

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

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

**(UNAUDITED)**

**FOR THE EIGHT (8) MONTHS ENDED**

**FEBRUARY 28, 2015**

# STATE OF COLORADO

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**COLORADO LOTTERY DIVISION**  
Department of Revenue

**Headquarters**  
225 N. Main Street  
Pueblo, CO 81003  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Laura Solano  
Lottery Director

May 13, 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 eight months ended February 28, 2015 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  
(UNAUDITED)**

**DISTRIBUTION**

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Ms. Margie Martinez Perusek	Chair, Lottery Commissioner
Ms. Frances Koncilja	Vice-Chair, Lottery Commissioner
Hon. Dennis Maes	Lottery Commissioner
Mr. Jim Bensberg	Lottery Commissioner
Mr. Michael Weatherwax, CPA	Lottery Commissioner
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**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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015 AND 2014

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the eight months ended February 28, 2015 and 2014 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 Eight Months Ended February 28,			
	FY 2015		FY 2014	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$353.66		\$363.89	
Nonoperating revenue	0.44		0.51	
<b>TOTAL INCOME</b>	<b>354.10</b>		<b>364.40</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$215.98</b>	<b>61.1% (1)</b>	<b>\$223.10</b>	<b>61.3% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$26.22</b>	<b>7.4% (2)</b>	<b>\$26.89</b>	<b>7.4% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	7.02		7.26	
Other Operating Expenses	19.38	(4)	18.40	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>26.40</b>	<b>7.5% (3)</b>	<b>25.66</b>	<b>7.0% (3)</b>
	<b>85.50</b>		<b>88.75</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.25)</b>		<b>(0.51)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$85.75</b>	<b>24.2% (3)</b>	<b>\$89.26</b>	<b>24.5% (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.

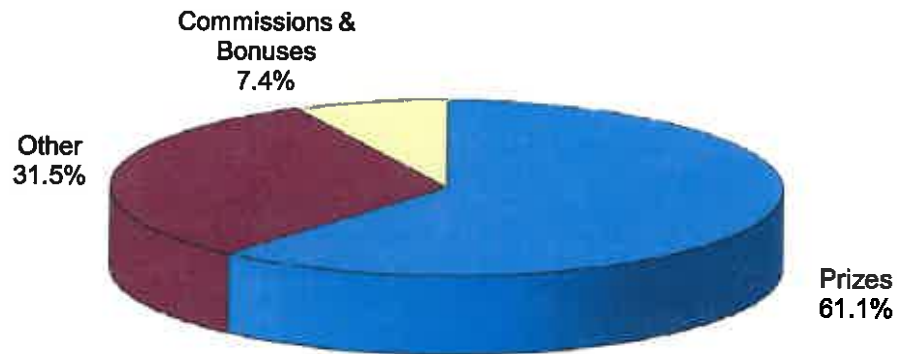
Note 2: Percent of gross ticket sales.

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.

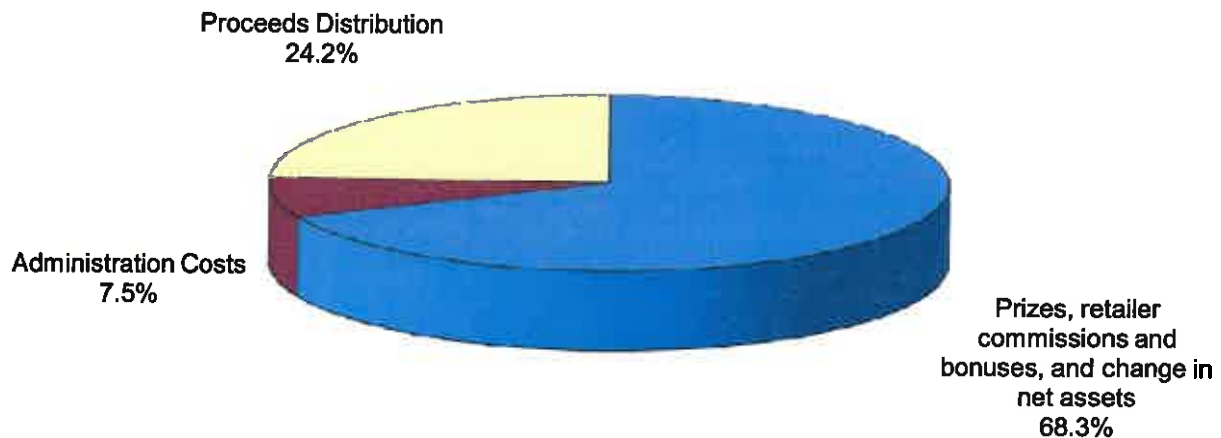
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2015

