

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

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

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED

AUGUST 31, 2014

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

November 19, 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 two months ended August 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 TWO (2) MONTHS ENDED AUGUST 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 two months ended August 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 Two Months Ended August 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$82.15		\$92.74	
Nonoperating revenue	0.06		0.10	
TOTAL INCOME	82.21		92.84	
LESS:				
PRIZES	\$49.45	60.2% (1)	\$57.47	62.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.14	7.5% (2)	\$6.86	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.62		1.86	
Other Operating Expenses	4.59	(4)	4.09	
TOTAL ADMINISTRATIVE COSTS (Note 3)	6.21	7.6% (3)	5.95	6.4% (3)
	20.41		22.56	
NET CHANGE IN NET ASSETS	(0.09)		(0.17)	
PROCEEDS DISTRIBUTION	\$20.50	24.9% (3)	\$22.73	24.5% (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.

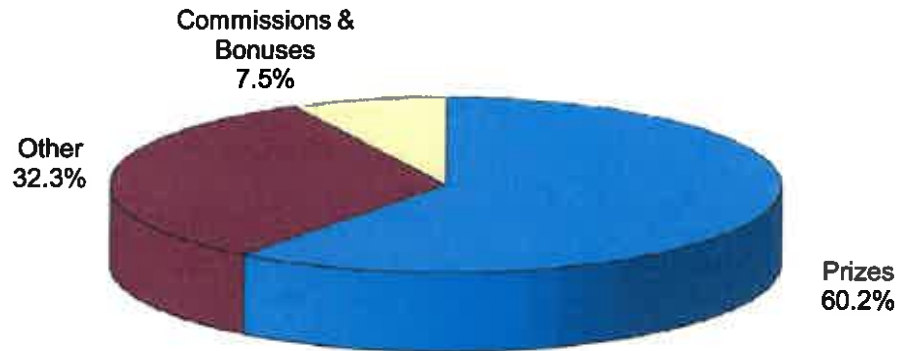
Note 2: Percent of gross ticket sales.

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.

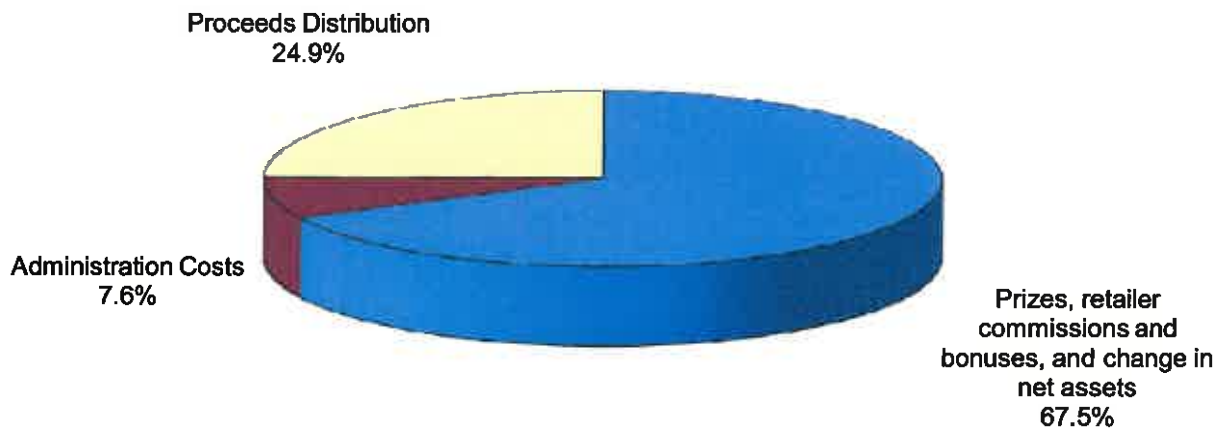
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS ENDED AUGUST 31, 2014

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
AUGUST 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2015	FY 2014
Current Assets:		
Cash and Investments	\$ 22,196,160	\$ 24,991,857
Accounts Receivable, net of the allowance for doubtful accounts of \$186,489 in 2014 and \$147,187 in 2013	20,817,830	19,153,286
Consignment Inventory, at Cost	97,612	103,883
Warehouse Inventory, at Cost	1,441,464	1,050,198
Prepaid Expenses	125,930	193,029
Total Current Assets	44,678,996	45,492,253
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	361,082	380,807
Prepaid Prize Expense with MUSL	4,952,819	4,979,667
Total Reserve and Restricted Assets	6,713,901	6,660,474
Capital Assets:		
Equipment	5,948,793	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,121,461)	(4,272,034)
Total Capital Assets	892,043	1,739,564
TOTAL ASSETS	\$ 52,284,940	\$ 53,892,291
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,351,714	\$ 3,181,697
Prize Liability	26,559,158	23,148,889
Payable to MUSL	14,422	15,433
Wages and Benefits	39,208	40,184
Accrued Annual and Sick Leave	0	-
Retailer Bonus Liability	359,172	445,934
Funds Available for Distribution	20,501,057	22,726,993
Total Current Liabilities	48,824,731	49,559,130
Long-Term Liabilities:		
Accrued Annual and Sick Leave	746,359	852,065
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	807,084	912,790
TOTAL LIABILITIES	49,631,815	50,471,920
NET POSITION		
Investment in Capital Assets	892,043	1,739,564
Restricted-Licensed Agent Recovery Reserve	361,082	380,807
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,653,125	3,420,371
TOTAL LIABILITIES AND NET POSITION	\$ 52,284,940	\$ 53,892,291

