

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

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

(UNAUDITED)

FOR THE TEN MONTHS ENDED

APRIL 30, 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

July 10, 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 ten months ended April 30, 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
AND SUPPLEMENTARY INFORMATION**

**INCLUDING STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

TABLE OF CONTENTS

Financial Highlights	1
Supplement to Financial Highlights	2
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Fund Net Assets	4
Statements of Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.	6
Schedule of Revenue and Costs for Completed and In-Progress Games	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

COLORADO LOTTERY
 FINANCIAL HIGHLIGHTS
 \$ IN MILLIONS
 FOR THE TEN (10) MONTHS ENDED APRIL 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 ten months ended April 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 Ten Months Ended April 30,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$464.66		\$456.30	
Nonoperating revenue	0.52		0.58	
TOTAL INCOME	465.18		456.88	
LESS:				
PRIZES	\$291.71	62.8% (1)	\$285.80	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$34.70	7.5% (2)	\$34.84	7.6% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	9.10		9.36	
Other Operating Expenses	22.14	(4)	23.86	
TOTAL ADMINISTRATIVE COSTS (Note 3)	31.24	6.7% (3)	33.22	7.3% (3)
	107.53		103.02	
NET CHANGE IN NET ASSETS	(0.72)		(0.98)	
PROCEEDS DISTRIBUTION	\$108.25	23.3% (3)	\$104.00	22.8% (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.

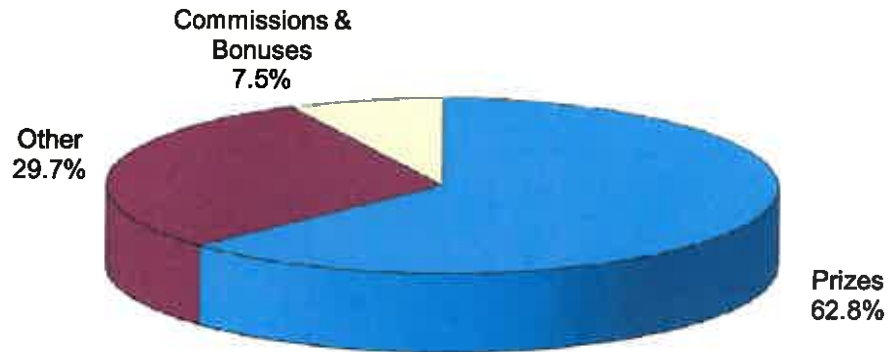
Note 2: Percent of gross ticket sales.

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.

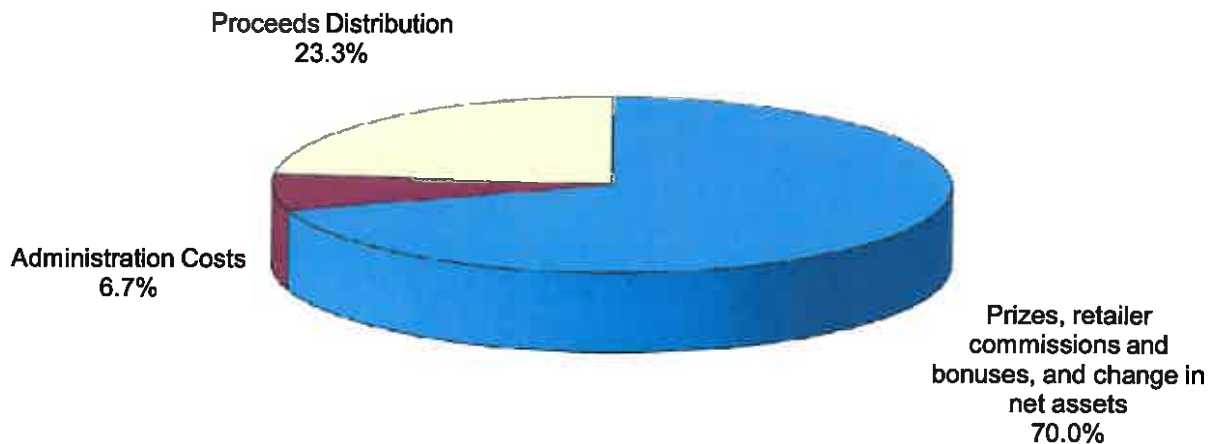
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TEN MONTHS ENDED APRIL 30, 2013

