

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

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

**(UNAUDITED)**

**FOR THE SEVEN (7) MONTHS ENDED**

**JANUARY 31, 2013**

**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

Abel Tapia  
Lottery Director

April 17, 2013

Members of the Lottery Commission and  
Mr. Abel Tapia, 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 seven months ended January 31, 2013 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, reading "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 SEVEN (7) MONTHS ENDED JANUARY 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 seven months ended January 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 Seven Months Ended January 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$322.65		\$301.87	
Nonoperating revenue	0.37		0.49	
<b>TOTAL INCOME</b>	<b>323.02</b>		<b>302.36</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$199.59</b>	<b>61.9% (1)</b>	<b>\$189.86</b>	<b>62.9% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$24.06</b>	<b>7.5% (2)</b>	<b>\$23.18</b>	<b>7.7% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	6.25		6.34	
Other Operating Expenses	15.66	(4)	16.91	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>21.91</b>	<b>6.8% (3)</b>	<b>23.25</b>	<b>7.7% (3)</b>
	77.46		66.07	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.49)</b>		<b>(0.68)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$77.95</b>	<b>24.1% (3)</b>	<b>\$66.75</b>	<b>22.1% (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.

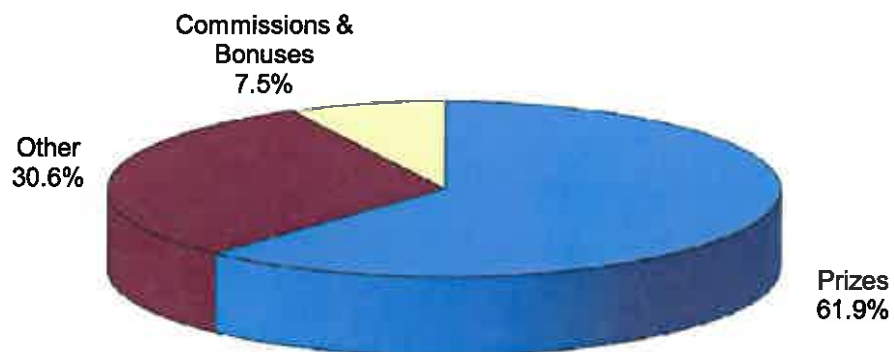
Note 2: Percent of gross ticket sales.

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.

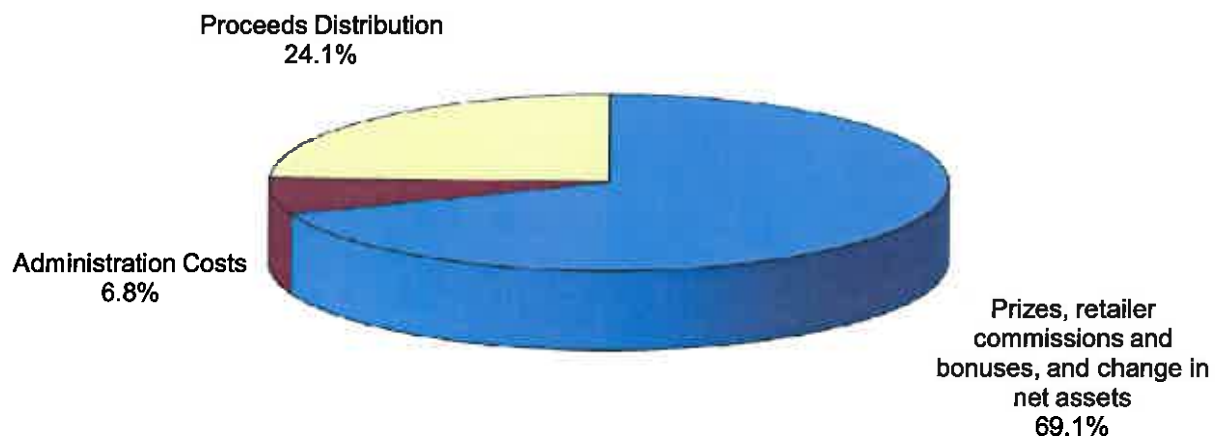
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013

