

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

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

**(UNAUDITED)**

**FOR THE ONE (1) MONTH ENDED**

**JULY 31, 2013**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

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**COLORADO LOTTERY DIVISION**  
Department of Revenue

**Headquarters**  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Abel Tapia  
Lottery Director

October 9, 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 one month ended July 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 ONE (1) MONTH ENDED JULY 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 one month ended July 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 One Month Ended July 31,			
	FY 2014		FY 2013	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$44.60		\$42.08	
Other revenue	0.03		0.05	
<b>TOTAL INCOME</b>	<b>44.63</b>		<b>42.13</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$28.27</b>	<b>63.4% (1)</b>	<b>\$27.15</b>	<b>64.5% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$3.31</b>	<b>7.4% (2)</b>	<b>\$3.15</b>	<b>7.5% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	0.92		0.82	
Other Operating Expenses	1.91	(4)	2.19	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>2.83</b>	<b>6.3% (3)</b>	<b>3.01</b>	<b>7.1% (3)</b>
	10.22		8.82	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.09)</b>		<b>(0.07)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$10.31</b>	<b>23.1% (3)</b>	<b>\$8.89</b>	<b>21.1% (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.

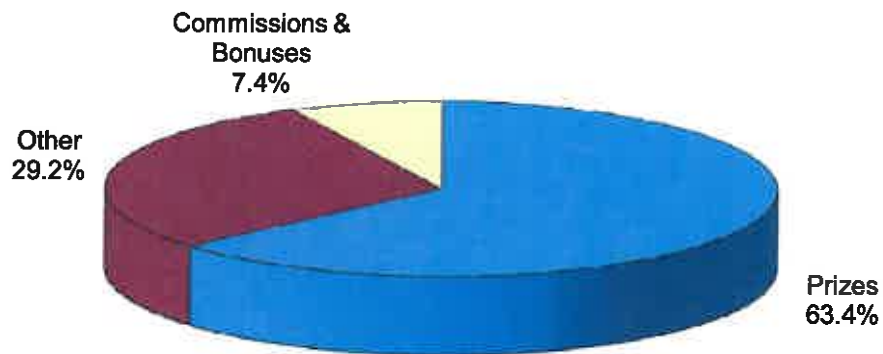
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

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

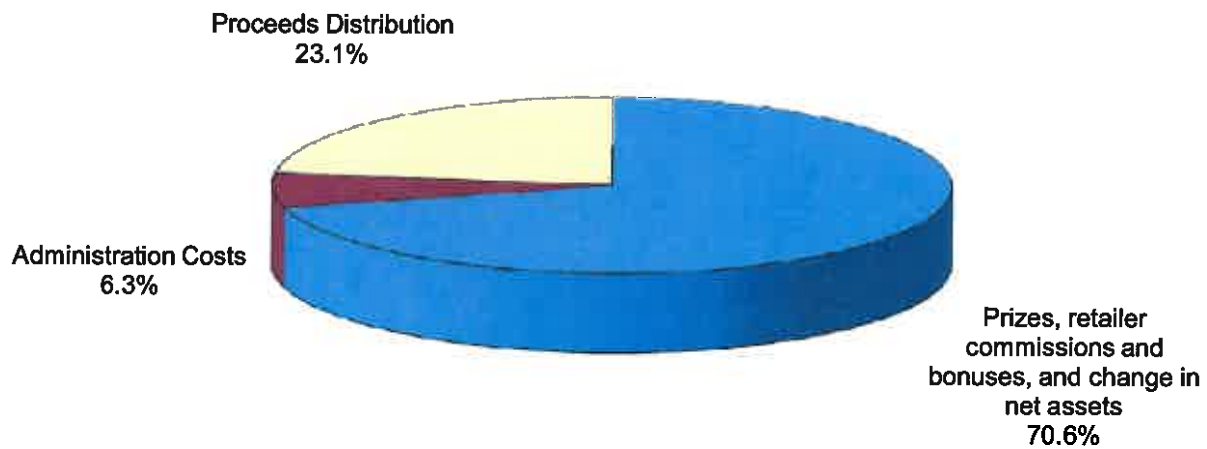
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE ONE MONTH  
ENDED JULY 31, 2013

