

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

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

(UNAUDITED)

FOR THE ELEVEN MONTHS (11) MONTHS ENDED

MAY 31, 2014

**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

Laura Solano
Lottery Director

August 13, 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 eleven months ended May 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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 Eleven Months Ended May 31,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$502.84		\$523.42	
Nonoperating revenue	0.70		0.58	
TOTAL INCOME	503.54		524.00	
LESS:				
PRIZES	\$310.38	61.7% (1)	\$324.15	61.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$37.20	7.4% (2)	\$39.05	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	9.98		10.29	
Other Operating Expenses	25.86	(4)	25.26	
TOTAL ADMINISTRATIVE COSTS (Note 3)	35.84	7.1% (3)	35.55	6.8% (3)
	120.12		125.25	
NET CHANGE IN NET ASSETS	(0.73)		(0.80)	
PROCEEDS DISTRIBUTION	\$120.85	24.0% (3)	\$126.05	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.

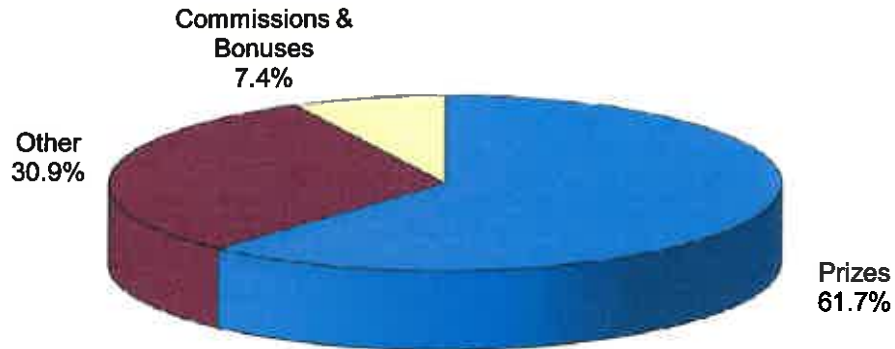
Note 2: Percent of gross ticket sales.

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.

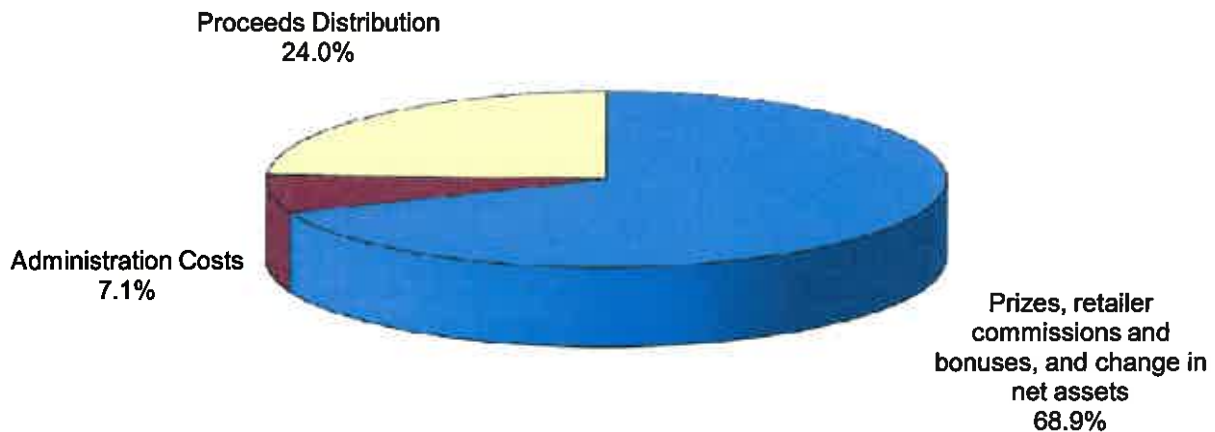
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014