**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  
JANUARY 31, 2013 AND 2012  
(UNAUDITED)

ASSETS	FY 2013	FY 2012
<b>Current Assets:</b>		
Cash and Investments	\$ 51,695,269	\$ 36,693,799
Accounts Receivable, net of the allowance for doubtful accounts of \$151,416 in 2013 and \$172,917 in 2012	20,158,069	25,050,531
Consignment Inventory, at Cost	111,508	120,591
Warehouse Inventory, at Cost	1,199,871	995,695
Prepaid Expenses	120,685	154,159
Total Current Assets	73,285,402	63,014,775
<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	375,753	429,805
Prepaid Prize Expense with MUSL	4,903,144	4,732,943
Total Reserve and Restricted Assets	6,578,897	6,462,748
<b>Capital Assets:</b>		
Equipment	6,126,496	6,405,824
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,876,665)	(3,290,922)
Total Capital Assets	2,314,542	3,179,613
<b>TOTAL ASSETS</b>	<b>\$ 82,178,841</b>	<b>\$ 72,657,136</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,104,480	\$ 2,778,082
Prize Liability	27,201,271	22,996,975
Payable to MUSL	1,306,315	62,513
Wages and Benefits	69,818	105,328
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	329,602	1,033,001
Funds Available for Distribution	47,277,874	39,895,869
Total Current Liabilities	77,289,360	66,871,768
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	838,276	807,482
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	899,186	875,950
<b>TOTAL LIABILITIES</b>	<b>78,188,546</b>	<b>67,747,718</b>
<b>NET ASSETS</b>		
Investment in Capital Assets	2,314,542	3,179,613
Restricted-Licensed Agent Recovery Reserve	375,753	429,805
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
Total Net Assets	3,990,295	4,909,418
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,178,841</b>	<b>\$ 72,657,136</b>

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2013 AND 2012  
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 322,650,469	\$ 301,871,490
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	198,038,342	188,658,305
Powerball Prize Variance	3,368,135	172,077
Mega Millions Prize Variance	(1,814,539)	1,033,709
Retailer Commissions and Bonuses	24,063,736	23,180,160
Cost of Tickets and Vendor Fees	6,249,127	6,339,212
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>92,745,668</u>	<u>82,488,027</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	6,687,626	8,147,540
Administration Fees Paid to MUSL	139,968	75,136
Wages and Benefits	5,347,915	5,234,561
Professional Services	80,661	274,471
State Agencies Services	74,338	68,644
Department of Revenue Services	341,957	288,964
Travel	37,032	83,644
Equipment	45,715	61,024
Depreciation	572,859	630,144
Accrued Annual and Sick Leave	1,155	716
Space Rental	423,908	420,581
Rents for Equipment	17,739	18,955
Motorpool Leasing	213,113	224,404
Materials and Supplies	69,136	95,434
Telephone	93,471	93,793
On-Line Telecommunications	236,103	209,603
Data Processing Supplies and Services	15,480	17,616
Equipment Maintenance	152,523	267,020
Postage	5,441	29,798
Printing	17,036	21,029
Delivery Expense	555,156	574,312
Other	528,231	73,444
Total Other Operating Expenses	<u>15,656,563</u>	<u>16,910,833</u>
<b>OPERATING INCOME</b>	<u>77,089,105</u>	<u>65,577,194</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue	109,252	205,111
Investment Income	265,448	288,721
Funds Distributed for Current Year	(30,678,535)	(26,851,187)
Funds Available for Distribution for Current Year	(47,277,874)	(39,895,869)
Total Nonoperating Revenues (Expenses)	<u>(77,581,709)</u>	<u>(66,253,224)</u>
<b>NET INCOME(LOSS)</b>	<u>\$ (492,604)</u>	<u>\$ (676,030)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,482,899	5,585,448
Net Change in Net Assets	<u>(492,604)</u>	<u>(676,030)</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 3,990,295</u>	<u>\$ 4,909,418</u>



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

(UNAUDITED)

	FY 2013	FY 2012
<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	9,881,055	9,782,077
<b>TOTAL ASSETS</b>	\$ 10,332,055	\$ 10,216,077
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	10,332,055	10,216,077
<b>TOTAL NET ASSETS</b>	\$ 10,332,055	\$ 10,216,077

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2013 AND 2012**

(UNAUDITED)

	FY 2013	FY 2012
<b>Additions</b>		
Investment Income	\$ 320,066	\$ 328,291
<b>Total Additions</b>	320,066	328,291
<b>Deductions</b>		
Prize Payments	434,000	417,000
<b>Change in net assets</b>	(113,934)	(88,709)
<b>Net Assets held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	10,445,989	10,304,786
<b>End of Period</b>	\$ 10,332,055	\$ 10,216,077

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES**  
**FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2013**  
(With Comparative Totals for the Seven (7) Months Ended January 31, 2012)

								FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Total	Scratch and Online
TICKET SALES	\$208,756,288	\$19,079,889	\$67,326,296	\$12,342,023	\$0	\$13,176,963	\$1,969,010	\$322,650,469	\$301,871,490
PRIZE EXPENSE	(144,186,203)	(9,367,782)	(29,437,939)	(6,442,705)	128,894	(7,732,607)	(1,000,000)	(198,038,342)	(188,658,305)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(3,368,135)	N/A	N/A	1,814,539	N/A	(1,553,596)	(1,205,786)
NET REVENUE AFTER PRIZES	64,570,085	9,712,107	34,520,222	5,899,318	128,894	7,258,895	969,010	123,058,531	112,007,399
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(14,588,593)	(1,142,687)	(4,033,020)	(739,181)	0	(788,681)	(117,440)	(21,409,602)	(20,173,377)
Retailer Bonus	(2,046,895)	(107,238)	(307,092)	(109,989)	1,182	(73,076)	(11,026)	(2,654,134)	(3,006,783)
Cost of Tickets Sold	(1,385,330)	N/A	N/A	N/A	N/A	N/A	N/A	(1,385,330)	(1,725,897)
Telecomm Reimbursements	299,822	27,403	96,696	17,726	0	18,925	2,828	463,400	459,625
On-Line Vendor Fees	(3,447,850)	(314,836)	(1,110,909)	(203,658)	0	(217,455)	(32,489)	(5,327,197)	(5,072,940)
TOTAL	(21,168,846)	(1,537,358)	(5,354,325)	(1,035,102)	1,182	(1,060,287)	(158,127)	(30,312,863)	(29,519,372)
GROSS PROFIT ON SALE OF TICKETS	\$43,401,239	\$8,174,749	\$29,165,897	\$4,864,216	\$130,076	\$6,198,608	\$810,883	\$92,745,668	\$82,488,027
AVERAGE DAILY TICKET SALES	\$970,959	\$88,744	\$313,146	\$57,405	\$0	\$61,288	\$21,172	\$1,500,700	\$1,404,053

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 SEVEN (7) MONTHS ENDED JANUARY 31, 2013**

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense *	\$144,186,203	\$9,367,782	\$32,806,074	\$6,442,705	(\$128,894)	\$5,918,068	\$1,000,000	\$199,591,938	\$189,864,091
(/)/Ticket Sales	208,756,288	19,079,889	67,326,296	12,342,023	0	13,176,963	1,969,010	\$322,650,469	301,871,490
Prize %	69.07%	49.10%	48.73%	52.20%	N/A	44.91%	50.79%	61.86%	62.90%

\*Net of Multi-State Prize Variances

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$4,689,489	\$4,191,924	52.8%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	114,319	100,545	53.2%
Suppl Amortization Equalization	184,836	96,162	88,674	52.0%
Workmen's Compensation	71,535	41,729	29,806	58.3%
Health and Life	768,761	470,086	298,675	61.1%
Short Term Disability	11,947	6,671	5,276	55.8%
Operating	1,203,156	734,659	468,497	61.1%
Variable Vehicle	192,785	110,705	82,080	57.4%
Leased Space	731,484	420,737	310,747	57.5%
Leased Space-Grand Junction	5,433	3,171	2,262	58.4%
Risk Management	35,436	20,671	14,765	58.3%
Vehicle Lease Payments	148,659	86,222	62,437	58.0%
Travel	113,498	37,032	76,466	32.6%
Purch. Of Services-Computer Center	2,386	1,392	994	58.3%
Marketing, Communications & Sales	14,700,000	6,888,271	7,811,729	46.9%
Communications Services	2,514	1,467	1,047	58.4%
Payments to MNT	262,205	152,953	109,252	58.3%
Payments to Other Agencies	239,410	56,556	182,854	23.6%
Legal Services	21,030	18,097	2,933	86.1%
Indirect Costs	408,720	341,957	66,763	83.7%
Ticket Costs-Scratch	6,578,000	1,973,039	4,604,961	30.0%
Research	250,000	37,900	212,100	15.2%
Vendor Fees	12,571,504	5,407,357	7,164,147	43.0%
Prize Payments	424,104,016	205,235,636	218,868,380	48.4%
Retailer Compensation	52,241,350	24,063,736	28,177,614	46.1%
Multi-State Lottery Funds	177,433	139,968	37,465	78.9%
COFRS Modernization	35,657	0	35,657	N/A
<b>TOTAL</b>	<u>\$524,158,032</u>	<u>\$251,149,982</u>	<u>\$273,008,050</u>	<u>47.91%</u>
FY13 Staffing - FTE - (Note 4)	117.00 (Appropriated)	118.60 (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	198,038,342
Powerball Prize Variance	3,368,135
Mega Millions Prize Variance	(1,814,539)
Commissions and Bonuses	24,063,736
Cost of Tickets & Vendor Fees	6,249,127
Operating Expenses	15,656,563
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>245,561,364</u>
Plus: Powerball Variance classified as revenue	2,597,387
Mega Millions Variance classified as revenue	3,046,311
Telecommunications offset classified as revenue	463,400
Less: Non-appropriated expenses and other adjustments	
Depreciation	(572,859)
Accrued Annual and Sick Leave	(1,155)
Loss on Disposal of Equipment classified as revenue	(938)
<b>Sub-Total</b>	<b>251,093,510</b>
Plus: Capitalized Fixed Assets	56,472
	<u>251,149,982</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 January 31, 2013 is 58.3%.

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