

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

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

**(UNAUDITED)**

**FOR THE FIVE (5) MONTHS ENDED**

**NOVEMBER 30, 2014**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

## COLORADO LOTTERY DIVISION

Department of Revenue

### Headquarters

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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Laura Solano  
Lottery Director

February 11, 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 five months ended November 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 FIVE (5) MONTHS ENDED NOVEMBER 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 five months ended November 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 Five Months Ended November 30,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$208.77		\$222.79	
Nonoperating revenue	0.25		0.30	
<b>TOTAL INCOME</b>	<b>209.02</b>		<b>223.09</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$127.68</b>	<b>61.2% (1)</b>	<b>\$136.05</b>	<b>61.1% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$15.53</b>	<b>7.4% (2)</b>	<b>\$16.47</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	4.07		4.44	
Other Operating Expenses	11.60	(4)	11.29	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>15.67</b>	<b>7.5% (3)</b>	<b>15.73</b>	<b>7.1% (3)</b>
	50.14		54.84	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.11)</b>		<b>(0.30)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$50.25</b>	<b>24.0% (3)</b>	<b>\$55.14</b>	<b>24.7% (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.

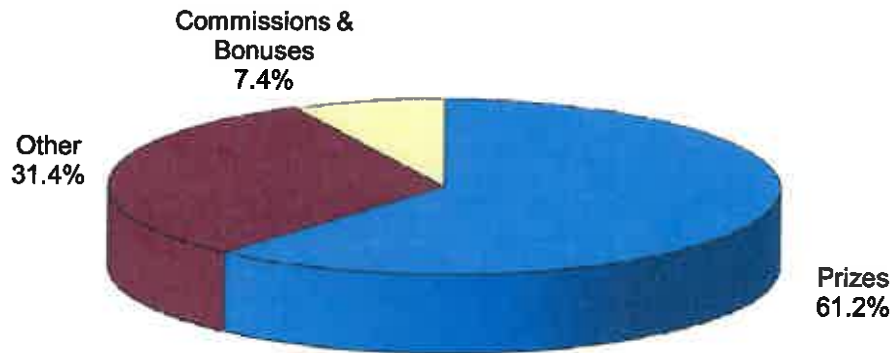
Note 2: Percent of gross ticket sales.

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.

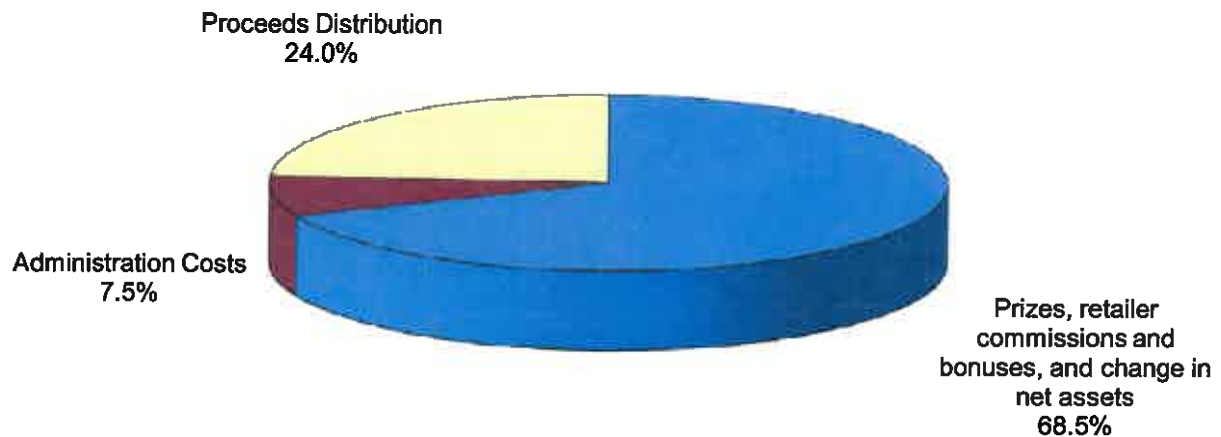
**COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2014**