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 ASSETS
APRIL 30, 2013 AND 2012
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 45,439,128	\$ 50,413,107
Accounts Receivable, net of the allowance for doubtful accounts of \$131,440 in 2013 and \$247,238 in 2012	23,082,486	22,538,807
Consignment Inventory, at Cost	141,032	107,793
Warehouse Inventory, at Cost	1,261,074	1,089,761
Prepaid Expenses	86,575	102,299
Total Current Assets	70,010,295	74,251,767
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	390,167	364,834
Prepaid Prize Expense with MUSL	4,987,960	4,915,803
Total Reserve and Restricted Assets	6,678,127	6,580,637
Capital Assets:		
Equipment	6,113,328	6,322,992
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,110,163)	(3,451,411)
Total Capital Assets	2,067,876	2,936,292
TOTAL ASSETS	\$ 78,756,298	\$ 83,768,696
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,342,356	\$ 2,471,000
Prize Liability	30,540,136	27,504,118
Payable to MUSL	314,793	0
Wages and Benefits	139,450	116,719
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	342,582	393,639
Funds Available for Distribution	40,376,109	47,765,183
Total Current Liabilities	74,055,426	78,250,659
Long-Term Liabilities:		
Accrued Annual and Sick Leave	881,919	848,443
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	942,829	916,911
TOTAL LIABILITIES	74,998,255	79,167,570
NET ASSETS		
Investment in Capital Assets	2,067,876	2,936,292
Restricted-Licensed Agent Recovery Reserve	390,167	364,834
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
Total Net Assets	3,758,043	4,601,126
TOTAL LIABILITIES AND NET ASSETS	\$ 78,756,298	\$ 83,768,696

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 FOR THE TEN (10) MONTHS ENDED APRIL 30, 2013 AND 2012
 (UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 464,664,977	\$ 456,303,547
DIRECT OPERATING EXPENSES		
Prize Expense	290,144,049	289,482,679
Powerball Prize Variance	3,082,404	(4,136,530)
Mega Millions Prize Variance	(1,521,069)	451,793
Retailer Commissions and Bonuses	34,704,128	34,844,841
Cost of Tickets and Vendor Fees	<u>9,101,871</u>	<u>9,357,575</u>
GROSS PROFIT ON SALE OF TICKETS	<u>129,153,594</u>	<u>126,303,189</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,542,025	11,146,604
Administration Fees Paid to MUSL	129,631	93,210
Wages and Benefits	7,649,784	7,497,114
Professional Services	103,106	379,513
State Agencies Services	84,457	82,748
Department of Revenue Services	488,510	412,806
Travel	57,908	97,853
Equipment	49,768	74,972
Depreciation	818,209	880,720
Accrued Annual and Sick Leave	44,141	41,890
Space Rental	604,511	609,749
Rents for Equipment	27,742	27,091
Motorpool Leasing	302,880	319,387
Materials and Supplies	79,755	126,417
Telephone	150,272	131,568
On-Line Telecommunications	337,315	295,253
Data Processing Supplies and Services	44,645	21,721
Equipment Maintenance	250,945	638,082
Postage	8,287	52,951
Printing	18,032	13,619
Delivery Expense	794,301	818,250
Other	558,855	99,554
Total Other Operating Expenses	<u>22,145,079</u>	<u>23,861,072</u>
OPERATING INCOME	<u>107,008,515</u>	<u>102,442,117</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	140,727	168,450
Investment Income	378,817	409,246
Funds Distributed for Current Year	(67,876,806)	(56,238,952)
Funds Available for Distribution for Current Year	<u>(40,376,109)</u>	<u>(47,765,183)</u>
Total Nonoperating Revenues (Expenses)	<u>(107,733,371)</u>	<u>(103,426,439)</u>
NET INCOME(LOSS)	<u>\$ (724,856)</u>	<u>\$ (984,322)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(724,856)</u>	<u>(984,322)</u>
NET ASSETS, END OF PERIOD	<u>\$ 3,758,043</u>	<u>\$ 4,601,126</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
APRIL 30, 2013 AND 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>10,012,748</u>	<u>9,919,111</u>
TOTAL ASSETS	\$ <u>10,463,748</u>	\$ <u>10,353,111</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,463,748</u>	<u>10,353,111</u>
TOTAL NET ASSETS	\$ <u>10,463,748</u>	\$ <u>10,353,111</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE TEN MONTHS ENDED APRIL 30, 2013 AND 2012

