u>451,759</u>
<b>Deductions</b>		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	(11,458)	17,759
<b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,554,009</u>	<u>10,445,989</u>
End of Period	\$ <u><u>10,542,551</u></u>	\$ <u><u>10,463,748</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE TEN MONTHS ENDED APRIL 30, 2014**  
(With Comparative Totals for the Ten Months Ended April 30, 2013)

	Scratch	Jackpot Games					Pick 3	FY 14	FY 13
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III		Total	Scratch and Jackpot Games
<b>TICKET SALES</b>	\$301,175,659	\$26,654,495	\$73,039,845	\$16,022,783	\$32,941,989	\$0	\$7,198,743	\$457,033,514	\$464,664,977
<b>PRIZE EXPENSE</b>	(205,284,045)	(13,576,774)	(34,575,656)	(8,682,299)	(16,144,611)	40,120	(3,477,777)	(281,701,042)	(291,705,384)
<b>NET REVENUE AFTER PRIZES</b>	<u>95,891,614</u>	<u>13,077,721</u>	<u>38,464,189</u>	<u>7,340,484</u>	<u>16,797,378</u>	<u>40,120</u>	<u>3,720,966</u>	<u>175,332,472</u>	<u>172,959,593</u>
<b>COMMISSIONS, BONUSES, TICKET COSTS &amp; VENDOR FEES (Note 1)</b>									
Retailer Commission	(21,042,099)	(1,595,504)	(4,374,087)	(958,685)	(1,972,319)	0	(430,935)	(30,373,629)	(30,900,821)
Retailer Bonus	(2,694,864)	(133,565)	(276,723)	(131,135)	(138,419)	282	(54,382)	(3,428,806)	(3,803,307)
Cost of Tickets Sold	(2,213,879)	N/A	N/A	N/A	N/A	N/A	N/A	(2,213,879)	(2,089,594)
Telecomm Reimbursements	434,046	38,414	105,263	23,092	47,475	0	10,375	658,665	658,355
Jackpot Vendor Fees	(4,971,521)	(439,808)	(1,205,188)	(264,376)	(545,791)	0	(119,300)	(7,545,984)	(7,670,632)
<b>TOTAL</b>	<u>(30,488,317)</u>	<u>(2,130,463)</u>	<u>(5,750,735)</u>	<u>(1,331,104)</u>	<u>(2,609,054)</u>	<u>282</u>	<u>(594,242)</u>	<u>(42,903,633)</u>	<u>(43,805,999)</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>\$65,403,297</u>	<u>\$10,947,258</u>	<u>\$32,713,454</u>	<u>\$6,009,380</u>	<u>\$14,188,324</u>	<u>\$40,402</u>	<u>\$3,126,724</u>	<u>\$132,428,839</u>	<u>\$129,153,594</u>
<b>AVERAGE DAILY TICKET SALES</b>	<u>\$990,709</u>	<u>\$87,679</u>	<u>\$240,263</u>	<u>\$52,707</u>	<u>\$108,362</u>	<u>\$0</u>	<u>\$23,680</u>	<u>\$1,503,400</u>	<u>\$1,528,503</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 TEN MONTHS ENDED APRIL 30, 2014**

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense	\$205,284,045	\$13,576,774	\$34,575,656	\$8,682,299	\$16,144,611	(\$40,120)	\$3,477,777	\$281,701,042	\$291,705,384
(/)/Ticket Sales	301,175,659	26,654,495	73,039,845	16,022,783	32,941,989	0	7,198,743	\$457,033,514	464,664,977
<b>Prize %</b>	<u>68.16%</u>	<u>50.94%</u>	<u>47.34%</u>	<u>54.19%</u>	<u>49.01%</u>	<u>N/A</u>	<u>48.31%</u>	<u>61.64%</u>	<u>62.78%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE TEN (10) MONTHS ENDED APRIL 30, 2014

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$6,710,823	\$2,385,646	73.8%
Amortization Equal	247,901	202,060	45,841	81.5%
Suppl Amortization Equalization	225,199	181,622	43,577	80.6%
Workmen's Compensation	77,428	64,523	12,905	83.3%
Health and Life	876,940	769,276	107,664	87.7%
Short Term Disability	13,178	11,076	2,102	84.0%
Operating	1,203,156	645,673	557,483	53.7%
Variable Vehicle	206,485	166,939	39,546	80.8%
Leased Space	758,805	619,173	139,632	81.6%
Leased Space-Grand Junction	7,661	6,384	1,277	83.3%
Risk Management	27,049	22,541	4,508	83.3%
Vehicle Lease Payments	160,731	140,414	20,317	87.4%
Travel	113,498	39,931	73,567	35.2%
Purch. Of Services-Computer Center	276,527	230,439	46,088	83.3%
Marketing, Communications & Sales	14,700,000	10,653,445	4,046,555	72.5%
Communications Services	3,029	1,767	1,262	58.3%
Payments to MNT	282,286	235,230	47,056	83.3%
Payments to Other Agencies	239,410	96,496	142,914	40.3%
Legal Services	125,592	69,614	55,978	55.4%
Indirect Costs	500,260	416,883	83,377	83.3%
Ticket Costs-Scratch	6,578,000	3,042,122	3,535,878	46.2%
Research	250,000	94,804	155,196	37.9%
Vendor Fees	12,571,504	8,117,812	4,453,692	64.6%
Prize Payments	424,104,016	281,701,042	142,402,974	66.4%
Retailer Compensation	52,241,350	33,802,435	18,438,915	64.7%
Multi-State Lottery Funds	177,433	80,764	96,669	45.5%
COFRS Modernization	35,657	29,714	5,943	83.3%
OIT Security	13,167	10,972	2,195	83.3%
MNT & AD OIT	45,180	37,650	7,530	83.3%
<b>TOTAL</b>	<u>\$525,157,911</u>	<u>\$348,201,624</u>	<u>\$176,946,562</u>	<u>66.30%</u>
<b>FY14 Staffing - FTE - (Note 4)</b>	<b>117.00 (Appropriated)</b>		<b>121.00 (Projected)</b>	

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	281,701,042
Commissions and Bonuses	33,802,435
Cost of Tickets & Vendor Fees	9,101,198
Operating Expenses	23,603,175
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u>348,207,850</u>
Plus: Telecommunications offset classified as revenue	658,665
Less: Non-appropriated expenses and other adjustments	
Depreciation	(799,831)
Accrued Annual and Sick Leave	134,940
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<b>348,201,624</b>
Plus: Capitalized Fixed Assets	0
	<u>\$348,201,624</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 April 30, 2014 is 83.3%.

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