

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

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

**(UNAUDITED)**

**FOR THE ONE (1) MONTH ENDED**

**JULY 31, 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

October 8, 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 one month ended July 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 ONE (1) MONTH ENDED JULY 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 one month ended July 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 One Month Ended July 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$41.00		\$44.60	
Nonoperating revenue	0.05		0.03	
<b>TOTAL INCOME</b>	<b>41.05</b>		<b>44.63</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$25.09</b>	<b>61.2% (1)</b>	<b>\$28.27</b>	<b>63.4% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$3.05</b>	<b>7.4% (2)</b>	<b>\$3.31</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	0.80		0.92	
Other Operating Expenses	2.20	(4)	1.91	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>3.00</b>	<b>7.3% (3)</b>	<b>2.83</b>	<b>6.3% (3)</b>
	9.91		10.22	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.04)</b>		<b>(0.09)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$9.95</b>	<b>24.2% (3)</b>	<b>\$10.31</b>	<b>23.1% (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.

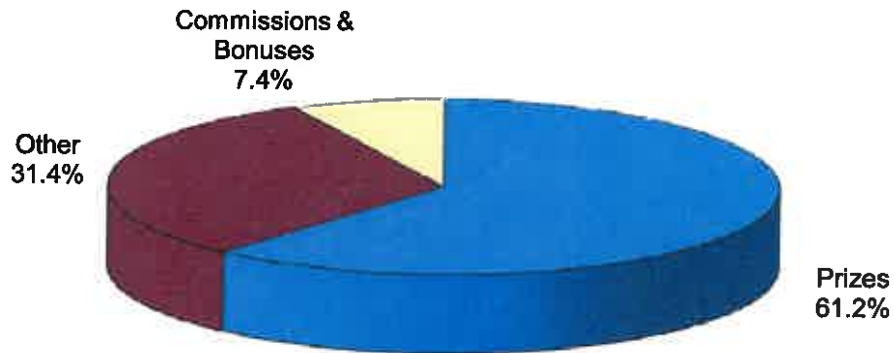
Note 2: Percent of gross ticket sales.

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.

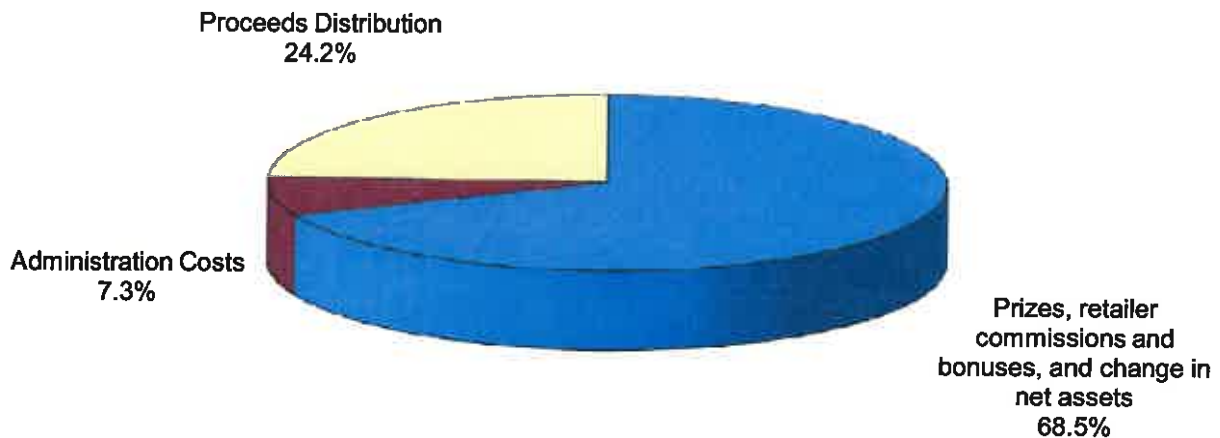
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE ONE MONTH ENDED JULY 31, 2014

