COLORADO LOTTERY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

INCLUDING STATEMENT OF LOTTERY REVENUES, PRIZE DISBURSEMENTS AND OTHER EXPENSES

(UNAUDITED)

FOR THE ELEVEN MONTHS ENDED

MAY 31, 2013

COLORADO LOTTERY FINANCIAL STATEMENTS (UNAUDITED)

DISTRIBUTION

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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

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John Hickenlooper Governor Barbara Brohl Executive Director Abel Tapia Lottery Director

August 14, 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 eleven months ended May 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,

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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 Eleven Months Ended May 31,								
	FY 20	013	FY 2	2012					
	Total	Actual Percent	Total	Actual Percent					
INCOME									
Gross Ticket Sales Nonoperating revenue	\$523.42 0.58		\$501.76 0.64						
TOTAL INCOME	524.00		502.40						
LESS:									
PRIZES	\$324.15	61.9% (1	\$315.25	62.8% (1)					
RETAILER COMMISSIONS AND BONUSES	\$39.05	7.5% (2	\$38.33	7.6% (2)					
ADMINISTRATIVE COSTS									
Ticket Costs and Vendor Fees Other Operating Expenses	10.29 25.26	(4	10.26						
TOTAL ADMINISTRATIVE COSTS (Note 3)	35.55	6.8% (3	36.18	7.2% (3)					
	125.25		112.64						
NET CHANGE IN NET ASSETS	(0.80)		(1.07)						
PROCEEDS DISTRIBUTION	\$126.05	24.1% (3)	\$113.71	22.6% (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.

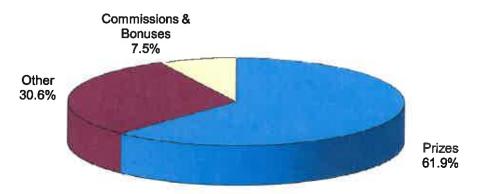
Note 2: Percent of gross ticket sales.

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.

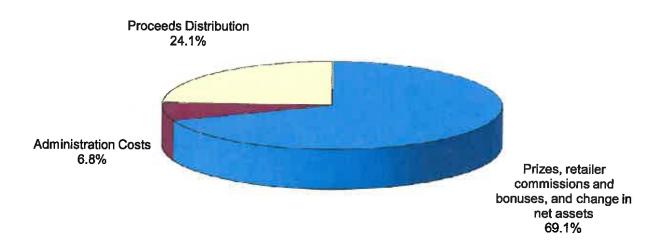
COLORADO LOTTERY SUPPLEMENT OF FINANCIAL HIGHLIGHTS FOR THE ELEVEN MONTHS ENDED MAY 31, 2013

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 MAY 31, 2013 AND 2012 (UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 36,527,656	\$ 65,029,617
Accounts Receivable, net of the allowance for doubtful	• •	
accounts of \$131,154 in 2013 and \$204,207 in 2012	18,592,858	19,104,494
Consignment Inventory, at Cost	120,928	132,705
Warehouse Inventory, at Cost	1,121,478	910,133
Prepaid Expenses	66,991	97,422
Total Current Assets	56,429,911	85,274,371
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery	-,,	-,,
Reserve Receipts	395,400	368,897
Prepaid Prize Expense with MUSL	5,021,063	4,957,649
Total Reserve and Restricted Assets	6,716,463	6,626,546
Capital Assets:		
Equipment	5,981,057	6,322,992
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,059,311)	(3,535,166)
Total Capital Assets	1,986,457	2,852,537
•		
TOTAL ASSETS	\$ 65,132,831	\$ 94,753,454
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,958,198	\$ 2,568,435
Prize Liability	26,065,218	28,175,095
Payable to MUSL	978,111	348,937
Wages and Benefits	172,118	154,344
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	615,958	616,723
Funds Available for Distribution	27,718,905	<u>57,</u> 469,696
Total Current Liabilities	60,508,508	89,333,230
Long-Term Liabilities:		
Accrued Annual and Sick Leave	881,556	830,322
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	942,466	898,790
TOTAL LIABILITIES	61,450,974	90,232,020
NET ASSETS		
Investment in Capital Assets	1,986,457	2,852,537
Restricted-Licensed Agent Recovery Reserve	395,400	368,897
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	3,681,857	4,521,434
	5,001,007	1,041,77
TOTAL LIABILITIES AND NET ASSETS	\$ 65,132,831	\$ 94,753,454

COLORADO LOTTERY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2013 AND 2012 (UNAUDITED)

