

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

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

(UNAUDITED)

FOR THE FOUR (4) MONTHS ENDED

OCTOBER 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

January 14, 2015

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 four months ended October 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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 Four Months Ended October 31,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$169.16		\$180.58	
Nonoperating revenue	0.18		0.22	
TOTAL INCOME	169.34		180.80	
LESS:				
PRIZES	\$102.97	60.9% (1)	\$111.59	61.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$12.59	7.4% (2)	\$13.35	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	3.29		3.60	
Other Operating Expenses	9.30	(4)	9.17	
TOTAL ADMINISTRATIVE COSTS (Note 3)	12.59	7.4% (3)	12.77	7.1% (3)
	41.19		43.09	
NET CHANGE IN NET ASSETS	(0.07)		(0.23)	
PROCEEDS DISTRIBUTION	\$41.26	24.4% (3)	\$43.32	24.0% (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.

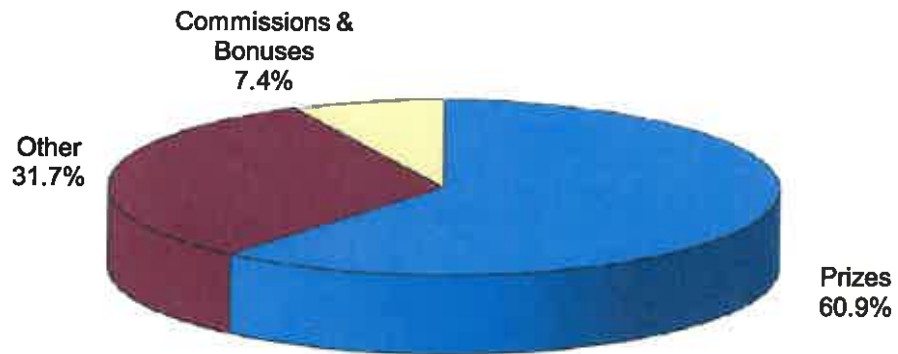
Note 2: Percent of gross ticket sales.

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.

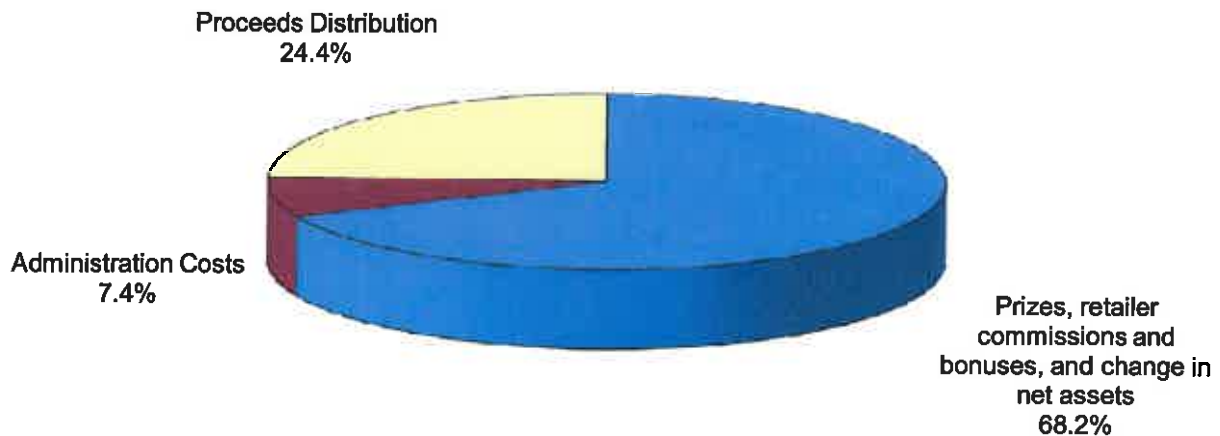
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2014

