

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

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

**(UNAUDITED)**

**FOR THE THREE QUARTERS ENDED**

**MARCH 31, 2013**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

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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

Abel Tapia  
Lottery Director

June 12, 2013

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 three quarters ended March 31, 2013 depicts total revenues of \$419.2 million, which includes gross ticket sales of \$418.7 million. Net income before proceeds distributions is \$97.7 million with a decrease in net assets of \$0.6 million. Accordingly, a total of \$98.3 million in distributions will have been made by June 1, 2013 in the following manner; nearly \$49.2 million to the Great Outdoors Colorado Fund, over \$9.8 million to the Division of Parks and Outdoor Recreation, and over \$39.3 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the three quarters ended March 31, 2013 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 THREE QUARTERS ENDED MARCH 31, 2013 AND 2012

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the three quarters ended March 31, 2013 and 2012 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 Three Quarters Ended March 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$418.68		\$411.61	
Nonoperating revenue	0.48		0.55	
<b>TOTAL INCOME</b>	<b>419.16</b>		<b>412.16</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$262.09</b>	<b>62.6% (1)</b>	<b>\$257.39</b>	<b>62.5% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$31.26</b>	<b>7.5% (2)</b>	<b>\$31.42</b>	<b>7.6% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	8.18		8.49	
Other Operating Expenses	19.94	(4)	21.47	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>28.12</b>	<b>6.7% (3)</b>	<b>29.96</b>	<b>7.3% (3)</b>
	97.69		93.39	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.64)</b>		<b>(0.87)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$98.33</b>	<b>23.5% (3)</b>	<b>\$94.26</b>	<b>22.9% (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.

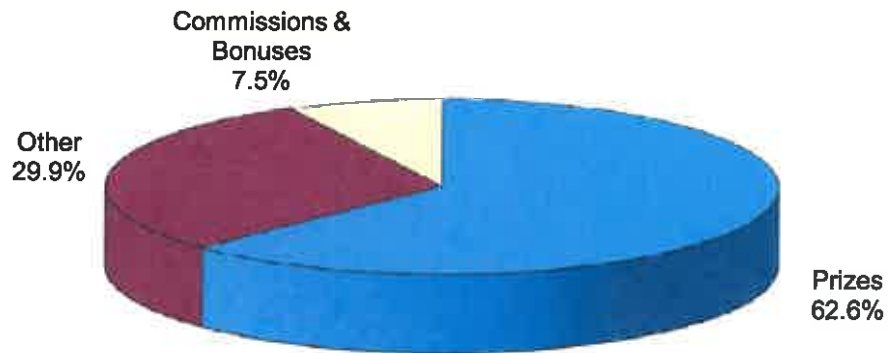
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

Note 4: Total operating expenses per the statement of revenues, expenses and changes in fund net assets 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.

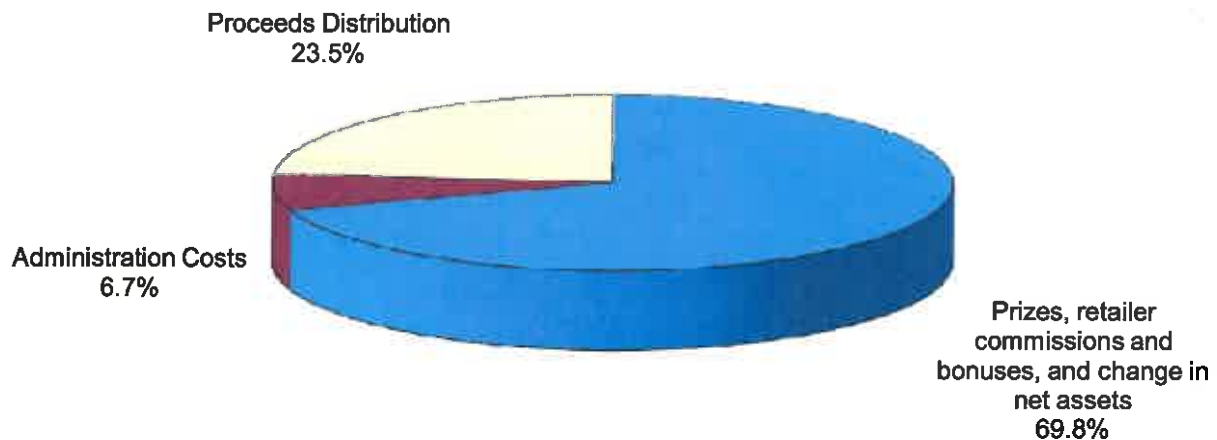
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2013