**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  
NOVEMBER 30, 2014 AND 2013  
(UNAUDITED)

ASSETS	FY 2015	FY 2014
<b>Current Assets:</b>		
Cash and Investments	\$ 22,556,513	\$ 24,799,185
Accounts Receivable, net of the allowance for doubtful accounts of \$160,369 in 2014 and \$148,755 in 2013	20,755,274	20,483,788
Consignment Inventory, at Cost	102,317	105,653
Warehouse Inventory, at Cost	1,423,455	1,140,161
Prepaid Expenses	139,511	239,872
<b>Total Current Assets</b>	<b>44,977,070</b>	<b>46,768,659</b>
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,500,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	375,850	390,912
Prepaid Prize Expense with MUSL	4,606,804	5,001,820
<b>Total Reserve and Restricted Assets</b>	<b>6,482,654</b>	<b>6,792,732</b>
<b>Capital Assets:</b>		
Equipment	5,948,793	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,260,557)	(4,512,510)
<b>Total Capital Assets</b>	<b>752,947</b>	<b>1,499,088</b>
<b>TOTAL ASSETS</b>	<b>\$ 52,212,671</b>	<b>\$ 55,060,479</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 2,010,078	\$ 1,432,534
Prize Liability	25,156,628	26,043,946
Payable to MUSL	183,499	994,285
Wages and Benefits	98,021	98,998
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	680,229	797,525
Funds Available for Distribution	20,590,881	21,438,527
<b>Total Current Liabilities</b>	<b>48,719,336</b>	<b>50,805,815</b>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	803,813	903,939
Expired Warrants Liability	60,725	60,725
<b>Total Long-Term Liabilities</b>	<b>864,538</b>	<b>964,664</b>
<b>TOTAL LIABILITIES</b>	<b>49,583,874</b>	<b>51,770,479</b>
<b>NET POSITION</b>		
Investment in Capital Assets	752,947	1,499,088
Restricted-Licensed Agent Recovery Reserve	375,850	390,912
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<b>2,628,797</b>	<b>3,290,000</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 52,212,671</b>	<b>\$ 55,060,479</b>

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2014 AND 2013  
(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 208,764,883	\$ 222,789,327
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	127,676,474	136,049,985
Retailer Commissions and Bonuses	15,528,322	16,467,089
Cost of Tickets and Vendor Fees	4,074,805	4,443,807
Total Direct Operating Expenses	<u>147,279,601</u>	<u>156,960,881</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>61,485,282</u>	<u>65,828,446</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	5,105,392	4,771,882
Administration Fees Paid to MUSL	36,050	40,382
Wages and Benefits	4,080,773	4,009,837
Professional Services	84,618	44,019
State Agencies Services	302,000	151,121
Department of Revenue Services	244,490	208,442
Travel	58,900	21,406
Equipment	31,686	32,681
Depreciation	231,120	401,234
Accrued Annual and Sick Leave	94,545	45,939
Space Rental	320,470	314,383
Rents for Equipment	11,003	10,166
Motorpool Leasing	151,860	154,181
Materials and Supplies	73,172	59,714
Telephone	142,186	94,766
On-Line Telecommunications	52,200	176,544
Data Processing Supplies and Services	14,855	141,572
Equipment Maintenance	84,364	111,672
Printing	26,866	31,918
Delivery Expense	388,694	387,403
Other	65,545	83,310
Total Other Operating Expenses	<u>11,600,789</u>	<u>11,292,572</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	52,208	113,785
<b>TOTAL OPERATING INCOME</b>	<u>49,936,701</u>	<u>54,649,659</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	200,648	190,908
Funds Distributed for Current Year	(29,658,772)	(33,701,232)
Funds Available for Distribution for Current Year	<u>(20,590,881)</u>	<u>(21,438,527)</u>
Total Nonoperating Revenues (Expenses)	<u>(50,049,005)</u>	<u>(54,948,851)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (112,304)</u>	<u>\$ (299,192)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,741,101	3,589,192
Net Change in Net Position	<u>(112,304)</u>	<u>(299,192)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,628,797</u>	<u>\$ 3,290,000</u>



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

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	488,000	469,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>9,887,447</u>	<u>9,856,929</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,375,447</u></b>	<b>\$ <u>10,325,929</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,375,447</u>	<u>10,325,929</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,375,447</u></b>	<b>\$ <u>10,325,929</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2014 AND 2013**

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>Additions</b>		
Investment Income	\$ <u>214,386</u>	\$ <u>222,920</u>
Total Additions	<u>214,386</u>	<u>222,920</u>
 <b>Deductions</b>		
Prize Payments	<u>469,000</u>	<u>451,000</u>
Change in net position	(254,614)	(228,080)
 <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>10,375,447</u></u>	\$ <u><u>10,325,929</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2014**  
(With Comparative Totals for the Five Months Ended November 30, 2013)

