

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

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

**(UNAUDITED)**

**FOR THE FIRST QUARTER ENDED**

**SEPTEMBER 30, 2013**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

**COLORADO LOTTERY DIVISION**  
Department of Revenue

**Headquarters**  
225 N. Main Street  
Pueblo, CO 81003-3235  
(719) 546-2400  
(719) 546-5208 Fax



John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Abel Tapia  
Lottery Director

December 11, 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 first quarter ended September 30, 2013 depicts total revenues of \$137.3 million, which includes gross ticket sales of \$137.2 million. Net income before proceeds distributions is \$33.6 million with a decrease in net position of \$0.1 million. Accordingly, a total of \$33.7 million in distributions will have been made by November 29, 2013 in the following manner; over \$16.8 million to the Great Outdoors Colorado Fund, nearly \$3.4 million to the Division of Parks and Outdoor Recreation, and nearly \$13.5 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 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 FIRST QUARTERS ENDED SEPTEMBER 30, 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 first quarters ended September 30, 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 First Quarters Ended September 30,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$137.16		\$129.97	
Nonoperating revenue	0.17		0.13	
<b>TOTAL INCOME</b>	<b>137.33</b>		<b>130.10</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$84.07</b>	<b>61.3% (1)</b>	<b>\$80.85</b>	<b>62.2% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$10.13</b>	<b>7.4% (2)</b>	<b>\$9.70</b>	<b>7.5% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	2.73		2.51	
Other Operating Expenses	6.85	(4)	6.57	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>9.58</b>	<b>7.0% (3)</b>	<b>9.08</b>	<b>7.0% (3)</b>
	<b>33.55</b>		<b>30.47</b>	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.15)</b>		<b>(0.22)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$33.70</b>	<b>24.5% (3)</b>	<b>\$30.69</b>	<b>23.6% (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.

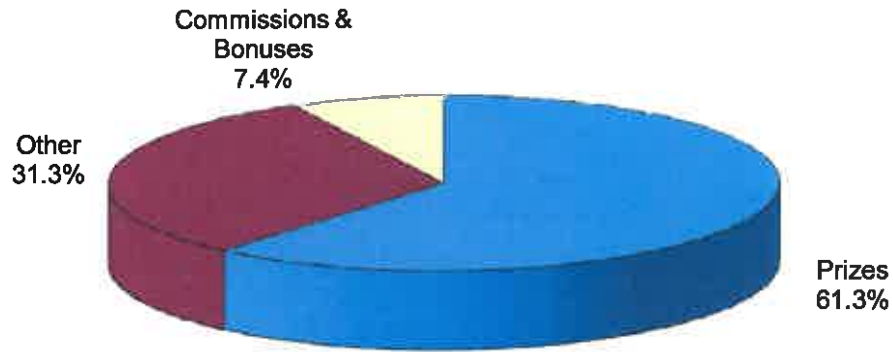
Note 2: Percent of gross ticket sales.

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.

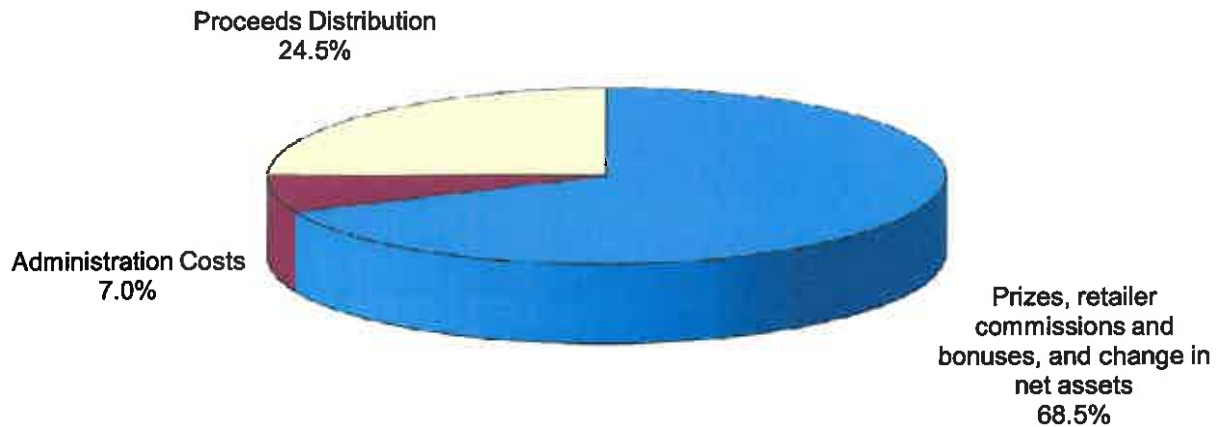
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FIRST QUARTER  
ENDED SEPTEMBER 30, 2013

