COLORADO LOTTERY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

INCLUDING STATEMENT OF LOTTERY REVENUES, PRIZE DISBURSEMENTS AND OTHER EXPENSES

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED
AUGUST 31, 2013

COLORADO LOTTERY FINANCIAL STATEMENTS (UNAUDITED)

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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

November 13, 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 two months ended August 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
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 TWO (2) MONTHS ENDED AUGUST 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 two months ended August 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 Two Months Ended August 31,								
	FY 20	FY 2014			013				
	- T	Actual	-		Actual	-			
	Total	Percent	-	Total	Percent				
INCOME									
Gross Ticket Sales	\$92.74			\$88.63					
Nonoperating revenue	0.10_		-	0.08					
TOTAL INCOME	92.84			88.71					
LESS:									
PRIZES	\$57.47	62.0%	(1)	\$55.55	62.7%	(1)			
RETAILER COMMISSIONS AND BONUSES	\$6.86	7.4%	(2)	\$6.60	7.4%	(2)			
ADMINISTRATIVE COSTS									
Ticket Costs and Vendor Fees	1.86			1.74					
Other Operating Expenses	4.09		(4) _	4.42					
TOTAL ADMINISTRATIVE COSTS (Note 3)	5.95	6.4%	(3) _	6.16	6.9%	(3)			
	22.56			20.40					
NET CHANGE IN NET ASSETS	(0.17)		_	(0.13)					
PROCEEDS DISTRIBUTION	\$22.73	24.5%	(3) =	\$20.53	23.1%	(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.

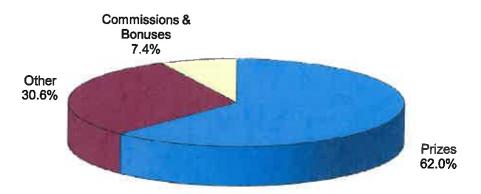
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

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

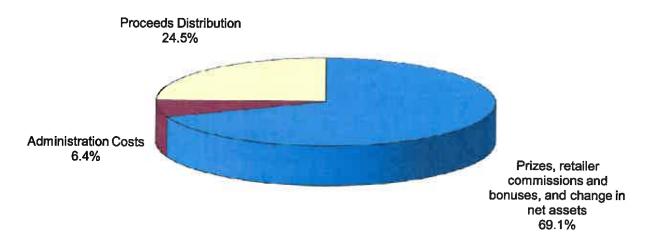
COLORADO LOTTERY SUPPLEMENT OF FINANCIAL HIGHLIGHTS FOR THE TWO MONTHS ENDED AUGUST 31, 2013

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 AUGUST 31, 2013 AND 2012 (UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets: Cash and Investments Accounts Receivable, net of the allowance for doubtful	\$ 24,991,857	\$ 22,395,648
accounts of \$147,187 in 2013 and \$160,215 in 2012	19,153,286	18,365,914
Consignment Inventory, at Cost	103,883	95,130
Warehouse Inventory, at Cost	1,050,198	882,160
Prepaid Expenses	193,029	180,567
Total Current Assets	45,492,253	41,919,419
Reserve and Restricted Assets: Cash and Investments-Operating Reserve Cash and Investments-Licensed Agent Recovery	1,300,000	1,300,000
Reserve Receipts	380,807	364,890
Prepaid Prize Expense with MUSL	4,979,667	5,065,768
Total Reserve and Restricted Assets	6,660,474	6,730,658
Capital Assets: Equipment Leasehold Improvements Less Accumulated Depreciation and Amortization Total Capital Assets	5,946,887 64,711 (4,272,034) 1,739,564	6,092,901 64,711 (3,475,614) 2,681,998
TOTAL ASSETS	\$ 53,892,291	\$ 51,332,075
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,181,697	\$ 1,547,748
Prize Liability	23,148,889	23,149,251
Payable to MUSL	15,433	348,307
Wages and Benefits	40,184	79,056
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	445,934	457,488
Funds Available for Distribution	22,726,993	20,534,431
Total Current Liabilities	49,559,130	46,116,281
Long-Term Liabilities:		
Accrued Annual and Sick Leave	852,065	807,996
Expired Warrants Liability	60,725	60,910
Total Long-Term Liabilities	912,790	868,906
TOTAL LIABILITIES	50,471,920	46,985,187
NET POSITION		
Investment in Capital Assets	1,739,564	2,681,998
Restricted-Licensed Agent Recovery Reserve	380,807	364,890
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET POSITION	3,420,371	4,346,888
TOTAL LIABILITIES AND NET POSITION	\$ 53,892,291	\$ 51,332,075

COLORADO LOTTERY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2013 AND 2012 (UNAUDITED)

