

***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, 2013

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
212 W. 3rd Street, Suite 210
Pueblo, CO 81003
(719) 546-2400
(719) 546-5208 Fax



John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

May 8, 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 eight months ended February 28, 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 that reads "John Caligaris".

John Caligaris
Controller, Colorado Lottery
Colorado Department of Revenue

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Mr. Dana Franzen, CPA	Chairman, Lottery Commissioner
Mr. Dick Reeve	Vice-Chairman, Lottery Commissioner
Ms. Robin Wise	Lottery Commissioner
Ms. Margie Martinez	Lottery Commissioner
Ms. Frances Koncilja	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Mr. Abel Tapia	Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Dianne Ray	State Auditor

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- President of the Senate
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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, 2013 AND FEBRUARY 29, 2012

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, 2013 and February 29, 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 Eight Months Ended February 28 and 29,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$366.36		\$350.83	
Nonoperating revenue	0.43		0.55	
TOTAL INCOME	366.79		351.38	
LESS:				
PRIZES	\$227.46	62.1% (1)	\$221.59	63.2% (1)
RETAILER COMMISSIONS AND BONUSES	\$27.34	7.5% (2)	\$26.89	7.7% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.13		7.33	
Other Operating Expenses	17.82	(4)	19.33	
TOTAL ADMINISTRATIVE COSTS (Note 3)	24.95	6.8% (3)	26.66	7.6% (3)
	87.04		76.24	
NET CHANGE IN NET ASSETS	(0.57)		(0.75)	
PROCEEDS DISTRIBUTION	\$87.61	23.9% (3)	\$76.99	21.9% (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.

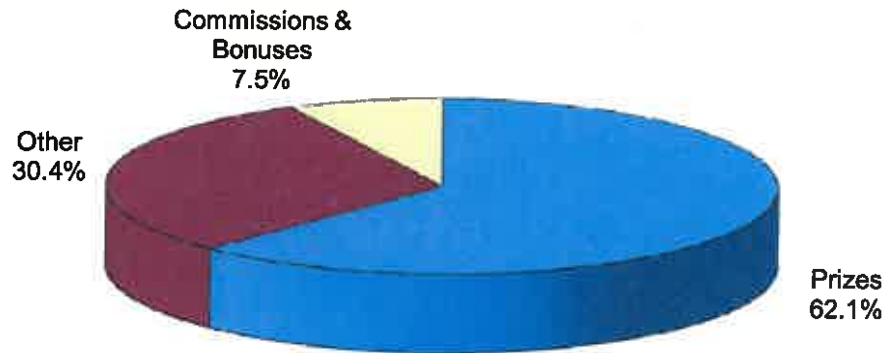
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

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

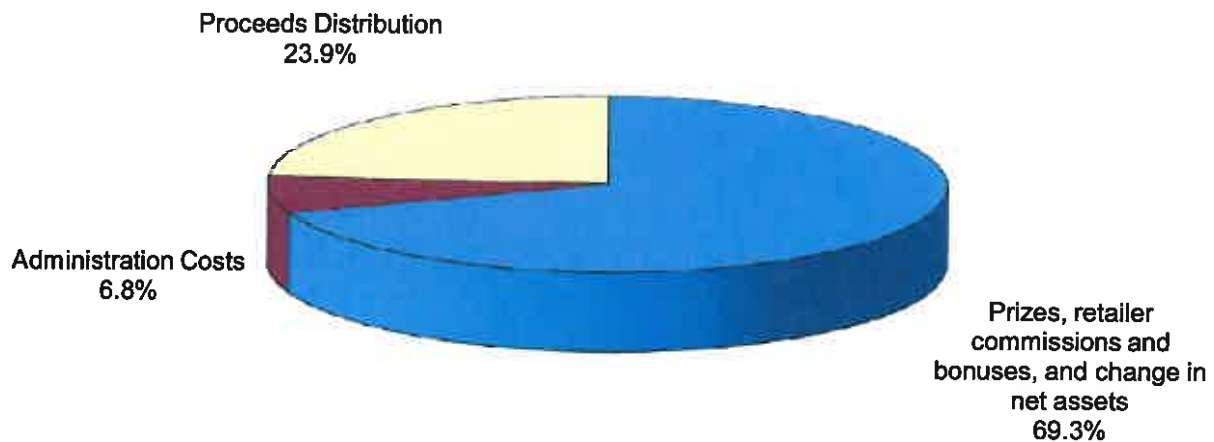
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE EIGHT MONTHS ENDED FEBRUARY 28, 2013