**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  
FEBRUARY 28, 2015 AND 2014  
(UNAUDITED)

ASSETS	<u>FY 2015</u>	<u>FY 2014</u>
<b>Current Assets:</b>		
Cash and Investments	\$ 25,900,468	\$ 27,841,715
Accounts Receivable, net of the allowance for doubtful accounts of \$199,558 in 2015 and \$144,244 in 2014	22,755,124	19,049,672
Consignment Inventory, at Cost	99,475	103,142
Warehouse Inventory, at Cost	1,179,020	1,514,165
Prepaid Expenses	163,111	164,348
<b>Total Current Assets</b>	<u><b>50,097,198</b></u>	<u><b>48,673,042</b></u>
<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	352,247	407,538
Prepaid Prize Expense with MUSL	4,606,804	5,119,434
<b>Total Reserve and Restricted Assets</b>	<u><b>6,459,051</b></u>	<u><b>6,926,972</b></u>
<b>Capital Assets:</b>		
Equipment	5,971,272	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(5,401,470)</u>	<u>(4,751,668)</u>
<b>Total Capital Assets</b>	<u><b>634,513</b></u>	<u><b>1,259,930</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 57,190,762</b></u>	<u><b>\$ 56,859,944</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,535,387	\$ 1,786,676
Prize Liability	25,502,150	26,931,184
Payable to MUSL	12,000	2,031,019
Wages and Benefits	-	157,809
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	1,090,313	1,210,023
Funds Available for Distribution	25,674,367	20,910,006
<b>Total Current Liabilities</b>	<u><b>53,814,217</b></u>	<u><b>53,026,717</b></u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	829,060	705,034
Expired Warrants Liability	60,725	60,725
<b>Total Long-Term Liabilities</b>	<u><b>889,785</b></u>	<u><b>765,759</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>54,704,002</b></u>	<u><b>53,792,476</b></u>
<b>NET POSITION</b>		
Investment in Capital Assets	634,513	1,259,930
Restricted-Licensed Agent Recovery Reserve	352,247	407,538
Restricted-Operating Reserve	1,500,000	1,400,000
Unrestricted-Other	-	-
<b>TOTAL NET POSITION</b>	<u><b>2,486,760</b></u>	<u><b>3,067,468</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 57,190,762</b></u>	<u><b>\$ 56,859,944</b></u>

