

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

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

(UNAUDITED)

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
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
Ms. Barbara Brohl	Executive Director, Department of Revenue
Ms. Laura Solano	Director, Colorado Lottery
Mr. Robert Jaros	State Controller
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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

September 10, 2014

State Treasurer and Members of the Colorado Lottery Commission:

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 performance for the fiscal year ended June 30, 2014 depicts total revenues of \$546.0 million, which includes gross ticket sales of \$545.0 million. Net income before proceeds distributions is \$129.4 million with a decrease in net position of \$0.7 million. Accordingly, a total of \$130.1 million in distributions will have been made by August 29, 2014 in the following manner; over \$60.3 million to the Great Outdoors Colorado Fund, \$13.0 million to the Division of Parks and Outdoor Recreation, nearly \$52.1 million to the Conservation Trust Fund, for distribution to cities and other local government agencies and over \$4.7 million to the Public School Capital Construction Assistance Fund.

The attached financial statements for the fiscal year ended June 30, 2014 have not been audited. They 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 that 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 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 FISCAL YEARS ENDED JUNE 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 fiscal years ended June 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 Fiscal Years Ended June 30,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$545.03		\$566.28	
Nonoperating revenue	0.94		0.37	
TOTAL INCOME	545.97		566.65	
LESS:				
PRIZES	\$336.51	61.7% (1)	\$350.26	61.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$40.21	7.4% (2)	\$42.21	7.5% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.81		11.18	
Other Operating Expenses	29.07	(4)	28.65	
TOTAL ADMINISTRATIVE COSTS (Note 3)	39.88	7.3% (3)	39.83	7.0% (3)
	129.37		134.35	
NET CHANGE IN NET ASSETS	(0.74)		(1.28)	
PROCEEDS DISTRIBUTION	\$130.11	23.8% (3)	\$135.63	23.9% (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.

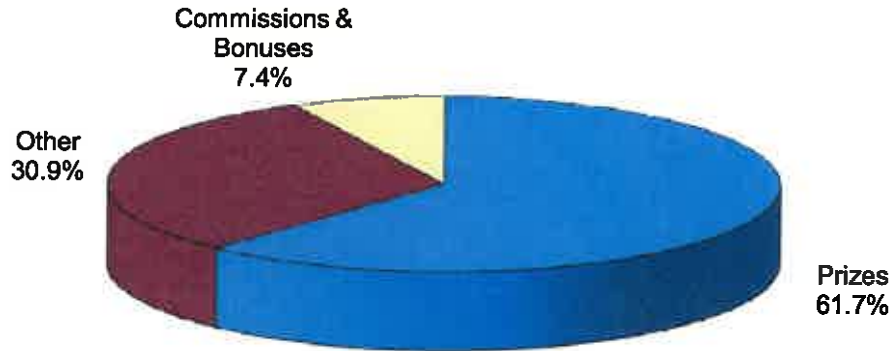
Note 2: Percent of gross ticket sales.

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.