**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 POSITION  
SEPTEMBER 30, 2013 AND 2012  
(UNAUDITED)

ASSETS	FY 2014	FY 2013
<b>Current Assets:</b>		
Cash and Investments	\$ 34,287,724	\$ 33,300,778
Accounts Receivable, net of the allowance for doubtful accounts of \$147,496 in 2013 and \$150,731 in 2012	19,741,825	20,226,883
Consignment Inventory, at Cost	104,301	97,188
Warehouse Inventory, at Cost	1,100,220	1,069,677
Prepaid Expenses	217,533	164,648
Total Current Assets	55,451,603	54,859,174
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,400,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	381,052	368,476
Prepaid Prize Expense with MUSL	5,006,640	5,108,842
Total Reserve and Restricted Assets	6,787,692	6,777,318
<b>Capital Assets:</b>		
Equipment	5,946,887	6,083,517
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,352,413)	(3,549,222)
Total Capital Assets	1,659,185	2,599,006
<b>TOTAL ASSETS</b>	<b>\$ 63,898,480</b>	<b>\$ 64,235,498</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 2,194,791	\$ 2,069,602
Prize Liability	22,207,773	23,798,795
Payable to MUSL	782,700	1,846,833
Wages and Benefits	59,790	111,513
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	579,827	605,172
Funds Available for Distribution	33,701,232	30,678,535
Total Current Liabilities	59,526,113	59,110,450
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	871,405	796,656
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	932,130	857,566
<b>TOTAL LIABILITIES</b>	<b>60,458,243</b>	<b>59,968,016</b>
<b>NET POSITION</b>		
Investment in Capital Assets	1,659,185	2,599,006
Restricted-Licensed Agent Recovery Reserve	381,052	368,476
Restricted-Operating Reserve	1,400,000	1,300,000
Unrestricted-Other	0	0
<b>TOTAL NET POSITION</b>	<b>3,440,237</b>	<b>4,267,482</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 63,898,480</b>	<b>\$ 64,235,498</b>

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2013 AND 2012  
(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 137,163,679	\$ 129,965,979
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	84,071,855	80,849,096
Retailer Commissions and Bonuses	10,127,174	9,698,525
Cost of Tickets and Vendor Fees	2,729,498	2,507,332
Total Direct Operating Expenses	<u>96,928,527</u>	<u>93,054,953</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>40,235,152</u>	<u>36,911,026</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	2,958,447	2,908,101
Administration Fees Paid to MUSL	23,150	78,013
Wages and Benefits	2,418,251	2,305,890
Professional Services	27,490	21,972
State Agencies Services	50,259	21,593
Department of Revenue Services	124,827	146,553
Travel	14,775	15,314
Equipment	8,849	27,256
Depreciation	241,137	245,415
Accrued Annual and Sick Leave	12,876	(39,826)
Space Rental	186,922	178,395
Rents for Equipment	6,166	8,103
Motorpool Leasing	93,671	94,865
Materials and Supplies	48,893	28,957
Telephone	56,995	39,813
On-Line Telecommunications	115,476	102,052
Data Processing Supplies and Services	82,108	8,950
Equipment Maintenance	79,987	100,885
Printing	16,852	8,673
Delivery Expense	245,240	227,784
Other	44,661	40,568
Total Other Operating Expenses	<u>6,857,032</u>	<u>6,569,326</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	61,628	37,854
<b>TOTAL OPERATING INCOME</b>	<u>33,439,748</u>	<u>30,379,554</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	112,529	83,564
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(33,701,232)	(30,678,535)
Total Nonoperating Revenues (Expenses)	<u>(33,588,703)</u>	<u>(30,594,971)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (148,955)</u>	<u>\$ (215,417)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	3,589,192	4,482,899
Net Change in Net Position	<u>(148,955)</u>	<u>(215,417)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 3,440,237</u>	<u>\$ 4,267,482</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2013 AND 2012  
(UNAUDITED)