**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 POSITION  
JULY 31, 2013 AND 2012  
(UNAUDITED)

ASSETS	FY 2014	FY 2013
<b>Current Assets:</b>		
Cash and Investments	\$ 47,129,748	\$ 33,625,740
Accounts Receivable, net of the allowance for doubtful accounts of \$147,187 in 2013 and \$226,930 in 2012	22,778,510	25,865,602
Consignment Inventory, at Cost	122,263	101,549
Warehouse Inventory, at Cost	1,189,705	949,175
Prepaid Expenses	174,624	191,504
Total Current Assets	71,394,850	60,733,570
<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	376,380	358,781
Prepaid Prize Expense with MUSL	4,959,777	5,031,038
Total Reserve and Restricted Assets	6,636,157	6,689,819
<b>Capital Assets:</b>		
Equipment	5,946,887	6,079,409
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,191,655)	(3,393,934)
Total Capital Assets	1,819,943	2,750,186
<b>TOTAL ASSETS</b>	\$ 79,850,950	\$ 70,173,575
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 1,452,276	\$ 1,951,907
Prize Liability	24,487,726	23,829,648
Payable to MUSL	1,526,697	870,890
Wages and Benefits	20,581	39,673
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	303,533	302,462
Funds Available for Distribution	47,609,731	37,874,595
Total Current Liabilities	75,400,544	64,869,175
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	893,358	834,523
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	954,083	895,433
<b>TOTAL LIABILITIES</b>	76,354,627	65,764,608
<b>NET POSITION</b>		
Investment in Capital Assets	1,819,943	2,750,186
Restricted-Licensed Agent Recovery Reserve	376,380	358,781
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
<b>TOTAL NET POSITION</b>	3,496,323	4,408,967
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 79,850,950	\$ 70,173,575

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE ONE (1) MONTH ENDED JULY 31, 2013 AND 2012  
(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 44,596,849	\$ 42,079,065
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	28,269,369	27,148,177
Retailer Commissions and Bonuses	3,311,408	3,153,618
Cost of Tickets and Vendor Fees	922,764	816,899
Total Direct Operating Expenses	<u>32,503,541</u>	<u>31,118,694</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>12,093,308</u>	<u>10,960,371</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	508,640	927,546
Administration Fees Paid to MUSL	7,750	55,891
Wages and Benefits	832,390	785,621
Professional Services	11,113	6,223
State Agencies Services	13,688	2,356
Department of Revenue Services	38,046	31,535
Travel	8,335	3,623
Equipment	1,645	4,930
Depreciation	80,379	81,680
Accrued Annual and Sick Leave	35,574	(2,093)
Space Rental	61,977	58,204
Rents for Equipment	1,817	2,269
Motorpool Leasing	29,702	29,236
Materials and Supplies	20,261	7,328
Telephone	18,932	13,263
On-Line Telecommunications	23,993	33,737
Data Processing Supplies and Services	31,054	3,877
Equipment Maintenance	54,779	54,199
Printing	5,178	3,552
Delivery Expense	99,965	63,632
Other	23,408	24,898
Total Other Operating Expenses	<u>1,908,626</u>	<u>2,191,507</u>
<b>OTHER OPERATING REVENUE (EXPENSE)</b>	<b>(4,504)</b>	<b>14,618</b>
<b>TOTAL OPERATING INCOME</b>	<u>10,180,178</u>	<u>8,783,482</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	38,322	33,105
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<b>(10,311,369)</b>	<b>(8,890,519)</b>
Total Nonoperating Revenues (Expenses)	<u>(10,273,047)</u>	<u>(8,857,414)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (92,869)</u>	<u>\$ (73,932)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>3,589,192</b>	<b>4,482,899</b>
Net Change in Net Position	<u>(92,869)</u>	<u>(73,932)</u>
<b>NET POSITION, END OF PERIOD</b>	<u>\$ 3,496,323</u>	<u>\$ 4,408,967</u>



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

(UNAUDITED)

<b>ASSETS</b>	<u>FY 2014</u>	<u>FY 2013</u>
<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	<u>10,148,879</u>	<u>10,059,189</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,599,879</u></b>	<b>\$ <u>10,493,189</u></b>
 <b>NET POSITION</b>		
Held in Trust for Powerball Winner	<u>10,599,879</u>	<u>10,493,189</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>10,599,879</u></b>	<b>\$ <u>10,493,189</u></b>

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE ONE MONTH ENDED JULY 31, 2013 AND 2012**

(UNAUDITED)

	<u>FY 2014</u>	<u>FY 2013</u>
<b>Additions</b>		
Investment Income	\$ <u>45,870</u>	\$ <u>47,200</u>
<b>Total Additions</b>	<u>45,870</u>	<u>47,200</u>
<b>Deductions</b>		
Prize Payments	<u>0</u>	<u>0</u>
<b>Change in net position</b>	45,870	47,200
<b>Net Position held in Trust for Powerball Winner</b>		
Beginning of Year	<u>10,554,009</u>	<u>10,445,989</u>
End of Period	\$ <u><u>10,599,879</u></u>	\$ <u><u>10,493,189</u></u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE ONE MONTH ENDED JULY 31, 2013**  
(With Comparative Totals for the One Month Ended July 31, 2012)