	FY 2013	FY 2012
OPERATING REVENUES		
Gross Ticket Sales	\$ 523,416,921	\$ 501,764,868
DIRECT OPERATING EXPENSES		
Prize Expense Powerball Prize Variance	320,456,764	320,078,034
Mega Millions Prize Variance	5,150,975	(5,374,498)
Retailer Commissions and Bonuses	(1,459,102) 39,047,189	548,751 38,330,405
Cost of Tickets and Vendor Fees	10,287,062	10,257,059
CD AGG DD OWN ON A 12 D D TO THE		
GROSS PROFIT ON SALE OF TICKETS	149,934,033	137,925,117
OTHER OPERATING EXPENSES		
Marketing and Communications	11,628,026	12,025,022
Administration Fees Paid to MUSL	137,005	99,234
Wages and Benefits	8,440,493	8,248,404
Professional Services	110,665	389,933
State Agencies Services	90,260	86,996
Department of Revenue Services	374,660	454,086
Travel	80,020	108,642
Equipment	41,797	93,109
Depreciation	899,627	964,475
Accrued Annual and Sick Leave	43,050	23,800
Space Rental	664,635	671,810
Rents for Equipment	30,294	29,503
Motorpool Leasing	335,444	358,608
Materials and Supplies	81,596	135,131
Telephone	169,533	144,223
On-Line Telecommunications	370,813	325,021
Data Processing Supplies and Services	48,551	22,976
Equipment Maintenance	263,678	657,228
Postage	9,451	53,218
Printing	21,288	17,716
Delivery Expense	856,299	903,740
Other	565,317_	108,786
Total Other Operating Expenses	25,262,502	25,921,661
OPERATING INCOME	124,671,531	112,003,456
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	159,824	177,664
Investment Income	419,907	463,514
Funds Distributed for Current Year	(98,333,399)	(56,238,952)
Funds Available for Distribution for Current Year	(27,718,905)	(57,469,696)
Total Nonoperating Revenues (Expenses)	(125,472,573)	(113,067,470)
NET INCOME(LOSS)	\$ (801,042)	\$ (1,064,014)
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	(801,042)	(1,064,014)
NET ACCETC END OF BEDIOD	£ 2/01.057	
NET ASSETS, END OF PERIOD	\$ 3,681,857	\$ 4,521,434

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

(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets: Current Portion Long Term Investments-PB Annuity	451,000	434,000
Long Term Assets: Long Term Investments-PB Annuity	10,058,618	9,966,311
TOTAL ASSETS	\$ 10,509,618	\$ 10,400,311
NET ASSETS		
Held in Trust for Powerball Winner	10,509,618	10,400,311
TOTAL NET ASSETS	\$ 10,509,618	\$ 10,400,311

COLORADO LOTTERY POWERBALL ANNUITY WINNERS TRUST FUND STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS FOR THE ELEVEN MONTHS ENDED MAY 31, 2013 AND 2012

(UNAUDITED)

		FY 2013		FY 2012
Additions				
Investment Income	\$	497,629	\$.	512,525
Total Additions	•	497,629		512,525
Deductions				
Prize Payments		434,000		417,000
Change in net assets		63,629		95,525
Net Assets held in Trust for Powerball Winner				
Beginning of Year		10,445,989	-	10,304,786
End of Period	\$	10,509,618	\$	10,400,311

COLORADO LOTTERY SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES FOR THE ELEVEN MONTHS ENDED MAY 31, 2013

(With Comparative Totals for the Eleven Months Ended May 31, 2012)

									FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffie III	Pick 3	Total	Scratch and Online
							(Note 2)	(Note 3)	·	
TICKET SALES	\$338,878,749	\$29,420,491	\$110,792,779	\$19,673,270	\$0	\$21,622,113	\$1,969,010	\$1,060,509	\$523,416,921	\$501,764,868
PRIZE EXPENSE MULTI-STATE PRIZE VARIANCES	(235,789,482) N/A	(14,944,584) N/A	(46,310,842) (5,150,975)	(10,631,106) N/A	128,894 N/A	(11,414,004) 1,459,102	(1,000,000) N/A	(495,640) N/A	(320,456,764) (3,691,873)	(320,078,034) 4,825,747
NET REVENUE AFTER PRIZES	103,089,267	14,475,907	59,330,962	9,042,164	128,894	11,667,211	969,010	564,869	199,268,284	186,512,581
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission Retailer Bonus	(23,680,159) (3,329,953)	(1,761,901) (169,516)	(6,637,547) (500,963)	(1,178,038) (177,668)	0 1,182	(1,294,323) (117,679)	(117,440) (11,036)	(63,453) (8,695)	(34,732,861) (4,314,328)	(33,409,972) (4,920,433)
Cost of Tickets Sold	(2,359,168)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,359,168)	(2,598,047)
Telecomm Reimbursements On-Line Vendor Fees	464,810 (5,594,954)	40,354 (485,562)	151,965 (1,828,107)	26,985 (324,624)	0	29,658 (356,801)	2,828 (32,489)	1,450 (23,407)	718,050 (8,645,944)	713,220 (8,372,232)
										/
TOTAL	(34,499,424)	(2,376,625)	(8,814,652)	(1,653,345)	1,182	(1,739,145)	(158,137)	(94,105)	(49,334,251)	(48,587,464)
GROSS PROFIT ON SALE OF TICKETS	\$68.589.843	<u>\$12.099,282</u>	\$50.516.310	<u>\$7.388.819</u>	<u>\$130.076</u>	\$9.928.066	<u>\$810.873</u>	<u>\$470.764</u>	<u>\$149.934.033</u>	<u>\$137.926.117</u>
AVERAGE DAILY TICKET SALES	<u>\$1.011.578</u>	<u>\$87.822</u>	<u>\$330.725</u>	<u>\$58.726</u>	<u>\$0</u>	<u>\$64.544</u>	\$21.172 Based on 93 days of sales	\$31.191 Based on game start of 04/28/13		<u>\$1.493.348</u>