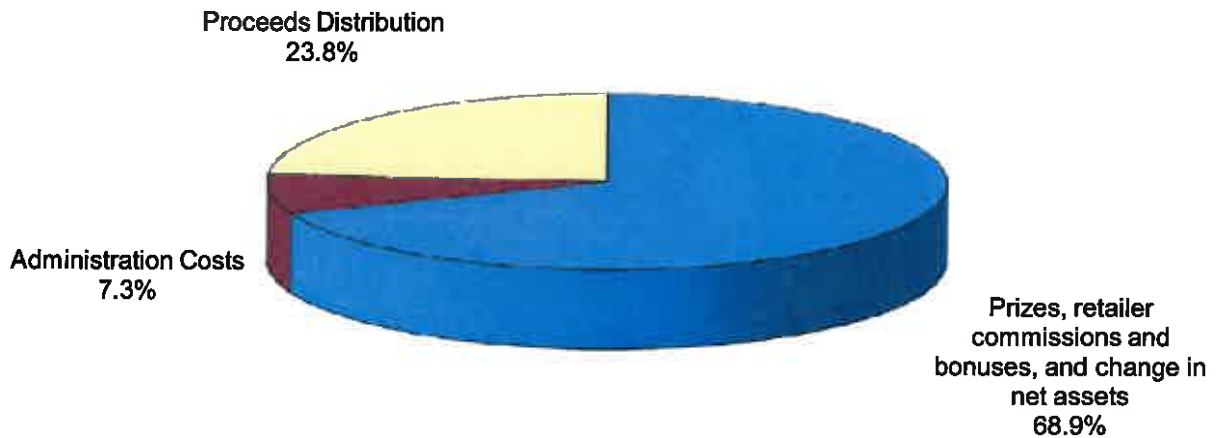
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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
JUNE 30, 2014 AND 2013
(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets:		
Cash and Investments	\$ 37,344,039	\$ 42,624,838
Accounts Receivable, net of the allowance for doubtful accounts of \$156,458 in 2014 and \$129,441 in 2013	18,923,528	20,260,613
Consignment Inventory, at Cost	96,822	107,001
Warehouse Inventory, at Cost	1,158,843	1,064,149
Prepaid Expenses	183,664	51,345
Total Current Assets	57,706,896	64,107,946
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	383,534	388,870
Prepaid Prize Expense with MUSL	4,952,818	4,941,494
Total Reserve and Restricted Assets	6,736,352	6,630,364
Capital Assets:		
Equipment	5,922,293	5,946,887
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,029,437)	(4,111,276)
Total Capital Assets	957,567	1,900,322
TOTAL ASSETS	\$ 65,400,815	\$ 72,638,632
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,551,217	\$ 2,349,687
Prize Liability	25,829,136	25,389,816
Payable to MUSL	520,686	1,439,549
Wages and Benefits	770,834	872,731
Accrued Annual and Sick Leave	9,305	0
Retailer Bonus Liability	1,533,522	706,712
Funds Available for Distribution	30,508,507	37,298,362
Total Current Liabilities	61,723,207	68,056,857
Long-Term Liabilities:		
Accrued Annual and Sick Leave	699,550	858,365
Expired Warrants Liability	60,725	60,725
Total Long-Term Liabilities	760,275	919,090
TOTAL LIABILITIES	62,483,482	68,975,947
NET POSITION		
Investment in Capital Assets	957,567	1,900,322
Restricted-Licensed Agent Recovery Reserve	383,534	388,870
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	176,232	73,493
TOTAL NET POSITION	2,917,333	3,662,685
TOTAL LIABILITIES AND NET POSITION	\$ 65,400,815	\$ 72,638,632

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
 (UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 545,030,260	\$ 566,286,598
DIRECT OPERATING EXPENSES		
Prize Expense	336,511,493	350,260,455
Retailer Commissions and Bonuses	40,212,982	42,213,870
Cost of Tickets and Vendor Fees	<u>10,805,730</u>	<u>11,181,932</u>
Total Direct Operating Expenses	<u>387,530,205</u>	<u>403,656,257</u>
GROSS PROFIT ON SALE OF TICKETS	<u>157,500,055</u>	<u>162,630,341</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	13,629,282	13,627,884
Administration Fees Paid to MUSL	85,228	148,940
Wages and Benefits	9,415,045	9,166,190
Professional Services	178,471	139,806
State Agencies Services	267,553	158,648
Department of Revenue Services	486,936	586,212
Travel	51,803	70,001
Equipment	521,428	59,522
Depreciation	960,109	977,298
Accrued Annual and Sick Leave	(158,551)	21,224
Space Rental	754,269	728,305
Rents for Equipment	25,557	31,788
Motorpool Leasing	368,640	364,798
Materials and Supplies	100,755	92,032
Telephone	233,137	185,898
On-Line Telecommunications	431,334	415,230
Data Processing Supplies and Services	329,666	53,805
Equipment Maintenance	272,636	286,600
Printing	21,526	23,927
Delivery Expense	961,938	927,943
Other	131,927	584,416
Total Other Operating Expenses	<u>29,068,689</u>	<u>28,650,467</u>
OTHER OPERATING REVENUE (EXPENSE)	382,539	289,398
TOTAL OPERATING INCOME	<u>128,813,905</u>	<u>134,269,272</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	554,251	77,300
Funds Distributed for Current Year	(99,605,001)	(98,333,399)
Funds Available for Distribution for Current Year	<u>(30,508,507)</u>	<u>(37,298,362)</u>
Total Nonoperating Revenues (Expenses)	<u>(129,559,257)</u>	<u>(135,554,461)</u>
NET INCOME (LOSS)	<u>\$ (745,352)</u>	<u>\$ (1,285,189)</u>
NET POSITION, BEGINNING OF YEAR	3,662,685	4,947,874
Net Change in Net Position	<u>(745,352)</u>	<u>(1,285,189)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,917,333</u>	<u>\$ 3,662,685</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)