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015 AND 2014  
 (UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 353,656,900	\$ 363,892,518
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	215,983,128	223,103,852
Retailer Commissions and Bonuses	26,218,154	26,889,760
Cost of Tickets and Vendor Fees	<b>7,018,945</b>	<b>7,263,385</b>
Total Direct Operating Expenses	<u>249,220,227</u>	<u>257,256,997</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>104,436,673</u>	<u>106,635,521</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	9,201,052	7,909,844
Administration Fees Paid to MUSL	106,958	64,611
Wages and Benefits	6,366,916	6,428,389
Professional Services	202,089	85,154
State Agencies Services	472,194	188,688
Department of Revenue Services	391,184	333,507
Travel	72,893	32,400
Equipment	35,570	470,113
Depreciation	372,033	640,392
Accrued Annual and Sick Leave	129,087	(152,595)
Space Rental	514,811	501,175
Rents for Equipment	17,512	16,368
Motorpool Leasing	224,043	240,226
Materials and Supplies	96,349	68,891
Telephone	214,818	151,633
On-Line Telecommunications	60,186	286,032
Data Processing Supplies and Services	23,768	221,999
Equipment Maintenance	116,641	171,034
Printing	18,071	18,386
Delivery Expense	642,134	620,441
Other	101,662	104,724
Total Other Operating Expenses	<u>19,379,971</u>	<u>18,401,412</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	122,643	211,803
<b>TOTAL OPERATING INCOME</b>	<u>85,179,345</u>	<u>88,445,912</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	322,289	296,004
Funds Distributed for Current Year	(60,081,608)	(68,353,634)
Funds Available for Distribution for Current Year	<u>(25,674,367)</u>	<u>(20,910,006)</u>
Total Nonoperating Revenues (Expenses)	<u>(85,433,686)</u>	<u>(88,967,636)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (254,341)</u>	<u>\$ (521,724)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	2,741,101	3,589,192
Net Change in Net Position	<u>(254,341)</u>	<u>(521,724)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 2,486,760</u>	<u>\$ 3,067,468</u>



**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FEBRUARY 28, 2015 AND 2014**

(UNAUDITED)

	FY 2015	FY 2014
<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	10,012,305	9,986,041
<b>TOTAL ASSETS</b>	\$ 10,500,305	\$ 10,455,041
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	10,500,305	10,455,041
<b>TOTAL NET POSITION</b>	\$ 10,500,305	\$ 10,455,041

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015 AND 2014**

(UNAUDITED)

	<u>FY 2015</u>	<u>FY 2014</u>
<b>Additions</b>		
Investment Income	\$ <u>339,244</u>	\$ <u>352,032</u>
<b>Total Additions</b>	<u>339,244</u>	<u>352,032</u>
 <b>Deductions</b>		
Prize Payments	<u>469,000</u>	<u>451,000</u>
<b>Change in net position</b>	<b>(129,756)</b>	<b>(98,968)</b>
 <b>Net Position held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,630,061</u>	<u>10,554,009</u>
<b>End of Period</b>	<b>\$ <u><u>10,500,305</u></u></b>	<b>\$ <u><u>10,455,041</u></u></b>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015**  
(With Comparative Totals for the Eight (8) Ended February 28, 2014)

	Scratch	Jackpot Games				Pick 3	FY 15	FY 14
		Lotto	Powerball	Cash 5	Mega Millions		Total	Scratch and Jackpot Games
TICKET SALES	\$240,206,965	\$19,885,125	\$53,380,717	\$12,726,496	\$21,704,030	\$5,753,567	\$353,656,900	\$363,892,518
PRIZE EXPENSE	(158,645,310)	(11,357,582)	(25,748,478)	(6,932,514)	(10,428,923)	(2,870,321)	(215,983,128)	(223,103,852)
NET REVENUE AFTER PRIZES	<u>81,561,655</u>	<u>8,527,543</u>	<u>27,632,239</u>	<u>5,793,982</u>	<u>11,275,107</u>	<u>2,883,246</u>	<u>137,673,772</u>	<u>140,788,666</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(16,769,380)	(1,190,262)	(3,194,603)	(761,489)	(1,298,423)	(344,079)	(23,558,236)	(24,142,537)
Retailer Bonus	(2,058,206)	(111,191)	(261,487)	(102,187)	(86,007)	(40,840)	(2,659,918)	(2,747,223)
Cost of Tickets Sold	(1,609,839)	N/A	N/A	N/A	N/A	N/A	(1,609,839)	(1,779,097)
Telecomm Reimbursements	345,707	28,618	76,826	18,316	31,237	8,281	508,985	523,580
Jackpot Vendor Fees	(4,012,388)	(334,050)	(896,142)	(213,960)	(364,821)	(96,730)	(5,918,091)	(6,007,868)
TOTAL	<u>(24,104,106)</u>	<u>(1,606,885)</u>	<u>(4,275,406)</u>	<u>(1,059,320)</u>	<u>(1,718,014)</u>	<u>(473,368)</u>	<u>(33,237,099)</u>	<u>(34,153,145)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$57,457,549</u>	<u>\$6,920,658</u>	<u>\$23,356,833</u>	<u>\$4,734,662</u>	<u>\$9,557,093</u>	<u>\$2,409,878</u>	<u>\$104,436,673</u>	<u>\$106,635,521</u>
AVERAGE DAILY TICKET SALES	<u>\$988,506</u>	<u>\$81,832</u>	<u>\$219,674</u>	<u>\$52,372</u>	<u>\$89,317</u>	<u>\$23,677</u>	<u>\$1,455,378</u>	<u>\$1,497,500</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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015**