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
Additions		
Investment Income	\$ <u>451,759</u>	\$ <u>465,325</u>
Total Additions	<u>451,759</u>	<u>465,325</u>
 Deductions		
Prize Payments	<u>434,000</u>	<u>417,000</u>
Change in net assets	17,759	48,325
 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>10,463,748</u></u>	\$ <u><u>10,353,111</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES
FOR THE TEN MONTHS ENDED APRIL 30, 2013
(With Comparative Totals for the Ten Months Ended April 30, 2012)

									FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Pick 3 (Note 3)	Total	Scratch and Online
TICKET SALES	\$307,451,725	\$26,356,265	\$92,213,663	\$17,870,340	\$0	\$18,725,220	\$1,969,010	\$78,754	\$464,664,977	\$456,303,547
PRIZE EXPENSE	(214,076,401)	(13,643,202)	(41,763,369)	(9,663,297)	128,894	(10,086,712)	(1,000,000)	(39,962)	(290,144,049)	(289,482,679)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(3,082,404)	N/A	N/A	1,521,069	N/A	N/A	(1,561,335)	3,684,737
NET REVENUE AFTER PRIZES	93,375,324	12,713,063	47,367,890	8,207,043	128,894	10,159,577	969,010	38,792	172,959,593	170,505,605
COMMISSIONS, BONUSSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(21,484,839)	(1,578,451)	(5,524,385)	(1,070,145)	0	(1,120,847)	(117,440)	(4,714)	(30,900,821)	(30,375,214)
Retailer Bonus	(2,974,583)	(150,524)	(408,650)	(160,085)	1,182	(98,945)	(11,036)	(666)	(3,803,307)	(4,469,627)
Cost of Tickets Sold	(2,089,594)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,089,594)	(2,389,419)
Telecomm Reimbursements	435,584	37,340	130,644	25,319	0	26,529	2,828	111	658,355	638,655
On-Line Vendor Fees	(5,076,412)	(435,002)	(1,521,552)	(294,875)	0	(309,003)	(32,489)	(1,299)	(7,670,632)	(7,606,811)
TOTAL	(31,189,844)	(2,126,637)	(7,323,943)	(1,499,786)	1,182	(1,502,266)	(158,137)	(6,568)	(43,805,999)	(44,202,416)
GROSS PROFIT ON SALE OF TICKETS	<u>\$62,185,480</u>	<u>\$10,586,426</u>	<u>\$40,043,947</u>	<u>\$6,707,257</u>	<u>\$130,076</u>	<u>\$8,657,311</u>	<u>\$810,873</u>	<u>\$32,224</u>	<u>\$129,153,594</u>	<u>\$128,303,189</u>
AVERAGE DAILY TICKET SALES	<u>\$1,011,354</u>	<u>\$86,698</u>	<u>\$303,334</u>	<u>\$58,784</u>	<u>\$0</u>	<u>\$61,596</u>	<u>\$21,172</u>	<u>\$26,251</u>	<u>\$1,528,503</u>	<u>\$1,496,077</u>