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
OCTOBER 31, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2015	FY 2014
Current Assets:		
Cash and Investments	\$ 44,580,256	\$ 47,998,916
Accounts Receivable, net of the allowance for doubtful accounts of \$160,129 in 2014 and \$149,241 in 2013	19,664,047	17,400,641
Consignment Inventory, at Cost	127,080	135,306
Warehouse Inventory, at Cost	1,212,990	1,014,811
Prepaid Expenses	182,144	265,046
Total Current Assets	65,766,517	66,814,720
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	368,856	383,191
Prepaid Prize Expense with MUSL	4,606,805	4,978,617
Total Reserve and Restricted Assets	6,475,661	6,761,808
Capital Assets:		
Equipment	5,948,793	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,214,210)	(4,432,791)
Total Capital Assets	799,294	1,578,807
TOTAL ASSETS	\$ 73,041,472	\$ 75,155,335
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 438,880	\$ 1,980,620
Prize Liability	26,483,352	24,472,762
Payable to MUSL	682,151	314,839
Wages and Benefits	78,417	79,393
Accrued Annual and Sick Leave	0	-
Retailer Bonus Liability	589,825	698,404
Funds Available for Distribution	41,264,042	43,317,298
Total Current Liabilities	69,536,667	70,863,316
Long-Term Liabilities:		
Accrued Annual and Sick Leave	775,930	869,296
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	836,655	930,021
TOTAL LIABILITIES	70,373,322	71,793,337
NET POSITION		
Investment in Capital Assets	799,294	1,578,807
Restricted-Licensed Agent Recovery Reserve	368,856	383,191
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,668,150	3,361,998
TOTAL LIABILITIES AND NET POSITION	\$ 73,041,472	\$ 75,155,335

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2014 AND 2013
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 169,157,221	\$ 180,577,720
DIRECT OPERATING EXPENSES		
Prize Expense	102,965,460	111,592,399
Retailer Commissions and Bonuses	12,587,482	13,348,638
Cost of Tickets and Vendor Fees	3,291,809	3,603,209
Total Direct Operating Expenses	<u>118,844,751</u>	<u>128,544,246</u>
GROSS PROFIT ON SALE OF TICKETS	<u>50,312,470</u>	<u>52,033,474</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	4,096,350	3,909,192
Administration Fees Paid to MUSL	28,840	32,306
Wages and Benefits	3,279,364	3,213,848
Professional Services	48,661	35,510
State Agencies Services	245,717	140,658
Department of Revenue Services	194,592	166,753
Travel	50,452	20,781
Equipment	25,526	30,201
Depreciation	184,773	321,515
Accrued Annual and Sick Leave	65,864	10,679
Space Rental	256,392	251,991
Rents for Equipment	6,885	8,093
Motorpool Leasing	121,028	123,292
Materials and Supplies	61,090	52,730
Telephone	113,102	75,848
On-Line Telecommunications	45,780	140,491
Data Processing Supplies and Services	11,884	113,709
Equipment Maintenance	74,644	93,160
Printing	22,974	27,876
Delivery Expense	311,145	323,023
Other	57,950	77,828
Total Other Operating Expenses	<u>9,303,013</u>	<u>9,169,484</u>
OTHER OPERATING REVENUE (EXPENSE)	32,066	78,145
TOTAL OPERATING INCOME	<u>41,041,523</u>	<u>42,942,135</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	149,568	147,969
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(41,264,042)	(43,317,298)
Total Nonoperating Revenues (Expenses)	<u>(41,114,474)</u>	<u>(43,169,329)</u>
NET INCOME (LOSS)	<u>\$ (72,951)</u>	<u>\$ (227,194)</u>
NET POSITION, BEGINNING OF YEAR	2,741,101	3,589,192
Net Change in Net Position	<u>(72,951)</u>	<u>(227,194)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,668,150</u>	<u>\$ 3,361,998</u>

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

(UNAUDITED)

	FY 2015	FY 2014
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,845,827	9,813,892
TOTAL ASSETS	\$ 10,333,827	\$ 10,282,892
 NET POSITION		
Held in Trust for Powerball Winner	10,333,827	10,282,892
TOTAL NET POSITION	\$ 10,333,827	\$ 10,282,892

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

(UNAUDITED)

	FY 2015	FY 2014
Additions		
Investment Income	\$ <u>172,766</u>	\$ <u>179,883</u>
Total Additions	<u>172,766</u>	<u>179,883</u>
 Deductions		
Prize Payments	<u>469,000</u>	<u>451,000</u>
Change in net position	(296,234)	(271,117)
 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>10,333,827</u></u>	\$ <u><u>10,282,892</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2014
(With Comparative Totals for the Four Months Ended October 31, 2013)