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2014 AND 2013
(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 82,147,438	\$ 92,738,878
DIRECT OPERATING EXPENSES		
Prize Expense	49,450,448	57,469,089
Retailer Commissions and Bonuses	6,138,850	6,856,620
Cost of Tickets and Vendor Fees	1,618,941	1,865,876
Total Direct Operating Expenses	<u>57,208,239</u>	<u>66,191,585</u>
GROSS PROFIT ON SALE OF TICKETS	<u>24,939,199</u>	<u>26,547,293</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	1,988,340	1,489,045
Administration Fees Paid to MUSL	14,422	15,433
Wages and Benefits	1,663,816	1,625,707
Professional Services	25,503	20,548
State Agencies Services	111,079	30,069
Department of Revenue Services	97,296	83,218
Travel	16,025	8,748
Equipment	9,689	2,204
Depreciation	92,024	160,758
Accrued Annual and Sick Leave	31,987	(6,091)
Space Rental	132,845	122,154
Rents for Equipment	3,769	3,803
Motorpool Leasing	58,192	62,471
Materials and Supplies	13,736	24,748
Telephone	48,764	38,045
On-Line Telecommunications	22,700	80,264
Data Processing Supplies and Services	5,942	52,969
Equipment Maintenance	54,375	62,870
Printing	7,853	10,699
Delivery Expense	164,982	168,332
Other	25,689	30,348
Total Other Operating Expenses	<u>4,589,028</u>	<u>4,086,342</u>
OTHER OPERATING REVENUE (EXPENSE)	(10,098)	12,093
TOTAL OPERATING INCOME	<u>20,340,073</u>	<u>22,473,044</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	73,008	85,128
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(20,501,057)</u>	<u>(22,726,993)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,428,049)</u>	<u>(22,641,865)</u>
NET INCOME (LOSS)	<u>\$ (87,976)</u>	<u>\$ (168,821)</u>
NET POSITION, BEGINNING OF YEAR	2,741,101	3,589,192
Net Change in Net Position	<u>(87,976)</u>	<u>(168,821)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,653,125</u>	<u>\$ 3,420,371</u>

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

(UNAUDITED)

	FY 2015	FY 2014
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,249,203	10,194,751
TOTAL ASSETS	\$ 10,718,203	\$ 10,645,751
 NET POSITION		
Held in Trust for Powerball Winner	10,718,203	10,645,751
TOTAL NET POSITION	\$ 10,718,203	\$ 10,645,751

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

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
Additions		
Investment Income	\$ <u>88,142</u>	\$ <u>91,742</u>
Total Additions	<u>88,142</u>	<u>91,742</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	88,142	91,742
Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,630,061</u>	<u>10,554,009</u>
End of Period	\$ <u><u>10,718,203</u></u>	\$ <u><u>10,645,751</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE TWO MONTHS ENDED AUGUST 31, 2014
(With Comparative Totals for the Two Months Ended August 31, 2013)

	Scratch	Jackpot Games				Pick 3	FY 15	FY 14
		Lotto	Powerball	Cash 5	Mega Millions		Total	Scratch and Jackpot Games
TICKET SALES	\$58,486,441	\$4,685,864	\$9,608,830	\$3,228,856	\$4,625,886	\$1,511,561	\$82,147,438	\$92,738,878
PRIZE EXPENSE	(37,684,201)	(2,533,539)	(4,476,987)	(1,778,978)	(2,220,924)	(755,819)	(49,450,448)	(57,469,089)
NET REVENUE AFTER PRIZES	<u>20,802,240</u>	<u>2,152,325</u>	<u>5,131,843</u>	<u>1,449,878</u>	<u>2,404,962</u>	<u>755,742</u>	<u>32,696,990</u>	<u>35,269,789</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(4,080,141)	(280,388)	(574,797)	(193,185)	(276,679)	(90,394)	(5,495,584)	(6,144,759)
Retailer Bonus	(482,315)	(23,120)	(85,111)	(25,033)	(17,399)	(10,288)	(643,266)	(711,861)
Cost of Tickets Sold	(383,927)	N/A	N/A	N/A	N/A	N/A	(383,927)	(469,663)
Telecomm Reimbursements	85,741	6,870	14,087	4,734	6,782	2,216	120,430	134,395
Jackpot Vendor Fees	(965,026)	(77,317)	(158,545)	(53,276)	(76,328)	(24,952)	(1,355,444)	(1,530,608)
TOTAL	<u>(5,825,668)</u>	<u>(373,955)</u>	<u>(804,366)</u>	<u>(266,760)</u>	<u>(363,624)</u>	<u>(123,418)</u>	<u>(7,757,791)</u>	<u>(8,722,496)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$14,976,572</u>	<u>\$1,778,370</u>	<u>\$4,327,477</u>	<u>\$1,183,118</u>	<u>\$2,041,338</u>	<u>\$632,324</u>	<u>\$24,939,199</u>	<u>\$26,547,293</u>
AVERAGE DAILY TICKET SALES	<u>\$943,330</u>	<u>\$75,578</u>	<u>\$154,981</u>	<u>\$52,078</u>	<u>\$74,611</u>	<u>\$24,380</u>	<u>\$1,324,959</u>	<u>\$1,495,788</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 TWO MONTHS ENDED AUGUST 31, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
Prize Expense (/)/Ticket Sales	\$37,684,201 58,486,441	\$2,533,539 4,685,864	\$4,476,987 9,608,830	\$1,778,978 3,228,856	\$2,220,924 4,625,886	\$755,819 1,511,561	\$49,450,448 \$82,147,438	\$57,469,089 92,738,878
Prize %	<u>64.43%</u>	<u>54.07%</u>	<u>46.59%</u>	<u>55.10%</u>	<u>48.01%</u>	<u>50.00%</u>	<u>60.20%</u>	<u>61.97%</u>