	FY2014	FY2013
Operating Activities		
Cash received from retailers	\$ 547,217,929	\$ 564,973,271
Cash paid in prizes	(336,622,967)	(348,231,797)
Cash paid in retailer commissions	(36,249,056)	(37,596,118)
Cash payments to suppliers	(30,518,493)	(27,664,040)
Cash payments to employees for services	(9,507,901)	(9,135,030)
Cash paid in retailer bonus	(3,138,356)	(4,726,192)
Net cash provided by operating activities	131,181,156	137,620,094
Noncapital Financing Activities		
Distribution of net proceeds	(136,903,363)	(127,317,475)
Net cash used by noncapital financing activities	(136,903,363)	(127,317,475)
Capital and Related Financing Activities		
Acquisition of capital assets	(18,179)	(49,163)
Net cash used by capital and related financing activities	(18,179)	(49,163)
Investing Activities		
Interest received	451,512	468,782
Change in fair market value of investments	102,739	(391,482)
Net cash provided by investing activities	554,251	77,300
Increase (Decrease) in Cash and Investments	(5,186,135)	10,330,756
Cash and Investments, Beginning of Year (including \$1,688,870 and \$1,651,031, respectively, in restricted accounts)	44,313,708	33,982,952
Cash and Investments, End of Period, (including \$1,804,998 and \$1,688,870, respectively, in restricted accounts)	\$ 39,127,573	\$ 44,313,708
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 128,813,905	\$ 134,269,272
<i>Depreciation</i>	960,109	977,298
<i>Loss (gain) on disposition of equipment</i>	825	3,411
<i>Change in:</i>		
<i>Accounts Receivable</i>	1,337,085	(768,727)
<i>Ticket Inventory</i>	(84,515)	(143,682)
<i>Prepaid Expenses</i>	(132,319)	21,217
<i>Prepaid Prize Expense with MUSL</i>	(11,324)	52,528
<i>Liabilities(excluding funds available for distribution)</i>	297,390	3,208,777
<i>Net cash provided by operating activities</i>	\$ 131,181,156	\$ 137,620,094
Statement of Net Position Classification		
Cash and investments	\$ 37,344,039	\$ 42,624,838
Cash and investments- Licensed Agent Recovery Reserve	383,534	388,870
Cash and investments- Operating Reserve	1,400,000	1,300,000
Cash and Investments, End of Period	\$ 39,127,573	\$ 44,313,708

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

(UNAUDITED)

ASSETS	<u>FY 2014</u>	<u>FY 2013</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	469,000	451,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>11,206,761</u>	<u>11,116,677</u>
TOTAL ASSETS	\$ <u>11,675,761</u>	\$ <u>11,567,677</u>
 NET POSITION		
Held in Trust for Powerball Winner	<u>11,675,761</u>	<u>11,567,677</u>
TOTAL NET POSITION	\$ <u>11,675,761</u>	\$ <u>11,567,677</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

(UNAUDITED)

	FY 2014	FY 2013
Additions		
Investment Income	\$ <u>559,084</u>	\$ <u>(673,266)</u>
Total Additions	<u>559,084</u>	<u>(673,266)</u>
 Deductions		
Prize Payments	<u>451,000</u>	<u>434,000</u>
Change in net position	108,084	(1,107,266)
 Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>11,567,677</u>	<u>12,674,943</u>
End of Period	\$ <u><u>11,675,761</u></u>	\$ <u><u>11,567,677</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	Scratch	Jackpot Games					Pick 3	FY 14	FY 13
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III		Total	Scratch and Jackpot Games
TICKET SALES	\$362,045,443	\$33,809,181	\$84,518,786	\$19,173,636	\$36,799,903	\$ -	\$8,683,311	\$545,030,260	\$566,286,598
PRIZE EXPENSE	(247,349,989)	(16,846,382)	(40,130,951)	(10,398,485)	(17,627,121)	40,120	(4,198,685)	(336,511,493)	(350,260,455)
NET REVENUE AFTER PRIZES	<u>114,695,454</u>	<u>16,962,799</u>	<u>44,387,835</u>	<u>8,775,151</u>	<u>19,172,782</u>	<u>40,120</u>	<u>4,484,626</u>	<u>208,518,767</u>	<u>216,026,143</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(25,293,729)	(2,023,853)	(5,061,363)	(1,147,212)	(2,203,110)	-	(519,789)	(36,249,056)	(37,596,118)
Retailer Bonus	(3,158,137)	(159,839)	(297,216)	(149,799)	(138,309)	282	(60,908)	(3,963,926)	(4,617,752)
Cost of Tickets Sold	(2,601,233)	N/A	N/A	N/A	N/A	N/A	N/A	(2,601,233)	(2,606,116)
Telecomm Reimbursements	527,334	49,245	123,105	27,927	53,601	-	12,648	793,860	777,745
Jackpot Vendor Fees	(5,976,291)	(557,861)	(1,394,592)	(316,365)	(609,450)	-	(143,798)	(8,998,357)	(9,353,561)
TOTAL	<u>(36,502,056)</u>	<u>(2,692,308)</u>	<u>(6,630,066)</u>	<u>(1,585,449)</u>	<u>(2,897,268)</u>	<u>282</u>	<u>(711,847)</u>	<u>(51,018,712)</u>	<u>(53,395,802)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$ 78,193,398</u>	<u>\$ 14,270,491</u>	<u>\$ 37,757,769</u>	<u>\$ 7,189,702</u>	<u>\$16,275,514</u>	<u>\$ 40,402</u>	<u>\$ 3,772,779</u>	<u>\$ 167,500,055</u>	<u>\$ 162,630,341</u>
AVERAGE DAILY TICKET SALES	<u>\$ 991,905</u>	<u>\$ 92,628</u>	<u>\$ 231,558</u>	<u>\$ 52,531</u>	<u>\$ 100,822</u>	<u>\$ -</u>	<u>\$ 23,790</u>	<u>\$ 1,493,234</u>	<u>\$ 1,551,470</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 FISCAL YEAR ENDED JUNE 30, 2014