	FY2014	FY2013
<b>Operating Activities</b>		
Cash received from retailers	\$ 138,466,259	\$ 129,145,870
Cash paid in prizes	(87,357,330)	(79,870,776)
Cash paid in retailer commissions	(9,080,347)	(8,647,086)
Cash payments to suppliers	(8,609,084)	(5,967,235)
Cash payments to employees for services	(3,231,028)	(3,036,607)
Cash paid in retailer bonus	(1,174,076)	(1,258,885)
Net cash provided by operating activities	<b>29,014,394</b>	<b>30,365,281</b>
<b>Noncapital Financing Activities</b>		
Distribution of net proceeds	(37,298,362)	(28,984,076)
Net cash used by noncapital financing activities	(37,298,362)	(28,984,076)
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	0	(13,492)
Proceeds from the sale of capital assets	0	0
Net cash used by capital and related financing activities	0	(13,492)
<b>Investing Activities</b>		
Interest received	112,529	83,564
Change in fair market value of investments	0	0
Net cash provided by investing activities	112,529	83,564
<b>Increase (Decrease) in Cash and Investments</b>	(8,171,439)	1,451,277
<b>Cash and Investments, Beginning of Year (including \$1,688,870 and \$1,651,031, respectively, in restricted accounts)</b>	44,240,215	33,517,977
<b>Cash and Investments, End of Period, (including \$1,781,052 and \$1,668,476, respectively, in restricted accounts)</b>	\$ 36,068,776	\$ 34,969,254
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<i>Operating income</i>	\$ 33,439,748	\$ 30,379,554
<i>Depreciation</i>	241,137	245,415
<i>Loss (gain) on disposition of equipment</i>	0	939
<i>Change in:</i>		
<i>Accounts Receivable</i>	518,788	(734,997)
<i>Ticket Inventory</i>	(33,371)	(139,397)
<i>Prepaid Expenses</i>	(166,188)	(92,086)
<i>Prepaid Prize Expense with MUSL</i>	(65,146)	(114,820)
<i>Liabilities(excluding funds available for distribution)</i>	(4,920,574)	820,673
<i>Net cash provided by operating activities</i>	\$ 29,014,394	\$ 30,365,281
<b>Statement of Net Position Classification</b>		
Cash and investments	\$ 34,287,724	\$ 33,300,778
Cash and investments- Licensed Agent Recovery Reserve	381,052	368,476
Cash and investments- Operating Reserve	1,400,000	1,300,000
<b>Cash and Investments, End of Period</b>	\$ 36,068,776	\$ 34,969,254

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</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>10,238,421</u>	<u>10,150,057</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,689,421</u></b>	<b>\$ <u>10,584,057</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,689,421</u>	<u>10,584,057</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,689,421</u></b>	<b>\$ <u>10,584,057</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Additions</b>		
Investment Income	\$ <u>135,412</u>	\$ <u>138,068</u>
<b>Total Additions</b>	<u>135,412</u>	<u>138,068</u>
<b>Deductions</b>		
Prize Payments	<u>0</u>	<u>0</u>
<b>Change in net position</b>	135,412	138,068
<b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,554,009</u>	<u>10,445,989</u>
End of Period	\$ <u><u>10,689,421</u></u>	\$ <u><u>10,584,057</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2013**  
(With Comparative Totals for the First Quarter Ended September 30, 2012)

	Jackpot Games						FY 14	FY 13	
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$86,908,147	\$7,545,570	\$29,780,024	\$4,822,983	\$5,817,451	\$0	\$2,289,504	\$137,163,679	\$129,965,979
PRIZE EXPENSE	(59,119,969)	(3,971,956)	(14,446,895)	(2,582,912)	(2,819,051)	40,120	(1,171,192)	(84,071,855)	(80,849,096)
NET REVENUE AFTER PRIZES	27,788,178	3,573,614	15,333,129	2,240,071	2,998,400	40,120	1,118,312	53,091,824	49,116,883
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(6,071,648)	(451,654)	(1,783,338)	(288,584)	(348,147)	0	(136,976)	(9,080,347)	(8,647,086)
Retailer Bonus	(799,963)	(43,992)	(120,816)	(40,164)	(23,751)	282	(18,423)	(1,046,827)	(1,051,439)
Cost of Tickets Sold	(674,156)	N/A	N/A	N/A	N/A	N/A	N/A	(674,156)	(555,990)
Telecomm Reimbursements	132,348	11,491	45,351	7,345	8,859	0	3,486	208,880	194,670
On-Line Vendor Fees	(1,434,945)	(124,502)	(491,371)	(79,579)	(95,989)	0	(37,836)	(2,264,222)	(2,146,012)
TOTAL	(8,848,364)	(608,657)	(2,350,174)	(400,982)	(459,028)	282	(189,749)	(12,856,672)	(12,205,857)
GROSS PROFIT ON SALE OF TICKETS	\$18,939,814	\$2,964,957	\$12,982,955	\$1,839,089	\$2,539,372	\$40,402	\$928,563	\$40,235,152	\$36,911,026
AVERAGE DAILY TICKET SALES	\$944,664	\$82,017	\$323,696	\$52,424	\$63,233	\$0	\$67,338	\$1,490,910	\$1,412,674