Based on 93 days of sales Based on game start of 04/28/13

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
Note 2: Pick 3 sales began on April 28, 2013

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE TEN MONTHS ENDED APRIL 30, 2013

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III	Pick 3	FY 13 Total	FY 12 Total
Prize Expense *	\$214,076,401	\$13,643,202	\$44,845,773	\$9,663,297	(\$128,894)	\$8,565,643	\$1,000,000	\$39,962	\$291,705,384	\$285,797,942
(/)/Ticket Sales	307,451,725	26,356,265	92,213,663	17,870,340	0	18,725,220	1,969,010	78,754	\$464,664,977	456,303,547
Prize %	<u>69.63%</u>	<u>51.76%</u>	<u>48.63%</u>	<u>54.07%</u>	<u>N/A</u>	<u>45.74%</u>	<u>50.79%</u>	<u>50.74%</u>	<u>62.78%</u>	<u>62.63%</u>

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE TEN (10) MONTHS ENDED APRIL 30, 2013

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$6,676,986	\$2,204,427	75.2%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	169,396	45,468	78.8%
Suppl Amortization Equalization	184,836	144,760	40,076	78.3%
Workmen's Compensation	71,535	59,613	11,922	83.3%
Health and Life	768,761	680,952	87,809	88.6%
Short Term Disability	11,947	9,581	2,366	80.2%
Operating	1,203,156	987,571	215,585	82.1%
Variable Vehicle	192,785	110,705	82,080	57.4%
Leased Space	731,484	599,981	131,503	82.0%
Leased Space-Grand Junction	5,433	4,530	903	83.4%
Risk Management	35,436	34,590	846	97.6%
Vehicle Lease Payments	148,659	123,198	25,461	82.9%
Travel	113,498	57,909	55,589	51.0%
Purch. Of Services-Computer Center	2,386	1,789	597	75.0%
Marketing, Communications & Sales	14,700,000	9,706,169	4,993,831	66.0%
Communications Services	2,514	2,095	419	83.3%
Payments to MNT	262,205	218,504	43,701	83.3%
Payments to Other Agencies	239,410	63,033	176,377	26.3%
Legal Services	21,030	21,739	(709)	103.4%
Indirect Costs	408,720	488,510	(79,790)	119.5%
Ticket Costs-Scratch	6,578,000	2,827,560	3,750,440	43.0%
Research	250,000	74,400	175,600	29.8%
Vendor Fees	12,571,504	7,874,251	4,697,253	62.6%
Prize Payments	424,104,016	300,433,938	123,670,078	70.8%
Retailer Compensation	52,241,350	34,704,128	17,537,222	66.4%
Multi-State Lottery Funds	177,433	129,631	47,802	73.1%
COFRS Modernization	35,657	29,714	5,943	83.3%
TOTAL	<u>\$524,158,032</u>	<u>\$366,235,233</u>	<u>\$157,922,799</u>	<u>69.87%</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	290,144,049
Powerball Prize Variance	3,082,404
Mega Millions Prize Variance	(1,521,069)
Commissions and Bonuses	34,704,128
Cost of Tickets & Vendor Fees	9,101,871
Operating Expenses	22,145,079
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>357,656,462</u>
Plus: Powerball Variance classified as revenue	5,396,627
Mega Millions Variance classified as revenue	3,331,927
Telecommunications offset classified as revenue	658,350
Less: Non-appropriated expenses and other adjustments	
Depreciation	(818,209)
Accrued Annual and Sick Leave	(44,141)
Loss on Disposal of Equipment classified as revenue	(2,255)
Sub-Total	366,178,761
Plus: Capitalized Fixed Assets	56,472
	<u>366,235,233</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 April 30, 2013 is 83.3%.

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