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
MAY 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets:		
Cash and Investments	\$ 32,114,513	\$ 36,527,656
Accounts Receivable, net of the allowance for doubtful accounts of \$119,739 in 2014 and \$131,154 in 2013	19,339,877	18,592,858
Consignment Inventory, at Cost	102,031	120,928
Warehouse Inventory, at Cost	1,318,955	1,121,478
Prepaid Expenses	88,823	66,991
Total Current Assets	52,964,199	56,429,911
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	415,921	395,400
Prepaid Prize Expense with MUSL	4,952,785	5,021,063
Total Reserve and Restricted Assets	6,768,706	6,716,463
Capital Assets:		
Equipment	5,965,066	5,981,057
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,991,246)	(4,059,311)
Total Capital Assets	1,038,531	1,986,457
TOTAL ASSETS	\$ 60,771,436	\$ 65,132,831
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,556,677	\$ 4,958,198
Prize Liability	31,385,312	26,065,218
Payable to MUSL	1,403,923	978,111
Wages and Benefits	976	172,118
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,549,562	615,958
Funds Available for Distribution	21,245,274	27,718,905
Total Current Liabilities	57,141,724	60,508,508
Long-Term Liabilities:		
Accrued Annual and Sick Leave	714,535	881,556
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	775,260	942,466
TOTAL LIABILITIES	57,916,984	61,450,974
NET POSITION		
Investment in Capital Assets	1,038,531	1,986,457
Restricted-Licensed Agent Recovery Reserve	415,921	395,400
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET POSITION	2,854,452	3,681,857
TOTAL LIABILITIES AND NET POSITION	\$ 60,771,436	\$ 65,132,831

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2014 AND 2013
(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 502,841,718	\$ 523,416,921
DIRECT OPERATING EXPENSES		
Prize Expense	310,380,492	324,148,637
Retailer Commissions and Bonuses	37,201,902	39,047,189
Cost of Tickets and Vendor Fees	9,986,768	10,287,062
Total Direct Operating Expenses	<u>357,569,162</u>	<u>373,482,888</u>
GROSS PROFIT ON SALE OF TICKETS	<u>145,272,556</u>	<u>149,934,033</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	11,709,806	11,628,026
Administration Fees Paid to MUSL	88,840	137,005
Wages and Benefits	8,598,594	8,440,493
Professional Services	162,546	110,665
State Agencies Services	225,820	90,260
Department of Revenue Services	458,572	374,660
Travel	43,251	80,020
Equipment	494,651	41,797
Depreciation	879,970	899,627
Accrued Annual and Sick Leave	(143,362)	43,050
Space Rental	689,843	664,635
Rents for Equipment	22,553	30,294
Motorpool Leasing	339,032	335,444
Materials and Supplies	95,429	81,596
Telephone	212,104	169,533
On-Line Telecommunications	394,911	370,813
Data Processing Supplies and Services	302,809	48,551
Equipment Maintenance	251,109	263,678
Printing	26,802	21,288
Delivery Expense	879,036	856,299
Other	127,774	574,768
Total Other Operating Expenses	<u>25,860,090</u>	<u>25,262,502</u>
OTHER OPERATING REVENUE (EXPENSE)	297,664	159,824
TOTAL OPERATING INCOME	<u>119,710,130</u>	<u>124,831,355</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	405,405	419,907
Funds Distributed for Current Year	(99,605,001)	(98,333,399)
Funds Available for Distribution for Current Year	(21,245,274)	(27,718,905)
Total Nonoperating Revenues (Expenses)	<u>(120,444,870)</u>	<u>(125,632,397)</u>
NET INCOME (LOSS)	<u>\$ (734,740)</u>	<u>\$ (801,042)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(734,740)</u>	<u>(801,042)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,854,452</u>	<u>\$ 3,681,857</u>

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

(UNAUDITED)

	FY 2014	FY 2013
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,118,023	10,058,618
TOTAL ASSETS	\$ 10,587,023	\$ 10,509,618
 NET POSITION		
Held in Trust for Powerball Winner	10,587,023	10,509,618
TOTAL NET POSITION	\$ 10,587,023	\$ 10,509,618

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014 AND 2013

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
Additions		
Investment Income	\$ <u>484,014</u>	\$ <u>497,629</u>
Total Additions	<u>484,014</u>	<u>497,629</u>
 Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	33,014	63,629
 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>10,587,023</u></u>	\$ <u><u>10,509,618</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2014
(With Comparative Totals for the Eleven Months Ended May 31, 2013)