**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 ASSETS  
MARCH 31, 2013 AND 2012  
(UNAUDITED)

ASSETS	FY 2013	FY 2012
<b>Current Assets:</b>		
Cash and Investments	\$ 38,647,793	\$ 35,146,882
Accounts Receivable, net of the allowance for doubtful accounts of \$147,498 in 2013 and \$224,494 in 2012	22,189,727	31,792,439
Consignment Inventory, at Cost	112,340	113,123
Warehouse Inventory, at Cost	1,314,884	1,079,222
Prepaid Expenses	94,043	119,220
Total Current Assets	62,358,787	68,250,886
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	389,128	388,417
Prepaid Prize Expense with MUSL	4,963,850	4,874,899
Total Reserve and Restricted Assets	6,652,978	6,563,316
<b>Capital Assets:</b>		
Equipment	6,113,328	6,415,377
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,028,743)	(3,457,920)
Total Capital Assets	2,149,296	3,022,168
TOTAL ASSETS	\$ 71,161,061	\$ 77,836,370
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,524,636	\$ 5,495,333
Prize Liability	31,067,538	27,606,919
Payable to MUSL	2,542,212	0
Wages and Benefits	143,045	179,761
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	635,719	911,966
Funds Available for Distribution	30,456,593	38,026,448
Total Current Liabilities	66,369,743	72,220,427
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	891,984	836,890
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	952,894	905,358
TOTAL LIABILITIES	67,322,637	73,125,785
<b>NET ASSETS</b>		
Investment in Capital Assets	2,149,296	3,022,168
Restricted-Licensed Agent Recovery Reserve	389,128	388,417
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	3,838,424	4,710,585
TOTAL LIABILITIES AND NET ASSETS	\$ 71,161,061	\$ 77,836,370

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 FOR THE THREE QUARTERS ENDED MARCH 31, 2013 AND 2012  
 (UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 418,677,213	\$ 411,614,299
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	261,411,100	259,019,947
Powerball Prize Variance	2,427,207	(1,847,602)
Mega Millions Prize Variance	(1,750,241)	221,588
Retailer Commissions and Bonuses	31,260,091	31,417,993
Cost of Tickets and Vendor Fees	8,177,014	8,490,082
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>117,152,042</u>	<u>114,312,291</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	8,484,532	10,297,078
Administration Fees Paid to MUSL	122,257	87,185
Wages and Benefits	6,908,709	6,736,320
Professional Services	98,088	339,634
State Agencies Services	81,433	78,859
Department of Revenue Services	439,659	371,525
Travel	48,434	95,614
Equipment	49,134	65,735
Depreciation	736,790	797,142
Accrued Annual and Sick Leave	54,725	30,612
Space Rental	543,610	548,401
Rents for Equipment	23,139	24,689
Motorpool Leasing	273,027	287,446
Materials and Supplies	75,382	122,716
Telephone	131,147	118,654
On-Line Telecommunications	303,458	266,952
Data Processing Supplies and Services	18,156	18,650
Equipment Maintenance	262,379	299,970
Postage	5,787	44,915
Printing	29,480	14,443
Delivery Expense	699,229	737,901
Other	552,816	86,015
Total Other Operating Expenses	<u>19,941,371</u>	<u>21,470,456</u>
<b>OPERATING INCOME</b>	<u>97,210,671</u>	<u>92,841,835</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue	133,910	183,454
Investment Income	344,343	365,248
Funds Distributed for Current Year	(67,876,806)	(56,238,952)
Funds Available for Distribution for Current Year	(30,456,593)	(38,026,448)
Total Nonoperating Revenues (Expenses)	<u>(97,855,146)</u>	<u>(93,716,698)</u>
<b>NET INCOME(LOSS)</b>	<u>\$ (644,475)</u>	<u>\$ (874,863)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,482,899	5,585,448
Net Change in Net Assets	<u>(644,475)</u>	<u>(874,863)</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 3,838,424</u>	<u>\$ 4,710,585</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2013 & 2012  
(UNAUDITED)