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	FY 15	FY 14
							Total	Total
Prize Expense (/)/Ticket Sales	\$158,645,310 <u>240,206,965</u>	\$11,357,582 <u>19,885,125</u>	\$25,748,478 <u>53,380,717</u>	\$6,932,514 <u>12,726,496</u>	\$10,428,923 <u>21,704,030</u>	\$2,870,321 <u>5,753,567</u>	\$215,983,128 <u>\$353,656,900</u>	\$223,103,852 <u>363,892,518</u>
Prize %	<u>66.05%</u>	<u>57.12%</u>	<u>48.24%</u>	<u>54.47%</u>	<u>48.05%</u>	<u>49.89%</u>	<u>61.07%</u>	<u>61.31%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2015

	FY15 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,344,734	5,544,486	\$3,800,248	59.3%
Amortization Equal	294,742	176,896	117,846	60.0%
Suppl Amortization Equalization	276,321	162,933	113,388	59.0%
Worker's Compensation	89,739	59,826	29,913	66.7%
Health and Life	953,274	614,394	338,880	64.5%
Short Term Disability	16,213	10,585	5,628	65.3%
Operating	1,203,156	599,449	603,707	49.8%
Variable Vehicle	206,469	116,549	89,920	56.4%
Leased Space	772,800	509,742	263,058	66.0%
Leased Space-Grand Junction	6,465	3,433	3,032	53.1%
Risk Management	27,222	18,148	9,074	66.7%
Vehicle Lease Payments	142,681	107,866	34,815	75.6%
Travel	113,498	72,893	40,605	64.2%
Marketing, Communications & Sales	14,700,000	9,070,287	5,629,713	61.7%
Payments to Other Agencies	239,410	48,068	191,342	20.1%
Legal Services	116,426	28,539	87,887	24.5%
Indirect Costs	586,778	391,184	195,594	66.7%
Ticket Costs-Scratch	6,578,000	2,293,583	4,284,417	34.9%
Research	250,000	130,765	119,235	52.3%
Vendor Fees	12,571,504	5,969,821	6,601,683	47.5%
Prize Payments	424,104,016	215,983,128	208,120,888	50.9%
Retailer Compensation	52,241,350	26,218,154	26,023,196	50.2%
Multi-State Lottery Funds	177,433	106,958	70,475	60.3%
CORE Conversion	35,657	23,768	11,889	66.7%
OIT Payments	593,380	395,587	197,793	66.7%
Postage	7,892	-	7,892	0.0%
<b>TOTAL</b>	<b><u>\$525,649,160</u></b>	<b><u>\$268,657,042</u></b>	<b><u>\$256,786,433</u></b>	<b><u>51.11%</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	215,983,128
Commissions and Bonuses	26,218,154
Cost of Tickets & Vendor Fees	7,018,945
Operating Expenses	19,379,971
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<b><u>268,600,198</u></b>
Plus: Telecommunications offset classified as revenue	508,985
Less: Non-appropriated expenses and other adjustments	
Depreciation	(372,033)
Accrued Annual and Sick Leave	(129,087)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<b>268,608,063</b>
Plus: Capitalized Fixed Assets	48,979
	<b><u>\$268,657,042</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 February, 2015 is 66.7%.

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