	FY 2014	FY 2013
OPERATING REVENUES		
Gross Ticket Sales	\$ 92,738,878	\$ 88,632,804
DIRECT OPERATING EXPENSES		
Prize Expense	57,469,089	55,550,901
Retailer Commissions and Bonuses	6,856,620	6,603,932
Cost of Tickets and Vendor Fees	1,865,876	1,740,045
Total Direct Operating Expenses	66,191,585	63,894,878
GROSS PROFIT ON SALE OF TICKETS	26,547,293	24,737,926
OTHER OPERATING EXPENSES		
Marketing and Communications	1,489,045	1,950,387
Administration Fees Paid to MUSL	15,433	68,972
Wages and Benefits	1,625,707	1,556,281
Professional Services	20,548	16,542
State Agencies Services	30,069	3,754
Department of Revenue Services	83,218	97,702
Travel	8,748	8,476
Equipment	2,204	6,091
Depreciation	160,758	163,361
Accrued Annual and Sick Leave	(6,091)	(28,753)
Space Rental	122,154	118,380
Rents for Equipment	3,803	4,594
Motorpool Leasing	62,471	62,575
Materials and Supplies	24,748	8, 5 29
Telephone	38,045	
On-Line Telecommunications	80,264	24,593 67,835
Data Processing Supplies and Services	52,969	5,374
Equipment Maintenance	62,870	92,378
Printing	10,699	5,402
Delivery Expense	168,332	152,945
Other	30,348	33,027
Total Other Operating Expenses	4,086,342	4,418,445
OTHER OPERATING REVENUE (EXPENSE)	12,093	26,380
TOTAL OPERATING INCOME	22,473,044	20,345,861
NONOPERATING REVENUES (EXPENSES)		
Investment Income	85,128	52,559
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(22,726,993)	(20,534,431)
Total Nonoperating Revenues (Expenses)	(22,641,865)	(20,481,872)
NET INCOME (LOSS)	\$ (168,821)	\$ (136,011)
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	(168,821)	(136,011)
NET POSITION, END OF PERIOD	\$ 3,420,371	\$ 4,346,888
		

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

(UNAUDITED)

ASSETS	FY 2014	FY 2013
Current Assets: Current Portion Long Term Investments-PB Annuity	451,000	434,000
Long Term Assets: Long Term Investments-PB Annuity	10,194,751	10,105,664
TOTAL ASSETS	\$ 10,645,751	\$ 10,539,664
NET POSITION		
Held in Trust for Powerball Winner	10,645,751	10,539,664
TOTAL NET POSITION	\$ 10,645,751	\$ 10,539,664

COLORADO LOTTERY

POWERBALL ANNUITY WINNERS TRUST FUND STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE TWO MONTHS ENDED AUGUST 31, 2013 AND 2012

(UNAUDITED)

Additions		FY 2014		FY 2013
Investment Income	\$.	91,742	\$	93,675
Total Additions		91,742		93,675
Deductions				
Prize Payments		0		0
Change in net position		91,742		93,675
Net Position held in Trust for Powerball Winner				
Beginning of Year	_	10,554,009		10,445,989
End of Period	\$ _	10,645,751	\$ _	10,539,664

COLORADO LOTTERY SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES FOR THE TWO MONTHS ENDED AUGUST 31, 2013

(With Comparative Totals for the Two Months Ended August 31, 2012)

				_				FY 14	FY 13
	Jackpot Games								Scratch and
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Jackpot Games
TICKET SALES	\$59,454,925	\$5,391,429	\$19.761.705	\$3,271,350	\$3,290,128	\$0	\$1,569,341	\$00 700 070	#82 707 0E2
HORET GALLO	φυσ,404,520	ψ0,001,420	φ19,701,700	φο,271,300	φ3,230,120	φυ	φ1,009,341	\$92,738,878	\$83,727,253
PRIZE EXPENSE	(40,523,956)	(3,120,185)	(9,662,586)	(1,812,799)	(1,584,779)	40,120	(804,904)	(57,469,089)	(52,711,674)
NET REVENUE AFTER PRIZES	18,930,969	2,271,244	10,099,119	1,458,551	1,705,349	40,120	764,437	35,269,789	31,015,579
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission Retailer Bonus	(4,152,196) (543,513)	(322,737) (34,235)	(1,183,358) (81,270)	(195,713) (27,317)	(196,880) (13,253)	0 282	(93,875) (12,555)	(6,144,759) (711,861)	(5,592,465) (831,456)
Cost of Tickets Sold	(469,663)	N/A	N/A	N/A	N/A	N/A	N/A	(469,663)	(406,624)
Telecomm Reimbursements	86,161	7,813	28,638	4,741	4,768	0	2,274	134,395	132,530
On-Line Vendor Fees	(981,395)	(88,959)	(326,069)	(53,977)	(54,288)	0	(25,920)	(1,530,608)	(1,434,430)
TOTAL	(6,060,606)	(438,118)	(1,562,059)	(272,266)	(259,653)	282	(130,076)		
TOTAL	(0,000,000)	(400,110)	(1,002,003)	(212,200)	(208,000)	202	(130,076)	(8,722,496)	(8,132,445)
GROSS PROFIT ON SALE OF TICKETS	<u>\$12.870.363</u>	<u>\$1.833.126</u>	\$8.537.06 <u>0</u>	<u>\$1.186.285</u>	<u>\$1.445.696</u>	<u>\$40.402</u>	<u>\$634.361</u>	<u>\$26.547.293</u>	<u>\$22.883.134</u>
AVERAGE DAILY TICKET SALES	<u>\$958,950</u>	\$86.95 <u>9</u>	\$318 <u>.737</u>	<u>\$52.764</u>	<u>\$53.067</u>	<u>\$0</u>	<u>\$46.157</u>	<u>\$1.495.788</u>	<u>\$1,350,440</u>