	FY2013	FY2012
<b>Operating Activities</b>		
Cash received from retailers	\$ 415,853,047	\$ 399,051,342
Cash paid in prizes	(251,116,626)	(259,218,385)
Cash paid in retailer commissions	(27,819,114)	(27,392,537)
Cash payments to suppliers	(22,299,585)	(21,275,293)
Cash payments to employees for services	(7,607,117)	(7,426,240)
Cash paid in retailer bonus	(3,618,649)	(3,923,189)
	<b>103,391,956</b>	<b>79,815,698</b>
<b>Noncapital Financing Activities</b>		
Distribution of net proceeds	(96,860,882)	(81,851,737)
	<b>(96,860,882)</b>	<b>(81,851,737)</b>
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	(56,473)	(36,055)
	<b>(56,473)</b>	<b>(36,055)</b>
<b>Investing Activities</b>		
Interest received	344,343	365,248
	<b>344,343</b>	<b>365,248</b>
<b>Increase (Decrease) in Cash and Investments</b>	<b>6,818,944</b>	<b>(1,706,846)</b>
<b>Cash and Investments, Beginning of Year (including \$1,651,031 and \$1,802,793, respectively, in restricted accounts)</b>	<b>33,517,977</b>	<b>38,542,145</b>
<b>Cash and Investments, End of Period, (including \$1,689,128 and \$1,688,417, respectively, in restricted accounts)</b>	<b>\$ 40,336,921</b>	<b>\$ 36,835,299</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 97,210,671	\$ 92,841,835
Depreciation	736,790	797,142
Loss (gain) on disposition of equipment	2,255	(600)
Other revenue	133,910	183,454
(Increase)Decrease in Prepaid Prize Expense with MUSL	30,172	(444,772)
Change in:	0	0
Accounts Receivable	(2,697,841)	(12,555,633)
Ticket Inventory	(399,756)	40,151
Prepaid Expenses	(21,481)	(40,289)
Liabilities(excluding funds available for distribution)	8,397,236	(1,005,590)
<b>Net cash provided by operating activities</b>	<b>\$ 103,391,956</b>	<b>\$ 79,815,698</b>
<b>Statement of Net Assets Classification</b>		
Cash and investments	\$ 38,647,793	\$ 35,146,882
Cash and investments- Licensed Agent Recovery Reserve	389,128	388,417
Cash and investments- Operating Reserve	1,300,000	1,300,000
<b>Cash and Investments, End of Period</b>	<b>\$ 40,336,921</b>	<b>\$ 36,835,299</b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
**MARCH 31, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	451,000	434,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	<u>9,968,357</u>	<u>9,873,437</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,419,357</u></b>	<b>\$ <u>10,307,437</u></b>
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	<u>10,419,357</u>	<u>10,307,437</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>10,419,357</u></b>	<b>\$ <u>10,307,437</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE THREE QUARTERS ENDED MARCH 31, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<b>Additions</b>		
Investment Income	\$ <u>407,368</u>	\$ <u>419,651</u>
<b>Total Additions</b>	<u>407,368</u>	<u>419,651</u>
 <b>Deductions</b>		
Prize Payments	<u>434,000</u>	<u>417,000</u>
<b>Change in net assets</b>	(26,632)	2,651
 <b>Net Assets held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,445,989</u>	<u>10,304,786</u>
<b>End of Period</b>	\$ <u><u>10,419,357</u></u>	\$ <u><u>10,307,437</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES**  
**FOR THE THREE QUARTERS ENDED MARCH 31, 2013**  
(With Comparative Totals for the Three Quarters Ended March 31, 2012)

							FY 13	FY 12	
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Total	Scratch and Online
TICKET SALES	\$274,678,730	\$24,045,415	\$85,639,943	\$16,006,126	\$0	\$16,337,989	\$1,969,010	\$418,677,213	\$411,614,299
PRIZE EXPENSE	(191,178,632)	(12,474,300)	(39,209,415)	(8,502,113)	128,894	(9,175,534)	(1,000,000)	(261,411,100)	(259,019,947)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(2,427,207)	N/A	N/A	1,750,241	N/A	(676,966)	1,626,014
NET REVENUE AFTER PRIZES	83,500,098	11,571,115	44,003,321	7,504,013	128,894	8,912,696	969,010	156,589,147	154,220,366
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(19,194,512)	(1,440,096)	(5,130,576)	(958,555)	0	(977,934)	(117,441)	(27,819,114)	(27,392,537)
Retailer Bonus	(2,674,615)	(140,356)	(384,598)	(142,867)	1,182	(88,687)	(11,036)	(3,440,977)	(4,025,456)
Cost of Tickets Sold	(1,848,757)	N/A	N/A	N/A	N/A	N/A	N/A	(1,848,757)	(2,184,921)
Telecomm Reimbursements	382,752	33,506	119,335	22,303	0	22,766	2,828	583,490	578,985
On-Line Vendor Fees	(4,535,570)	(396,873)	(1,413,085)	(264,116)	0	(269,614)	(32,489)	(6,911,747)	(6,884,146)
TOTAL	(27,870,702)	(1,943,819)	(6,808,924)	(1,343,235)	1,182	(1,313,469)	(158,138)	(39,437,105)	(39,908,075)
GROSS PROFIT ON SALE OF TICKETS	\$55,629,396	\$9,627,296	\$37,194,397	\$6,160,778	\$130,076	\$7,599,227	\$810,872	\$117,152,042	\$114,312,291
AVERAGE DAILY TICKET SALES	\$1,002,477	\$87,757	\$312,555	\$58,417	\$0	\$59,628	\$21,172	\$1,528,019	\$1,496,779