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

Note 2: Raffie 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 ELEVEN MONTHS ENDED MAY 31, 2013

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III	Pick 3	FY 13 Total	FY 12 Total
Prize Expense * (/)Ticket Sales	\$235,789,482 338,878,749	\$14,944,584 29,420,491	\$51,461,817 110,792,779	\$10,631,106 19,673,270	(\$128,894) 	\$9,954,902 21,622,113	\$1,000,000 1,969,010	\$495,640 1,060,509	\$324,148,637 \$523,416,921	\$315,252,287 501,764,868
Prize %	<u>69.58%</u>	<u>50.80%</u>	<u>46.45%</u>	<u>54.04%</u>	N/A	<u>46.04%</u>	50.79%	<u>46.74%</u>	61.93%	62.83%

*Net of Multi-State Prize Variances

COLORADO LOTTERY BUDGET STATUS

FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2013

	FY13	Amount		Percent
	Budget	Expended	Amount	Expended
	(Note 1)	(Note 3)	Available	(Note 2)
Personal Services	\$8,881,413	\$7,361,420	\$1,519,993	82.9%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	188,138	26,726	87.6%
Suppl Amortization Equalization	184,836	161,297	23,539	87.3%
Workmen's Compensation	71,535	65,574	5,961	91.7%
Health and Life	822,461	751,821	70,640	91.4%
Short Term Disability	11,947	10,568	1,379	88.5%
Operating	1,203,156	961,902	241,254	79.9%
Variable Vehicle	210,585	198,684	11,901	94.3%
Leased Space	731,484	659,652	71,832	90.2%
Leased Space-Grand Junction	5,433	4,983	450	91.7%
Risk Management	40,496	34,590	5,906	85.4%
Vehicle Lease Payments	148,659	135,640	13,019	91.2%
Travel	113,498	80,020	33,478	70.5%
Purch. Of Services-Computer Center	2,386	1,789	597	75.0%
Marketing, Communications & Sales	14,700,000	11,761,571	2,938,429	80.0%
Communications Services	2,514	2,304	210	91.6%
Payments to MNT	262,205	240,355	21,850	91.7%
Payments to Other Agencies	239,410	66,574	172,836	27.8%
Legal Services	27,030	24,000	3,030	88.8%
Indirect Costs	408,720	374,660	34,060	91.7%
Ticket Costs-Scratch	6,578,000	3,248,218	3,329,782	49.4%
Research	250,000	104,000	146,000	41.6%
Vendor Fees	12,571,504	8,771,704	3,799,800	69.8%
Prize Payments	424,104,016	333,105,161	90,998,855	78.5%
Retailer Compensation	52,241,350	39,047,189	13,194,161	74.7%
Multi-State Lottery Funds	177,433	137,005	40,428	77.2%
COFRS Modernization	35,657	32,685	2,972	91.7%
TOTAL	\$524,240,592	\$407,531,504	\$116,709,088	77.74%
FY13 Staffing - FTE - (Note 4)	117.00 (Appr	ropriated) 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 Powerball Prize Variance Mega Millions Prize Variance Commissions and Bonuses Cost of Tickets & Vendor Fees Operating Expenses	320,456,764 5,150,975 (1,459,102) 39,047,189 10,287,062 25,262,502
Total Expenses per Statement of Revenues, Expenses and Changes In Retained Earnings	398,745,390
Plus: Powerball Variance classified as revenue Mega Millions Variance classified as revenue Telecommunications offset classified as revenue	5,404,606 3,551,918 718,050
Less: Non-appropriated expenses and other adjustments Depreciation Accrued Annual and Sick Leave Loss on Disposal of Equipment classified as revenue	(899,627) (43,050) (2,255)
Sub-Total	407,475,032
Plus: Capitalized Fixed Assets	56,472 407,531,504

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 May 31, 2013 is 91.7%.

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