**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  
JULY 31, 2014 AND 2013  
(UNAUDITED)

ASSETS	FY 2015	FY 2014
<b>Current Assets:</b>		
Cash and Investments	\$ 53,610,141	\$ 47,129,748
Accounts Receivable, net of the allowance for doubtful accounts of \$156,313 in 2014 and \$147,187 in 2013	13,724,351	22,778,510
Consignment Inventory, at Cost	119,590	122,263
Warehouse Inventory, at Cost	1,408,788	1,189,705
Prepaid Expenses	111,274	174,624
Total Current Assets	68,974,144	71,394,850
<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	383,679	376,380
Prepaid Prize Expense with MUSL	4,952,819	4,959,777
Total Reserve and Restricted Assets	6,736,498	6,636,157
<b>Capital Assets:</b>		
Equipment	5,922,293	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,075,170)	(4,191,655)
Total Capital Assets	911,834	1,819,943
<b>TOTAL ASSETS</b>	<b>\$ 76,622,476</b>	<b>\$ 79,850,950</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 6,746,530	\$ 1,452,276
Prize Liability	25,366,077	24,487,726
Payable to MUSL	271,184	1,526,697
Wages and Benefits	19,604	20,581
Accrued Annual and Sick Leave	9,306	-
Retailer Bonus Liability	269,765	303,533
Funds Available for Distribution	40,460,806	47,609,731
Total Current Liabilities	73,143,272	75,400,544
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	722,966	893,358
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	783,691	954,083
<b>TOTAL LIABILITIES</b>	<b>73,926,963</b>	<b>76,354,627</b>
<b>NET POSITION</b>		
Investment in Capital Assets	911,834	1,819,943
Restricted-Licensed Agent Recovery Reserve	383,679	376,380
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	-	-
Total Net Position	2,695,513	3,496,323
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 76,622,476</b>	<b>\$ 79,850,950</b>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE ONE (1) MONTH-ENDED JULY 31, 2014 AND 2013  
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 41,003,573	\$ 44,596,849
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	25,090,834	28,269,369
Retailer Commissions and Bonuses	3,047,511	3,311,408
Cost of Tickets and Vendor Fees	800,406	922,764
Total Direct Operating Expenses	<u>28,938,751</u>	<u>32,503,541</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>12,064,822</u>	<u>12,093,308</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	790,633	508,640
Administration Fees Paid to MUSL	7,211	7,750
Wages and Benefits	841,540	832,390
Professional Services	7,179	11,113
State Agencies Services	52,439	13,688
Department of Revenue Services	48,648	38,046
Travel	12,189	8,335
Equipment	26,782	1,645
Depreciation	45,733	80,379
Accrued Annual and Sick Leave	21,083	35,574
Space Rental	64,160	61,977
Rents for Equipment	1,551	1,817
Motorpool Leasing	29,096	29,702
Materials and Supplies	39,815	20,261
Telephone	25,112	18,932
On-Line Telecommunications	36,250	23,993
Data Processing Supplies and Services	0	31,054
Equipment Maintenance	72,328	54,779
Printing	3,368	5,178
Delivery Expense	62,848	99,965
Other	14,643	23,408
Total Other Operating Expenses	<u>2,202,608</u>	<u>1,908,626</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	<b>10,936</b>	<b>(4,504)</b>
<b>TOTAL OPERATING INCOME</b>	<u><b>9,873,150</b></u>	<u><b>10,180,178</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	33,561	38,322
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(9,952,299)	(10,311,369)
Total Nonoperating Revenues (Expenses)	<u>(9,918,738)</u>	<u>(10,273,047)</u>
<b>NET INCOME (LOSS)</b>	<u><b>\$ (45,588)</b></u>	<u><b>\$ (92,869)</b></u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>2,741,101</b>	<b>3,589,192</b>
<b>Net Change in Net Position</b>	<u><b>(45,588)</b></u>	<u><b>(92,869)</b></u>
<b>NET POSITION, END OF PERIOD</b>	<u><u><b>\$ 2,695,513</b></u></u>	<u><u><b>\$ 3,496,323</b></u></u>



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

(UNAUDITED)

	FY 2015	FY 2014
<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	10,205,533	10,148,879
<b>TOTAL ASSETS</b>	<b>\$ 10,674,533</b>	<b>\$ 10,599,879</b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	10,674,533	10,599,879
<b>TOTAL NET POSITION</b>	<b>\$ 10,674,533</b>	<b>\$ 10,599,879</b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE ONE MONTH ENDED JULY 31, 2014 AND 2013**