	Scratch	Jackpot Games				Pick 3	FY 15	FY 14
		Lotto	Powerball	Cash 5	Mega Millions		Total	Scratch and Jackpot Games
TICKET SALES	\$117,907,151	\$10,306,016	\$21,126,986	\$6,371,038	\$10,526,939	\$2,919,091	\$169,157,221	\$180,577,720
PRIZE EXPENSE	(77,474,034)	(5,426,472)	(10,048,979)	(3,514,872)	(5,006,060)	(1,495,043)	(102,965,460)	(111,592,399)
NET REVENUE AFTER PRIZES	40,433,117	4,879,544	11,078,007	2,856,166	5,520,879	1,424,048	66,191,761	68,985,321
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(8,230,319)	(616,692)	(1,263,719)	(381,183)	(629,663)	(174,579)	(11,296,155)	(11,976,989)
Retailer Bonus	(998,505)	(50,585)	(131,309)	(50,594)	(39,810)	(20,524)	(1,291,327)	(1,371,649)
Cost of Tickets Sold	(755,448)	N/A	N/A	N/A	N/A	N/A	(755,448)	(890,476)
Telecomm Reimbursements	177,899	15,550	31,876	9,613	15,883	4,404	255,225	268,565
Jackpot Vendor Fees	(1,945,943)	(170,049)	(348,595)	(105,122)	(173,695)	(48,182)	(2,791,586)	(2,981,298)
TOTAL	(11,752,316)	(821,776)	(1,711,747)	(527,286)	(827,285)	(238,881)	(15,879,291)	(16,951,847)
GROSS PROFIT ON SALE OF TICKETS	\$28,680,801	\$4,057,768	\$9,366,260	\$2,328,880	\$4,693,594	\$1,185,167	\$50,312,470	\$52,033,474
AVERAGE DAILY TICKET SALES	\$958,595	\$83,789	\$171,764	\$51,797	\$85,585	\$23,732	\$1,375,262	\$1,468,112

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 FOUR MONTHS ENDED OCTOBER 31, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15 Total	FY 14 Total
Prize Expense (/)/Ticket Sales	\$77,474,034 117,907,151	\$5,426,472 10,306,016	\$10,048,979 21,126,986	\$3,514,872 6,371,038	\$5,006,060 10,526,939	\$1,495,043 2,919,091	\$102,965,460 \$169,157,221	\$111,592,399 180,577,720
Prize %	65.71%	52.65%	47.56%	55.17%	47.55%	51.22%	60.87%	61.80%

COLORADO LOTTERY
BUDGET STATUS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2014

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	2,815,412	\$6,529,322	30.1%
Amortization Equal	294,742	88,270	206,472	29.9%
Suppl Amortization Equalization	276,321	81,301	195,020	29.4%
Workmen's Compensation	89,739	29,912	59,827	33.3%
Health and Life	953,274	307,352	645,922	32.2%
Short Term Disability	16,213	5,257	10,956	32.4%
Operating	1,203,156	344,677	858,479	28.6%
Variable Vehicle	206,469	61,887	144,582	30.0%
Leased Space	772,800	253,845	518,955	32.8%
Leased Space-Grand Junction	6,465	1,679	4,786	26.0%
Risk Management	27,222	9,076	18,146	33.3%
Vehicle Lease Payments	142,681	58,696	83,985	41.1%
Travel	113,498	50,452	63,046	44.5%
Marketing, Communications & Sales	14,700,000	3,990,585	10,709,415	27.1%
Payments to Other Agencies	239,410	36,788	202,622	15.4%
Legal Services	116,426	11,136	105,290	9.6%
Indirect Costs	586,778	194,592	392,186	33.2%
Ticket Costs-Scratch	6,578,000	1,114,797	5,463,203	16.9%
Research	250,000	105,765	144,235	42.3%
Vendor Fees	12,571,504	2,825,915	9,745,589	22.5%
Prize Payments	424,104,016	102,965,459	321,138,557	24.3%
Retailer Compensation	52,241,350	12,587,482	39,653,868	24.1%
Multi-State Lottery Funds	177,433	28,840	148,593	16.3%
CORE Conversion	35,657	11,884	23,773	33.3%
OIT Payments	593,380	197,793	395,587	33.3%
Postage	7,892	0	7,892	0.0%
TOTAL	<u><u>\$525,649,160</u></u>	<u><u>\$128,178,852</u></u>	<u><u>\$397,066,829</u></u>	<u><u>24.38%</u></u>

FY15 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	102,965,460
Commissions and Bonuses	12,587,482
Cost of Tickets & Vendor Fees	3,291,809
Operating Expenses	9,303,013
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	128,147,764
Plus: Telecommunications offset classified as revenue	255,225
Less: Non-appropriated expenses and other adjustments	
Depreciation	(184,773)
Accrued Annual and Sick Leave	(65,864)
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	128,152,352
Plus: Capitalized Fixed Assets	26,500
	0
	\$128,178,852

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 October, 2014 is 33.3%.

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