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 FIRST QUARTER ENDED SEPTEMBER 30, 2013**

							FY 13	FY 12	
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Total
Prize Expense (/)/Ticket Sales	\$59,119,969 86,908,147	\$3,971,956 7,545,570	\$14,446,895 29,780,024	\$2,582,912 4,822,983	\$2,819,051 5,817,451	(\$40,120) 0	\$1,171,192 2,289,504	\$84,071,855 \$137,163,679	\$80,849,096 129,965,979
Prize %	68.03%	52.64%	48.51%	53.55%	48.46%	N/A	51.15%	61.29%	62.21%

**COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2013**

	<u>FY14</u> <u>Budget</u> <u>(Note 1)</u>	<u>Amount</u> <u>Expended</u> <u>(Note 3)</u>	<u>Amount</u> <u>Available</u>	<u>Percent</u> <u>Expended</u> <u>(Note 2)</u>
Personal Services	\$9,096,469	\$2,076,288	\$7,020,181	22.8%
Amortization Equal	240,527	58,446	182,081	24.3%
Suppl Amortization Equalization	217,174	51,570	165,604	23.7%
Workmen's Compensation	77,428	19,357	58,071	25.0%
Health and Life	851,601	230,296	621,305	27.0%
Short Term Disability	12,698	3,338	9,360	26.3%
Operating	1,203,156	286,919	916,237	23.8%
Variable Vehicle	207,185	0	207,185	0.0%
Leased Space	758,805	184,546	574,259	24.3%
Leased Space-Grand Junction	7,661	1,915	5,746	25.0%
Risk Management	27,049	6,762	20,287	25.0%
Vehicle Lease Payments	160,731	38,299	122,432	23.8%
Travel	113,498	14,774	98,724	13.0%
Purch. Of Services-Computer Center	276,527	69,132	207,395	25.0%
Marketing, Communications & Sales	14,700,000	2,927,727	11,772,273	19.9%
Communications Services	3,029	0	3,029	0.0%
Payments to MNT	282,286	70,569	211,717	25.0%
Payments to Other Agencies	239,410	6,990	232,420	2.9%
Legal Services	125,592	28,682	96,910	22.8%
Indirect Costs	500,260	124,827	375,433	25.0%
Ticket Costs-Scratch	6,578,000	955,870	5,622,130	14.5%
Research	250,000	30,720	219,280	12.3%
Vendor Fees	12,571,504	2,307,720	10,263,784	18.4%
Prize Payments	424,104,016	84,071,855	340,032,161	19.8%
Retailer Compensation	52,241,350	10,127,173	42,114,177	19.4%
Multi-State Lottery Funds	177,433	23,150	154,283	13.0%
COFRS Modernization	35,657	8,914	26,743	25.0%
OIT Security	13,167	3,292	9,875	25.0%
MNT & AD OIT	45,180	11,295	33,885	25.0%
<b>TOTAL</b>	<u><b>\$525,117,393</b></u>	<u><b>\$103,740,426</b></u>	<u><b>\$421,333,207</b></u>	<u><b>19.76%</b></u>

FY14 Staffing - FTE - (Note 4)                      117.00 (Appropriated)                      120.50 (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	84,071,855
Commissions and Bonuses	10,127,174
Cost of Tickets & Vendor Fees	2,729,498
Operating Expenses	6,857,032

**Total Expenses per Statement of Revenues, Expenses and Changes in Net Position**                      103,785,559

Plus: Telecommunications offset classified as revenue	208,880
Less: Non-appropriated expenses and other adjustments	
Depreciation	(241,137)
Accrued Annual and Sick Leave	(12,876)
Loss on Disposal of Equipment classified as revenue	0

**Sub-Total**                      103,740,426

Plus: Capitalized Fixed Assets	0
	<u>103,740,426</u>

Note 1 - FY14 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through September 30, 2013 is 25.0%.

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 2014