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
FEBRUARY 28, 2013 AND 2012
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 63,931,993	\$ 48,028,008
Accounts Receivable, net of the allowance for doubtful accounts of \$151,273 in 2013 and \$175,024 in 2012	19,459,013	25,422,509
Consignment Inventory, at Cost	116,650	117,005
Warehouse Inventory, at Cost	1,108,089	1,027,851
Prepaid Expenses	108,663	136,690
Total Current Assets	84,724,408	74,732,063
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	379,837	432,358
Prepaid Prize Expense with MUSL	4,930,423	4,736,029
Total Reserve and Restricted Assets	6,610,260	6,468,387
Capital Assets:		
Equipment	6,113,328	6,415,378
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,947,325)	(3,374,341)
Total Capital Assets	2,230,714	3,105,748
TOTAL ASSETS	\$ 93,565,382	\$ 84,306,198
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,378,813	\$ 2,821,492
Prize Liability	29,313,174	24,741,707
Payable to MUSL	524,622	122,413
Wages and Benefits	106,432	143,069
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	451,477	609,339
Funds Available for Distribution	56,930,029	50,135,307
Total Current Liabilities	88,704,547	78,573,327
Long-Term Liabilities:		
Accrued Annual and Sick Leave	889,374	826,297
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	950,284	894,765
TOTAL LIABILITIES	89,654,831	79,468,092
NET ASSETS		
Investment in Capital Assets	2,230,714	3,105,748
Restricted-Licensed Agent Recovery Reserve	379,837	432,358
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	3,910,551	4,838,106
TOTAL LIABILITIES AND NET ASSETS	\$ 93,565,382	\$ 84,306,198

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 366,357,530	\$ 350,825,326
DIRECT OPERATING EXPENSES		
Prize Expense	226,017,369	222,980,087
Powerball Prize Variance	3,133,557	(2,588,792)
Mega Millions Prize Variance	(1,692,682)	1,198,335
Retailer Commissions and Bonuses	27,342,992	26,893,030
Cost of Tickets and Vendor Fees	<u>7,128,875</u>	<u>7,329,401</u>
GROSS PROFIT ON SALE OF TICKETS	<u>104,427,419</u>	<u>95,013,265</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,597,115	9,377,310
Administration Fees Paid to MUSL	114,883	81,160
Wages and Benefits	6,109,701	5,983,573
Professional Services	92,874	281,750
State Agencies Services	77,889	73,311
Department of Revenue Services	390,808	330,245
Travel	43,561	86,969
Equipment	47,652	65,390
Depreciation	655,371	713,564
Accrued Annual and Sick Leave	51,946	19,530
Space Rental	489,521	481,297
Rents for Equipment	21,001	21,731
Motorpool Leasing	245,017	258,575
Materials and Supplies	72,548	120,448
Telephone	112,134	106,253
On-Line Telecommunications	270,020	238,157
Data Processing Supplies and Services	40,487	18,458
Equipment Maintenance	201,408	279,992
Postage	5,787	44,915
Printing	21,139	10,986
Delivery Expense	622,012	655,145
Other	541,050	80,007
Total Other Operating Expenses	<u>17,823,924</u>	<u>19,328,766</u>
OPERATING INCOME	<u>86,603,495</u>	<u>75,684,499</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	119,427	221,346
Investment Income	313,294	333,307
Funds Distributed for Current Year	(30,678,535)	(26,851,187)
Funds Available for Distribution for Current Year	(56,930,029)	(50,135,307)
Total Nonoperating Revenues (Expenses)	<u>(87,175,843)</u>	<u>(76,431,841)</u>
NET INCOME(LOSS)	<u>\$ (572,348)</u>	<u>\$ (747,342)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(572,348)</u>	<u>(747,342)</u>
NET ASSETS, END OF PERIOD	<u>\$ 3,910,551</u>	<u>\$ 4,838,106</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

(UNAUDITED)

ASSETS	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	451,000	434,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,922,486</u>	<u>9,826,323</u>
TOTAL ASSETS	\$ <u>10,373,486</u>	\$ <u>10,260,323</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,373,486</u>	<u>10,260,232</u>
TOTAL NET ASSETS	\$ <u>10,373,486</u>	\$ <u>10,260,232</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
Additions		
Investment Income	\$ <u>361,497</u>	\$ <u>372,446</u>
Total Additions	<u>361,497</u>	<u>372,446</u>
Deductions		
Prize Payments	<u>434,000</u>	<u>417,000</u>
Change in net assets	(72,503)	(44,554)
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,445,989</u>	<u>10,304,786</u>
End of Period	\$ <u><u>10,373,486</u></u>	\$ <u><u>10,260,232</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2013
(With Comparative Totals for the Eight (8) Months Ended February 29, 2012)