	Scratch	Jackpot Games					Pick 3	FY 14	FY 13
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III		Total	Scratch and Jackpot Games
TICKET SALES	\$332,885,477	\$30,478,324	\$78,622,076	\$17,626,676	\$35,253,203	\$0	\$7,975,962	\$502,841,718	\$523,416,921
PRIZE EXPENSE	(227,361,089)	(15,193,427)	(37,285,753)	(9,517,636)	(17,238,613)	40,120	(3,824,094)	(310,380,492)	(324,148,637)
NET REVENUE AFTER PRIZES	105,524,388	15,284,897	41,336,323	8,109,040	18,014,590	40,120	4,151,868	192,461,226	199,268,284
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(23,256,568)	(1,824,460)	(4,708,418)	(1,054,647)	(2,110,627)	0	(477,451)	(33,432,171)	(34,732,861)
Retailer Bonus	(2,976,413)	(149,420)	(294,882)	(143,036)	(146,748)	282	(59,514)	(3,769,731)	(4,314,328)
Cost of Tickets Sold	(2,403,733)	N/A	N/A	N/A	N/A	N/A	N/A	(2,403,733)	(2,359,168)
Telecomm Reimbursements	475,845	43,567	112,387	25,197	50,393	0	11,401	718,790	718,050
Jackpot Vendor Fees	(5,494,733)	(502,902)	(1,297,296)	(290,840)	(583,929)	0	(132,125)	(8,301,825)	(8,645,944)
TOTAL	(33,655,602)	(2,433,215)	(6,188,209)	(1,463,326)	(2,790,911)	282	(657,689)	(47,188,670)	(49,334,251)
GROSS PROFIT ON SALE OF TICKETS	\$71,868,786	\$12,851,682	\$35,148,114	\$6,645,714	\$15,223,679	\$40,402	\$3,494,179	\$145,272,556	\$149,934,033
AVERAGE DAILY TICKET SALES	\$993,688	\$90,980	\$234,693	\$52,617	\$105,233	\$0	\$23,809	\$1,501,020	\$1,562,439

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 ELEVEN MONTHS ENDED MAY 31, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14 Total	FY 13 Total
Prize Expense (/)/Ticket Sales	\$227,361,089 332,885,477	\$15,193,427 30,478,324	\$37,285,753 78,622,076	\$9,517,636 17,626,676	\$17,238,613 35,253,203	(\$40,120) 0	\$3,824,094 7,975,962	\$310,380,492 \$502,841,718	\$324,148,637 523,416,921
Prize %	68.30%	49.85%	47.42%	54.00%	48.90%	N/A	47.95%	61.73%	61.93%

**COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2014**

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$7,393,929	\$1,702,540	81.3%
Amortization Equal	247,901	223,727	24,174	90.2%
Suppl Amortization Equalization	225,199	201,579	23,620	89.5%
Workmen's Compensation	77,428	70,976	6,452	91.7%
Health and Life	876,940	845,301	31,639	96.4%
Short Term Disability	13,178	12,190	988	92.5%
Operating	1,203,156	758,981	444,175	63.1%
Variable Vehicle	207,785	184,703	23,082	88.9%
Leased Space	758,805	681,260	77,545	89.8%
Leased Space-Grand Junction	7,661	7,022	639	91.7%
Risk Management	27,049	24,795	2,254	91.7%
Vehicle Lease Payments	160,731	154,176	6,555	95.9%
Travel	113,498	43,217	70,281	38.1%
Purch. Of Services-Computer Center	276,527	253,483	23,044	91.7%
Marketing, Communications & Sales	14,700,000	11,563,029	3,136,971	78.7%
Communications Services	3,029	2,019	1,010	66.7%
Payments to MNT	282,286	258,753	23,533	91.7%
Payments to Other Agencies	239,410	100,011	139,399	41.8%
Legal Services	125,592	72,324	53,268	57.6%
Indirect Costs	500,260	458,572	41,688	91.7%
Ticket Costs-Scratch	6,578,000	3,329,309	3,248,691	50.6%
Research	250,000	146,779	103,221	58.7%
Vendor Fees	12,571,504	8,886,073	3,685,431	70.7%
Prize Payments	424,104,016	310,380,492	113,723,524	73.2%
Retailer Compensation	52,241,350	37,201,902	15,039,448	71.2%
Multi-State Lottery Funds	177,433	88,840	88,593	50.1%
COFRS Modernization	35,657	32,686	2,971	91.7%
OIT Security	13,167	12,070	1,097	91.7%
MNT & AD OIT	45,180	41,415	3,765	91.7%
TOTAL	<u><u>\$525,159,211</u></u>	<u><u>\$383,429,613</u></u>	<u><u>\$141,724,736</u></u>	<u><u>73.01%</u></u>

FY14 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.00 (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	310,380,492
Commissions and Bonuses	37,201,902
Cost of Tickets & Vendor Fees	9,986,768
Operating Expenses	25,860,090
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>383,429,252</u>
Plus: Telecommunications offset classified as revenue	718,790
Less: Non-appropriated expenses and other adjustments	
Depreciation	(879,970)
Accrued Annual and Sick Leave	143,362
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	383,411,434
Plus: Capitalized Fixed Assets	18,179
	<u><u>\$383,429,613</u></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 May 31, 2014 is 91.7%.

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