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>Additions</b>		
Investment Income	\$ <u>44,472</u>	\$ <u>45,870</u>
Total Additions	<u>44,472</u>	<u>45,870</u>
<b>Deductions</b>		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	44,472	45,870
<b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,630,061</u>	<u>10,554,009</u>
End of Period	\$ <u><u>10,674,533</u></u>	\$ <u><u>10,599,879</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE ONE MONTH ENDED JULY 31, 2014**  
(With Comparative Totals for the One Month Ended July 31, 2013)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$29,759,722	\$2,197,154	\$4,908,654	\$1,608,934	\$1,780,897	\$748,212	<b>\$41,003,573</b>	\$44,596,849
PRIZE EXPENSE	(19,161,224)	(1,457,485)	(2,329,816)	(836,940)	(858,431)	(446,938)	<b>(25,090,834)</b>	(28,269,369)
NET REVENUE AFTER PRIZES	<u>10,598,498</u>	<u>739,669</u>	<u>2,578,838</u>	<u>771,994</u>	<u>922,466</u>	<u>301,274</u>	<u>15,912,739</u>	<u>16,327,480</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(2,076,777)	(131,473)	(293,578)	(96,279)	(106,484)	(44,774)	(2,749,365)	(2,970,041)
Retailer Bonus	(244,974)	(13,454)	(15,532)	(12,103)	(6,451)	(5,632)	(298,146)	(341,367)
Cost of Tickets Sold	(184,101)	N/A	N/A	N/A	N/A	N/A	(184,101)	(261,221)
Telecomm Reimbursements	43,735	3,229	7,214	2,365	2,617	1,100	60,260	74,695
Jackpot Vendor Fees	(491,036)	(36,253)	(80,993)	(26,547)	(29,385)	(12,351)	(676,565)	(736,238)
TOTAL	<u>(2,953,153)</u>	<u>(177,951)</u>	<u>(382,889)</u>	<u>(132,564)</u>	<u>(139,703)</u>	<u>(61,657)</u>	<u>(3,847,917)</u>	<u>(4,234,172)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$7,645,345</u>	<u>\$561,718</u>	<u>\$2,195,949</u>	<u>\$639,430</u>	<u>\$782,763</u>	<u>\$239,617</u>	<u>\$12,064,822</u>	<u>\$12,093,308</u>
AVERAGE DAILY TICKET SALES	<u>\$959,991</u>	<u>\$70,876</u>	<u>\$158,344</u>	<u>\$51,901</u>	<u>\$57,448</u>	<u>\$24,136</u>	<u>\$1,322,696</u>	<u>\$1,438,808</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 ONE MONTH ENDED JULY 31, 2014**

							FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense (/)/Ticket Sales	\$19,161,224 29,759,722	\$1,457,485 2,197,154	\$2,329,816 4,908,654	\$836,940 1,608,934	\$858,431 1,780,897	\$446,938 748,212	\$25,090,834 \$41,003,573	\$28,269,369 44,596,849
Prize %	<u>64.39%</u>	<u>66.34%</u>	<u>47.46%</u>	<u>52.02%</u>	<u>48.20%</u>	<u>59.73%</u>	<u>61.19%</u>	<u>63.39%</u>

**COLORADO LOTTERY**  
**BUDGET STATUS**  
**FOR THE ONE MONTH ENDED JULY 31, 2014**

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	\$761,269	\$8,583,465	8.1%
Amortization Equal	294,742	0	294,742	0.0%
Suppl Amortization Equalization	276,321	0	276,321	0.0%
Workmen's Compensation	89,739	7,478	82,261	8.3%
Health and Life	953,274	78,607	874,667	8.2%
Short Term Disability	16,213	1,325	14,888	8.2%
Operating	1,203,156	140,778	1,062,378	11.7%
Variable Vehicle	206,469	17,206	189,263	8.3%
Leased Space	772,800	63,461	709,339	8.2%
Leased Space-Grand Junction	6,465	539	5,926	8.3%
Risk Management	27,222	2,269	24,953	8.3%
Vehicle Lease Payments	142,681	11,890	130,791	8.3%
Travel	113,498	12,189	101,309	10.7%
Purch. Of Services-Computer Center	0	0	0	N/A
Marketing, Communications & Sales	14,700,000	768,708	13,931,292	5.2%
Communications Services	0	0	0	N/A
Payments to MNT	0	0	0	N/A
Payments to Other Agencies	239,410	0	239,410	0.0%
Legal Services	116,426	2,991	113,435	2.6%
Indirect Costs	586,778	48,648	538,130	8.3%
Ticket Costs-Scratch	6,578,000	571,473	6,006,527	8.7%
Research	250,000	21,925	228,075	8.8%
Vendor Fees	12,571,504	426,073	12,145,431	3.4%
Prize Payments	424,104,016	25,090,834	399,013,182	5.9%
Retailer Compensation	52,241,350	3,047,510	49,193,840	5.8%
Multi-State Lottery Funds	177,433	7,211	170,222	4.1%
CORE Conversion	35,657	2,971	32,686	8.3%
OLT Payments	593,380	49,448	543,932	8.3%
Postage	7,892	0	7,892	0.0%
<b>TOTAL</b>	<u>\$525,649,160</u>	<u>\$31,134,803</u>	<u>\$493,962,533</u>	<u>5.92%</u>
<b>FY15 Staffing - FTE - (Note 4)</b>	<b>117.00 (Appropriated)</b>		<b>120.00 (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	25,090,834
Commissions and Bonuses	3,047,511
Cost of Tickets & Vendor Fees	800,406
Operating Expenses	2,202,608
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u><b>31,141,359</b></u>
<b>Plus: Telecommunications offset classified as revenue</b>	60,260
<b>Less: Non-appropriated expenses and other adjustments</b>	
Depreciation	(45,733)
Accrued Annual and Sick Leave	(21,083)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u><b>31,134,803</b></u>
<b>Plus: Capitalized Fixed Assets</b>	0
	<u><u><b>\$31,134,803</b></u></u>

Note 1 - FY15 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through July, 2014 is 8.3%.

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 2015