

***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

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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,

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 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 2014		FY 2013	
	Total	Actual Percent	Total	Actual 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.

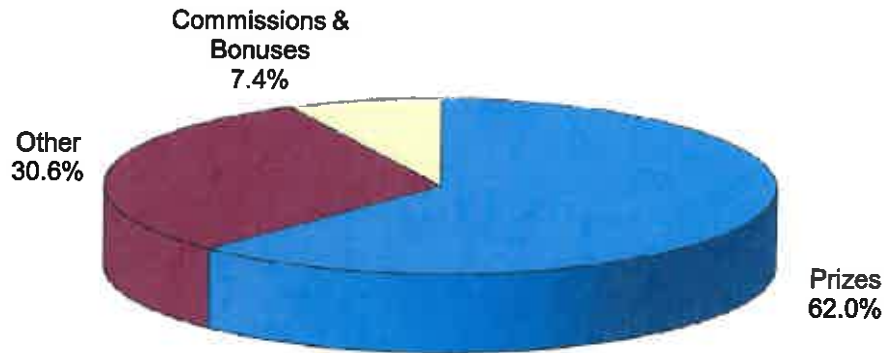
Note 2: Percent of gross ticket sales.

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.

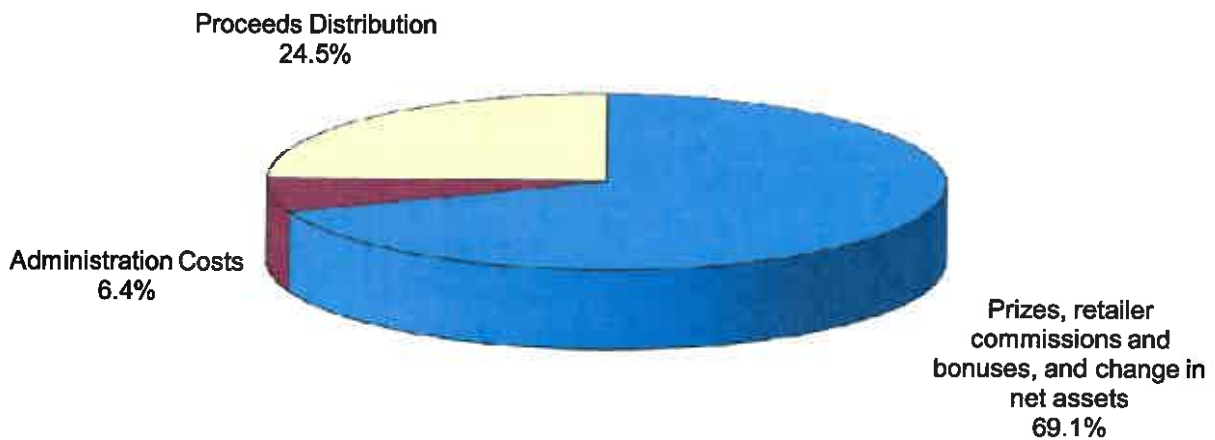
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS ENDED AUGUST 31, 2013

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	\$ 24,991,857	\$ 22,395,648
Accounts Receivable, net of the allowance for doubtful 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	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery 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	5,946,887	6,092,901
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(4,272,034)	(3,475,614)
Total Capital Assets	1,739,564	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)

	<u>FY 2014</u>	<u>FY 2013</u>
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	<u>66,191,585</u>	<u>63,894,878</u>
GROSS PROFIT ON SALE OF TICKETS	<u>26,547,293</u>	<u>24,737,926</u>
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	8,529
Telephone	38,045	24,593
On-Line Telecommunications	80,264	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	<u>4,086,342</u>	<u>4,418,445</u>
OTHER OPERATING REVENUE (EXPENSE)	12,093	26,380
TOTAL OPERATING INCOME	<u>22,473,044</u>	<u>20,345,861</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	85,128	52,559
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(22,726,993)</u>	<u>(20,534,431)</u>
Total Nonoperating Revenues (Expenses)	<u>(22,641,865)</u>	<u>(20,481,872)</u>
NET INCOME (LOSS)	<u>\$ (168,821)</u>	<u>\$ (136,011)</u>
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	<u>(168,821)</u>	<u>(136,011)</u>
NET POSITION, END OF PERIOD	<u>\$ 3,420,371</u>	<u>\$ 4,346,888</u>

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

(UNAUDITED)

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

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)

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

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)

	Scratch	Jackpot Games					FY 14	FY 13	
		Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	Scratch and Jackpot Games
TICKET SALES	\$59,454,925	\$5,391,429	\$19,761,705	\$3,271,350	\$3,290,128	\$0	\$1,569,341	\$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	<u>18,930,969</u>	<u>2,271,244</u>	<u>10,099,119</u>	<u>1,458,551</u>	<u>1,705,349</u>	<u>40,120</u>	<u>764,437</u>	<u>35,269,789</u>	<u>31,015,579</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(4,152,196)	(322,737)	(1,183,358)	(195,713)	(196,880)	0	(93,875)	(6,144,759)	(5,592,465)
Retailer Bonus	(543,513)	(34,235)	(81,270)	(27,317)	(13,253)	282	(12,555)	(711,861)	(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	<u>(6,060,606)</u>	<u>(438,118)</u>	<u>(1,562,059)</u>	<u>(272,266)</u>	<u>(259,653)</u>	<u>282</u>	<u>(130,076)</u>	<u>(8,722,496)</u>	<u>(8,132,445)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$12,870,363</u>	<u>\$1,833,126</u>	<u>\$8,537,060</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>	<u>\$86,959</u>	<u>\$318,737</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	\$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
(/)/Ticket Sales	59,454,925	5,391,429	19,761,705	3,271,350	3,290,128	0	1,569,341	\$92,738,878	83,727,253
Prize %	<u>68.16%</u>	<u>57.87%</u>	<u>48.90%</u>	<u>55.41%</u>	<u>48.17%</u>	<u>N/A</u>	<u>51.29%</u>	<u>61.97%</u>	<u>62.96%</u>