	Scratch	Jackpot Games					Pick 3	FY 14	FY 13
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III		Total	Scratch and Jackpot Games
TICKET SALES	\$29,923,113	\$2,912,744	\$7,779,547	\$1,624,866	\$1,553,925	\$0	\$802,654	\$44,596,849	\$42,079,065
PRIZE EXPENSE	(20,943,834)	(1,590,898)	(3,785,374)	(826,417)	(744,349)	40,120	(418,617)	(28,269,369)	(27,148,177)
NET REVENUE AFTER PRIZES	8,979,279	1,321,846	3,994,173	798,449	809,576	40,120	384,037	16,327,480	14,930,888
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(2,091,649)	(174,358)	(465,824)	(97,221)	(92,962)	0	(48,027)	(2,970,041)	(2,817,226)
Retailer Bonus	(271,620)	(17,301)	(27,710)	(12,937)	(5,782)	282	(6,299)	(341,367)	(336,392)
Cost of Tickets Sold	(261,221)	N/A	N/A	N/A	N/A	N/A	N/A	(261,221)	(196,978)
Telecomm Reimbursements	50,118	4,879	13,030	2,721	2,603	0	1,344	74,695	74,830
On-Line Vendor Fees	(494,120)	(48,061)	(128,363)	(26,810)	(25,640)	0	(13,244)	(736,238)	(694,751)
TOTAL	(3,068,492)	(234,841)	(608,867)	(134,247)	(121,781)	282	(66,226)	(4,234,172)	(3,970,517)
GROSS PROFIT ON SALE OF TICKETS	\$5,910,787	\$1,087,005	\$3,385,306	\$664,202	\$687,795	\$40,402	\$317,811	\$12,093,308	\$10,960,371
AVERAGE DAILY TICKET SALES	\$965,262	\$93,959	\$250,953	\$52,415	\$50,127	\$0	\$23,607	\$1,438,608	\$1,357,389

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

**COLORADO LOTTERY**  
**SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES**  
**FOR THE ONE MONTH ENDED JULY 31, 2013**

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 13 Total	FY 12 Total
Prize Expense (/)/Ticket Sales	\$20,943,834 29,923,113	\$1,590,898 2,912,744	\$3,785,374 7,779,547	\$826,417 1,624,866	\$744,349 1,553,925	(\$40,120) 0	\$418,617 802,654	\$28,269,369 \$44,596,849	\$27,148,177 42,079,065
Prize %	69.99%	54.62%	48.66%	50.86%	47.90%	N/A	52.15%	63.39%	64.52%

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE ONE MONTH ENDED JULY 31, 2013

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$717,590	\$8,378,879	7.9%
Amortization Equal	249,451	20,096	229,355	8.1%
Suppl Amortization Equalization	225,199	17,732	207,467	7.9%
Workmen's Compensation	77,428	6,452	70,976	8.3%
Health and Life	876,940	76,002	800,938	8.7%
Short Term Disability	13,166	1,108	12,058	8.4%
Operating	1,203,156	144,206	1,058,950	12.0%
Variable Vehicle	207,185	0	207,185	0.0%
Leased Space	758,805	61,127	697,678	8.1%
Leased Space-Grand Junction	7,661	639	7,022	8.3%
Risk Management	27,049	2,254	24,795	8.3%
Vehicle Lease Payments	160,731	13,175	147,556	8.2%
Travel	113,498	8,335	105,163	7.3%
Purch. Of Services-Computer Center	276,527	23,044	253,483	8.3%
Marketing, Communications & Sales	14,700,000	479,141	14,220,859	3.3%
Communications Services	3,029	0	3,029	0.0%
Payments to MNT	282,286	23,523	258,763	8.3%
Payments to Other Agencies	239,410	198	239,212	0.1%
Legal Services	31,058	13,490	17,568	43.4%
Indirect Costs	500,260	38,046	462,214	7.6%
Ticket Costs-Scratch	6,578,000	363,749	6,214,251	5.5%
Research	250,000	29,500	220,500	11.8%
Vendor Fees	12,571,504	736,238	11,835,266	5.9%
Prize Payments	424,104,016	28,269,369	395,834,647	6.7%
Retailer Compensation	52,241,350	3,311,408	48,929,942	6.3%
Multi-State Lottery Funds	177,433	7,750	169,683	4.4%
COFRS Modernization	35,657	2,972	32,685	8.3%
OIT Security	13,167	0	13,167	0.0%
MNT & AD OIT	45,180	3,765	41,415	8.3%
<b>TOTAL</b>	<u>\$525,065,615</u>	<u>\$34,370,909</u>	<u>\$490,640,124</u>	<u>6.55%</u>

FY14 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.50 (Projected)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Net Position" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Net Position

Prize Expense	28,269,369
Commissions and Bonuses	3,311,408
Cost of Tickets & Vendor Fees	922,764
Operating Expenses	1,908,626
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Net Position</b>	<u>34,412,167</u>
Plus: Telecommunications offset classified as revenue	74,695
Less: Non-appropriated expenses and other adjustments	
Depreciation	(80,379)
Accrued Annual and Sick Leave	(35,574)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u>34,370,909</u>
Plus: Capitalized Fixed Assets	0
	<u>34,370,909</u>

Note 1 - FY14 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through July 31, 2013 is 8.3%.

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 2014