Based on 93 days  
of sales

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

Note 2: Raffle III sales began on October 1, 2012 and ended on January 1, 2013

**COLORADO LOTTERY**  
**SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES**  
**FOR THE THREE QUARTERS ENDED MARCH 31, 2013**

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense *	\$191,178,632	\$12,474,300	\$41,636,622	\$8,502,113	(\$128,894)	\$7,425,293	\$1,000,000	\$262,088,066	\$257,393,933
(/)/Ticket Sales	274,678,730	24,045,415	85,639,943	16,006,126	0	16,337,989	1,969,010	\$418,677,213	411,614,299
Prize %	69.60%	51.88%	48.62%	53.12%	N/A	45.45%	50.79%	62.60%	62.53%

\*Net of Multi-State Prize Variances

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2013

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$6,044,181	\$2,837,232	68.1%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	150,926	63,938	70.2%
Suppl Amortization Equalization	184,836	128,463	56,373	69.5%
Workmen's Compensation	71,535	53,651	17,884	75.0%
Health and Life	768,761	609,636	159,125	79.3%
Short Term Disability	11,947	8,609	3,338	72.1%
Operating	1,203,156	934,820	268,336	77.7%
Variable Vehicle	192,785	110,705	82,080	57.4%
Leased Space	731,484	539,533	191,951	73.8%
Leased Space-Grand Junction	5,433	4,077	1,356	75.0%
Risk Management	35,436	31,637	3,799	89.3%
Vehicle Lease Payments	148,659	110,872	37,787	74.6%
Travel	113,498	48,407	65,091	42.7%
Purch. Of Services-Computer Center	2,386	1,789	597	75.0%
Marketing, Communications & Sales	14,700,000	8,672,480	6,027,520	59.0%
Communications Services	2,514	1,885	629	75.0%
Payments to MNT	262,205	196,654	65,551	75.0%
Payments to Other Agencies	239,410	61,111	178,299	25.5%
Legal Services	21,030	20,637	393	98.1%
Indirect Costs	408,720	439,659	(30,939)	107.6%
Ticket Costs-Scratch	6,578,000	2,580,538	3,997,462	39.2%
Research	250,000	50,600	199,400	20.2%
Vendor Fees	12,571,504	7,014,707	5,556,797	55.8%
Prize Payments	424,104,016	270,802,800	153,301,216	63.9%
Retailer Compensation	52,241,350	31,260,091	20,981,259	59.8%
Multi-State Lottery Funds	177,433	122,257	55,176	68.9%
COFRS Modernization	35,657	26,743	8,914	75.0%
<b>TOTAL</b>	<u>\$524,158,032</u>	<u>\$330,027,468</u>	<u>\$194,130,564</u>	<u>62.96%</u>

FY13 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.10 (Projected)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Retained Earnings" to Budgeted Expenditures:

**Expenses Per Statement of Revenues, Expenses and Changes in Retained Earnings**

Prize Expense	261,411,100
Powerball Prize Variance	2,427,207
Mega Millions Prize Variance	(1,750,241)
Commissions and Bonuses	31,260,091
Cost of Tickets & Vendor Fees	8,177,014
Operating Expenses	19,941,371
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>321,466,542</u>
Plus: Powerball Variance classified as revenue	5,388,793
Mega Millions Variance classified as revenue	3,325,941
Telecommunications offset classified as revenue	583,490
Less: Non-appropriated expenses and other adjustments	
Depreciation	(736,790)
Accrued Annual and Sick Leave	(54,725)
Loss on Disposal of Equipment classified as revenue	(2,255)
<b>Sub-Total</b>	<b>329,970,996</b>
Plus: Capitalized Fixed Assets	56,472
	<u>330,027,468</u>

Note 1 - FY13 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through March 31, 2013 is 75.0%.

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 2013