

***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)**

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STATE OF COLORADO

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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,

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)**

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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 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$523.42		\$501.76	
Nonoperating revenue	0.58		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	10.29		10.26	
Other Operating Expenses	25.26	(4)	25.92	
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.

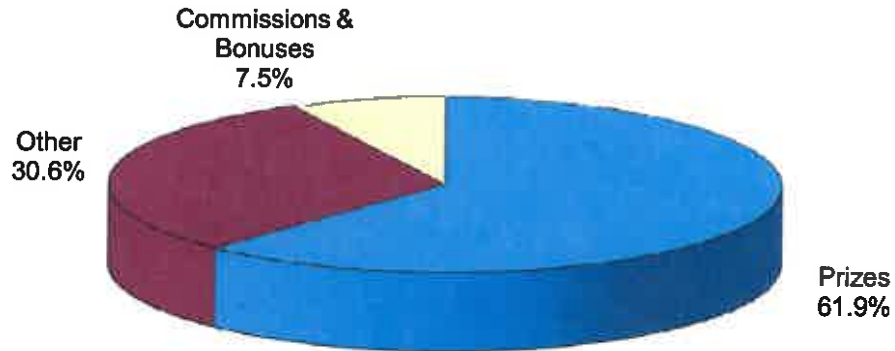
Note 2: Percent of gross ticket sales.

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.

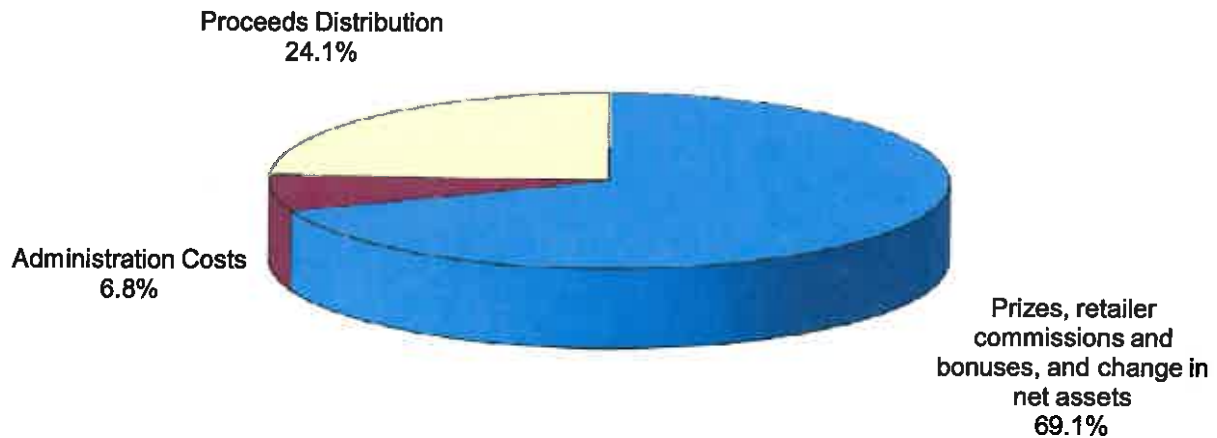
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2013

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	<u>FY 2013</u>	<u>FY 2012</u>
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	<u>56,429,911</u>	<u>85,274,371</u>
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	<u>6,716,463</u>	<u>6,626,546</u>
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	<u>1,986,457</u>	<u>2,852,537</u>
TOTAL ASSETS	<u>\$ 65,132,831</u>	<u>\$ 94,753,454</u>
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	57,469,696
Total Current Liabilities	<u>60,508,508</u>	<u>89,333,230</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	881,556	830,322
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	<u>942,466</u>	<u>898,790</u>
TOTAL LIABILITIES	<u>61,450,974</u>	<u>90,232,020</u>
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	<u>3,681,857</u>	<u>4,521,434</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 65,132,831</u>	<u>\$ 94,753,454</u>

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

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 523,416,921	\$ 501,764,868
DIRECT OPERATING EXPENSES		
Prize Expense	320,456,764	320,078,034
Powerball Prize Variance	5,150,975	(5,374,498)
Mega Millions Prize Variance	(1,459,102)	548,751
Retailer Commissions and Bonuses	39,047,189	38,330,405
Cost of Tickets and Vendor Fees	10,287,062	10,257,059
GROSS PROFIT ON SALE OF TICKETS	<u>149,934,033</u>	<u>137,925,117</u>
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	<u>25,262,502</u>	<u>25,921,661</u>
OPERATING INCOME	<u>124,671,531</u>	<u>112,003,456</u>
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)	<u>(125,472,573)</u>	<u>(113,067,470)</u>
NET INCOME(LOSS)	<u>\$ (801,042)</u>	<u>\$ (1,064,014)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(801,042)</u>	<u>(1,064,014)</u>
NET ASSETS, END OF PERIOD	<u>\$ 3,681,857</u>	<u>\$ 4,521,434</u>

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

(UNAUDITED)

	FY 2013	FY 2012
ASSETS		
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	\$ <u>497,629</u>	\$ <u>512,525</u>
Total Additions	<u>497,629</u>	<u>512,525</u>
 Deductions		
Prize Payments	<u>434,000</u>	<u>417,000</u>
Change in net assets	63,629	95,525
 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>10,509,618</u></u>	\$ <u><u>10,400,311</u></u>

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	Raffle III (Note 2)	Pick 3 (Note 3)	Total	Scratch and Online
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	(235,789,482)	(14,944,584)	(46,310,842)	(10,631,106)	128,894	(11,414,004)	(1,000,000)	(495,640)	(320,456,764)	(320,078,034)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(5,150,975)	N/A	N/A	1,459,102	N/A	N/A	(3,691,873)	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	(23,680,159)	(1,761,901)	(6,637,547)	(1,178,038)	0	(1,294,323)	(117,440)	(63,453)	(34,732,861)	(33,409,972)
Retailer Bonus	(3,329,953)	(169,516)	(500,963)	(177,668)	1,182	(117,679)	(11,036)	(8,695)	(4,314,328)	(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	464,810	40,354	151,965	26,985	0	29,658	2,828	1,450	718,050	713,220
On-Line Vendor Fees	(5,594,954)	(485,562)	(1,828,107)	(324,624)	0	(356,801)	(32,489)	(23,407)	(8,645,944)	(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	<u>\$68,589,843</u>	<u>\$12,099,282</u>	<u>\$50,516,310</u>	<u>\$7,388,819</u>	<u>\$130,076</u>	<u>\$9,928,066</u>	<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>	<u>\$21,172</u>	<u>\$31,191</u>	<u>\$1,562,439</u>	<u>\$1,493,348</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 ELEVEN MONTHS ENDED MAY 31, 2013

									FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III	Pick 3	Total	Total
Prize Expense *	\$235,789,482	\$14,944,584	\$51,461,817	\$10,631,106	(\$128,894)	\$9,954,902	\$1,000,000	\$495,640	\$324,148,637	\$315,252,287
(/)/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 %	<u>69.58%</u>	<u>50.80%</u>	<u>46.45%</u>	<u>54.04%</u>	<u>N/A</u>	<u>46.04%</u>	<u>50.79%</u>	<u>46.74%</u>	<u>61.93%</u>	<u>62.83%</u>

*Net of Multi-State Prize Variances