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 14	FY 13
								Total	Total
Prize Expense (/)/Ticket Sales	\$247,349,989 362,045,443	\$16,846,382 33,809,181	\$40,130,951 84,518,786	\$10,398,485 19,173,636	\$17,627,121 36,799,903	\$ (40,120) -	\$4,198,685 8,683,311	\$336,511,493 545,030,260	\$350,260,455 566,286,598
Prize %	<u>68.32%</u>	<u>49.83%</u>	<u>47.48%</u>	<u>54.23%</u>	<u>47.90%</u>	<u>N/A</u>	<u>48.35%</u>	<u>61.74%</u>	<u>61.85%</u>

**COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Fiscal Year 2014 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2014 Final Budget	Fiscal Year 2014 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$ 9,096,469	\$ -	\$ 9,096,469	\$ 8,100,062	\$ 996,407	10.95%
Amortization Equalization	258,375	(10,474)	247,901	245,489	2,412	0.97%
Supplemental Amort. Equal.	233,224	(8,025)	225,199	221,624	3,575	1.59%
Workmen's Compensation	77,428	-	77,428	77,428	-	0.00%
Health and Life	903,179	18,661	921,840	921,840	-	0.00%
Short Term Disability	13,634	(456)	13,178	13,178	-	0.00%
Operating	1,203,156	-	1,203,156	833,528	369,628	30.72%
Variable Vehicle	207,185	(700)	206,485	200,721	5,764	2.79%
Leased Space	758,805	-	758,805	744,818	13,987	1.84%
Leased Space-Grand Junction	7,661	-	7,661	7,661	-	0.00%
Risk Management	27,049	-	27,049	27,049	-	0.00%
Vehicle Lease Payments	160,731	13,300	174,031	167,641	6,390	3.67%
Travel	113,498	-	113,498	51,803	61,695	54.36%
Purch. Serv. Comp. Center	276,527	-	276,527	276,527	-	0.00%
Marketing, Communications & Sales	14,700,000	-	14,700,000	13,439,653	1,260,347	8.57%
Communications Services	3,029	-	3,029	3,029	-	0.00%
Payments to MNT	282,286	-	282,286	282,286	-	0.00%
Payments to Other Agencies	239,410	-	239,410	134,175	105,235	43.96%
Legal Services	31,058	58,034	89,092	75,031	14,061	15.78%
Indirect Costs	500,260	-	500,260	486,936	13,324	2.66%
Ticket Costs-Scratch	6,578,000	-	6,578,000	3,609,710	2,968,290	45.12%
Research	250,000	-	250,000	189,629	60,371	24.15%
Vendor Fees	12,571,504	-	12,571,504	9,595,025	2,976,479	23.68%
Prize Payments	424,104,016	-	424,104,016	336,511,493	87,592,523	20.65%
Retailer Compensation	52,241,350	-	52,241,350	40,212,982	12,028,368	23.02%
Multi-State Lottery Fund	177,433	-	177,433	85,228	92,205	51.97%
COFRS Modernization	35,657	-	35,657	35,657	-	0.00%
OIT Security	13,167	-	13,167	13,167	-	0.00%
MNT & AD OIT	45,180	-	45,180	45,180	-	0.00%
TOTAL	\$ 525,109,271	\$ 70,340	\$ 525,179,611	\$ 416,608,550	\$ 108,571,061	20.67%

FY14 Staffing - FTE - (Note 1) 117.0 (Appropriated) 120.0 (Actual)

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	\$ 336,511,493
Commissions and Bonuses	40,212,982
Cost of Tickets & Vendor Fees	10,805,730
Operating Expenses	<u>29,068,689</u>

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 416,598,894

Plus: Telecommunications offset classified as revenue 793,860

Less: Non-appropriated expenses

Depreciation	(960,109)
Accrued Annual and Sick Leave	158,551
Book Value of Assets Written Off	<u>(825)</u>

Sub-Total 416,590,371

Plus: Capitalized purchases 18,179

\$ 416,608,550

Note 1: The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2014