							FY 13	FY 12	
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Total	Scratch and Online
TICKET SALES	\$240,205,262	\$21,406,677	\$74,108,410	\$14,058,712	\$0	\$14,609,459	\$1,969,010	\$366,357,530	\$350,825,326
PRIZE EXPENSE	(165,664,634)	(10,875,219)	(32,872,735)	(7,438,482)	128,894	(8,295,193)	(1,000,000)	(226,017,369)	(222,980,087)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(3,133,557)	N/A	N/A	1,692,682	N/A	(1,440,875)	1,390,457
NET REVENUE AFTER PRIZES	74,540,628	10,531,458	38,102,118	6,620,230	128,894	8,006,948	969,010	138,899,286	129,235,696
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(16,785,813)	(1,282,041)	(4,439,432)	(841,974)	0	(874,426)	(117,440)	(24,341,126)	(23,418,795)
Retailer Bonus	(2,335,205)	(122,257)	(331,626)	(124,202)	1,182	(78,732)	(11,026)	(3,001,866)	(3,474,235)
Cost of Tickets Sold	(1,603,920)	N/A	N/A	N/A	N/A	N/A	N/A	(1,603,920)	(1,967,872)
Telecomm Reimbursements	343,168	30,583	105,875	20,084	0	20,872	2,828	523,410	519,270
On-Line Vendor Fees	(3,966,758)	(353,228)	(1,222,814)	(231,984)	0	(241,092)	(32,489)	(6,048,365)	(5,880,799)
TOTAL	(24,348,528)	(1,726,943)	(5,887,997)	(1,178,076)	1,182	(1,173,378)	(158,127)	(34,471,867)	(34,222,431)
GROSS PROFIT ON SALE OF TICKETS	\$50,192,100	\$8,804,515	\$32,214,121	\$5,442,154	\$130,076	\$6,833,570	\$810,883	\$104,427,419	\$95,013,265
AVERAGE DAILY TICKET SALES	\$988,499	\$88,093	\$304,973	\$57,855	\$0	\$60,121	\$21,172	\$1,507,644	\$1,437,809

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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2013

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense *	\$165,664,634	\$10,875,219	\$36,006,292	\$7,438,482	(\$128,894)	\$6,602,511	\$1,000,000	\$227,458,244	\$221,589,630
(/)/Ticket Sales	240,205,262	21,406,677	74,108,410	14,058,712	0	14,609,459	1,969,010	\$366,357,530	350,825,326
Prize %	68.97%	50.80%	48.59%	52.91%	N/A	45.19%	50.79%	62.09%	63.16%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2013

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$5,352,698	\$3,528,715	60.3%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	132,497	82,367	61.7%
Suppl Amortization Equalization	184,836	112,202	72,634	60.7%
Workmen's Compensation	71,535	47,690	23,845	66.7%
Health and Life	768,761	539,100	229,661	70.1%
Short Term Disability	11,947	7,635	4,312	63.9%
Operating	1,203,156	856,928	346,228	71.2%
Variable Vehicle	192,785	110,705	82,080	57.4%
Leased Space	731,484	485,897	245,587	66.4%
Leased Space-Grand Junction	5,433	3,624	1,809	66.7%
Risk Management	35,436	23,624	11,812	66.7%
Vehicle Lease Payments	148,659	98,547	50,112	66.3%
Travel	113,498	43,562	69,936	38.4%
Purch. Of Services-Computer Center	2,386	1,590	796	66.6%
Marketing, Communications & Sales	14,700,000	7,785,060	6,914,940	53.0%
Communications Services	2,514	1,676	838	66.7%
Payments to MNT	262,205	174,803	87,402	66.7%
Payments to Other Agencies	239,410	47,012	192,398	19.6%
Legal Services	21,030	19,607	1,423	93.2%
Indirect Costs	408,720	390,808	17,912	95.6%
Ticket Costs-Scratch	6,578,000	2,258,485	4,319,515	34.3%
Research	250,000	50,600	199,400	20.2%
Vendor Fees	12,571,504	6,140,165	6,431,339	48.8%
Prize Payments	424,104,016	234,070,734	190,033,282	55.2%
Retailer Compensation	52,241,350	27,342,992	24,898,358	52.3%
Multi-State Lottery Funds	177,433	114,883	62,550	64.7%
COFRS Modernization	35,657	23,711	11,946	66.5%
TOTAL	<u>\$524,158,032</u>	<u>\$286,236,835</u>	<u>\$237,921,197</u>	<u>54.61%</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	226,017,369
Powerball Prize Variance	3,133,557
Mega Millions Prize Variance	(1,692,682)
Commissions and Bonuses	27,342,992
Cost of Tickets & Vendor Fees	7,128,875
Operating Expenses	17,823,924
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>279,754,035</u>
Plus: Powerball Variance classified as revenue	3,536,672
Mega Millions Variance classified as revenue	3,075,818
Telecommunications offset classified as revenue	523,410
Less: Non-appropriated expenses and other adjustments	
Depreciation	(655,371)
Accrued Annual and Sick Leave	(51,946)
Loss on Disposal of Equipment classified as revenue	(2,255)
Sub-Total	286,180,363
Plus: Capitalized Fixed Assets	56,472
	<u>286,236,835</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 February 28, 2013 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 2013