	Jackpot Games						FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$145,685,051	\$12,337,441	\$26,246,029	\$7,923,274	\$12,979,980	\$3,593,108	\$208,764,883	\$222,789,327
PRIZE EXPENSE	(95,688,028)	(7,133,323)	(12,502,407)	(4,371,308)	(6,193,748)	(1,787,660)	(127,676,474)	(136,049,985)
NET REVENUE AFTER PRIZES	49,997,023	5,204,118	13,743,622	3,551,966	6,786,232	1,805,448	81,088,409	86,739,342
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(10,171,072)	(738,391)	(1,570,437)	(474,106)	(776,518)	(214,925)	(13,945,449)	(14,791,266)
Retailer Bonus	(1,229,628)	(68,308)	(147,940)	(62,872)	(49,177)	(24,948)	(1,582,873)	(1,675,823)
Cost of Tickets Sold	(960,840)	N/A	N/A	N/A	N/A	N/A	(960,840)	(1,093,967)
Telecomm Reimbursements	219,769	18,611	39,593	11,952	19,580	5,420	314,925	328,593
Jackpot Vendor Fees	(2,385,370)	(204,083)	(434,178)	(131,144)	(214,633)	(59,482)	(3,428,890)	(3,678,433)
TOTAL	(14,527,141)	(992,171)	(2,112,962)	(656,170)	(1,020,748)	(293,935)	(19,603,127)	(20,910,896)
GROSS PROFIT ON SALE OF TICKETS	\$35,469,882	\$4,211,947	\$11,630,660	\$2,895,796	\$5,765,484	\$1,511,513	\$61,485,282	\$65,828,446
AVERAGE DAILY TICKET SALES	\$952,190	\$80,637	\$171,543	\$51,786	\$84,836	\$23,484	\$1,364,476	\$1,456,139

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 FIVE MONTHS ENDED NOVEMBER 30, 2014**

							FY 15	FY 14
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Total	Total
Prize Expense	\$95,688,028	\$7,133,323	\$12,502,407	\$4,371,308	\$6,193,748	\$1,787,660	\$127,676,474	\$136,049,985
(/)/Ticket Sales	145,685,051	12,337,441	26,246,029	7,923,274	12,979,980	3,593,108	\$208,764,883	222,789,327
Prize %	65.68%	57.82%	47.64%	55.17%	47.72%	49.75%	61.16%	61.07%

**COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2014**

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	3,525,102	\$5,819,632	37.7%
Amortization Equal	294,742	109,916	184,826	37.3%
Suppl Amortization Equalization	276,321	101,238	175,083	36.6%
Worker's Compensation	89,739	37,391	52,348	41.7%
Health and Life	953,274	382,238	571,036	40.1%
Short Term Disability	16,213	6,550	9,663	40.4%
Operating	1,203,156	408,968	794,188	34.0%
Variable Vehicle	206,469	80,494	125,975	39.0%
Leased Space	772,800	325,942	446,858	42.2%
Leased Space-Grand Junction	6,465	2,098	4,367	32.5%
Risk Management	27,222	11,343	15,879	41.7%
Vehicle Lease Payments	142,681	70,921	71,760	49.7%
Travel	113,498	58,900	54,598	51.9%
Marketing, Communications & Sales	14,700,000	4,999,627	9,700,373	34.0%
Payments to Other Agencies	239,410	37,538	201,872	15.7%
Legal Services	116,426	17,227	99,199	14.8%
Indirect Costs	586,778	244,490	342,288	41.7%
Ticket Costs-Scratch	6,578,000	1,386,846	5,191,154	21.1%
Research	250,000	105,765	144,235	42.3%
Vendor Fees	12,571,504	3,480,620	9,090,884	27.7%
Prize Payments	424,104,016	127,676,474	296,427,542	30.1%
Retailer Compensation	52,241,350	15,528,322	36,713,028	29.7%
Multi-State Lottery Funds	177,433	36,050	141,383	20.3%
CORE Conversion	35,657	14,855	20,802	41.7%
OIT Payments	593,380	247,235	346,145	41.7%
Postage	7,892	0	7,892	0.0%
<b>TOTAL</b>	<b><u>\$525,649,160</u></b>	<b><u>\$158,896,150</u></b>	<b><u>\$366,398,973</u></b>	<b><u>30.23%</u></b>

FY15 Staffing - FTE - (Note 4) 117.00 (Appropriated) 119.00 (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	127,676,474
Commissions and Bonuses	15,528,322
Cost of Tickets & Vendor Fees	4,074,805
Operating Expenses	11,600,789
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<b><u>158,880,390</u></b>
Plus: Telecommunications offset classified as revenue	314,925
Less: Non-appropriated expenses and other adjustments	
Depreciation	(231,120)
Accrued Annual and Sick Leave	(94,545)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<b>158,869,650</b>
Plus: Capitalized Fixed Assets	26,500
	<u>0</u>
	<b><u>\$158,896,150</u></b>

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 November, 2014 is 41.7%.

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 2015