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 TWO MONTHS ENDED AUGUST 31, 2013

	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	FY 13 Total	FY 12 Total
Prize Expense (/)Ticket Sales	\$40,523,956 59,454,925	\$3,120,185 5,391,429	\$9,662,586 19,761,705	\$1,812,799 3,271,350	\$1,584,779 3,290,128	(\$40,120) 0	\$804,904 1,569,341	\$57,469,089 \$92,738,878	\$52,711,674 83,727,253
Prize %	<u>68.16%</u>	<u>57.87%</u>	<u>48.90%</u>	<u>55.41%</u>	<u>48.17%</u>	N/A	<u>51.29%</u>	<u>61.97%</u>	<u>62.96%</u>

COLORADO LOTTERY BUDGET STATUS

FOR THE TWO MONTHS ENDED AUGUST 31, 2013

	FY14	Amount		Percent
	Budget	Expended	Amount	Expended
	(Note 1)	(Note 3)	Available	(Note 2)
Personal Services	\$9,096,469	\$1,399,561	\$7,696,908	15.4%
Amortization Equal	240,527	39,324	201,203	16.3%
Suppl Amortization Equalization	217,174	34,698	182,476	16.0%
Workmen's Compensation	77,428	12,905	64,523	16.7%
Health and Life	851,601	152,008	699,593	17.8%
Short Term Disability	12,698	2,225	10,473	17.5%
Operating	1,203,156	196,918	1,006,238	16.4%
Variable Vehicle	207,185	0	207,185	0.0%
Leased Space	758,805	120,617	638,188	15.9%
Leased Space-Grand Junction	7,661	1,277	6,384	16.7%
Risk Management	27,049	4,508	22,541	16.7%
Vehicle Lease Payments	160,731	25,930	134,801	16.1%
Travel	113,498	8,748	104,750	7.7%
Purch. Of Services-Computer Center	276,527	46,088	230,439	16.7%
Marketing, Communications & Sales	14,700,000	1,458,325	13,241,675	9.9%
Communications Services	3,029	0	3,029	0.0%
Payments to MNT	282,286	47,046	235,240	16.7%
Payments to Other Agencies	239,410	593	238,817	0.2%
Legal Services	31,058	20,849	10,209	67.1%
Indirect Costs	500,260	83,218	417,042	16.6%
Ticket Costs-Scratch	6,578,000	653,498	5,924,502	9.9%
Research	250,000	30,720	219,280	12.3%
Vendor Fees	12,571,504	1,562,886	11,008,618	12.4%
Prize Payments	424,104,016	57,469,089	366,634,927	13.6%
Retailer Compensation	52,241,350	6,856,621	45,384,729	13.1%
Multi-State Lottery Funds	177,433	15,433	162,000	8.7%
COFRS Modernization	35,657	5,943	29,714	16.7%
OIT Security	13,167	1,097	12,070	8.3%
MNT & AD OIT	45,180	7,530	37,650	16.7%
TOTAL	\$525,022,859	\$70,257,655	\$454,715,484	13.38%
FY14 Staffing - FTE - (Note 4)	117.00 (Appro	opriated) 120.5	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 Commissions and Bonuses Cost of Tickets & Vendor Fees Operating Expenses	57,469,089 6,856,620 1,865,876 4,086,342
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	70,277,927
Plus: Telecommunications offset classifed as revenue	134,395
Less: Non-appropriated expenses and other adjustments Depreciation Accrued Annual and Sick Leave Loss on Disposal of Equipment classified as revenue	(160,758) 6,091 0
Sub-Total	70,257,655
Plus: Capitalized Fixed Assets	70,257,655

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 August 31, 2013 is 16.7%.

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 2014