

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

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

**(UNAUDITED)**

**FOR THE FOUR (4) MONTHS ENDED**

**OCTOBER 31, 2013**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

**DISTRIBUTION**

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# STATE OF COLORADO

**COLORADO LOTTERY DIVISION**  
Department of Revenue

**Headquarters**  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Lottery Director

January 8, 2014

## Members of the Lottery Commission

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 four months ended October 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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 Four Months Ended October 31, |                   |                 |                   |
|--|---------------------------------------|-------------------|-----------------|-------------------|
|  | FY 2014                               |                   | FY 2013         |                   |
|  | Total                                 | Actual<br>Percent | Total           | Actual<br>Percent |
| <b>INCOME</b>                              |                                       |                   |                 |                   |
| Gross Ticket Sales                         | \$180.58                              |                   | \$172.57        |                   |
| Nonoperating revenue                       | 0.22                                  |                   | 0.19            |                   |
| <b>TOTAL INCOME</b>                        | <b>180.80</b>                         |                   | <b>172.76</b>   |                   |
| <b>LESS:</b>                               |                                       |                   |                 |                   |
| <b>PRIZES</b>                              | <b>\$111.59</b>                       | <b>61.8% (1)</b>  | <b>\$107.89</b> | <b>62.5% (1)</b>  |
| <b>RETAILER COMMISSIONS AND BONUSES</b>    | <b>\$13.35</b>                        | <b>7.4% (2)</b>   | <b>\$12.89</b>  | <b>7.5% (2)</b>   |
| <b>ADMINISTRATIVE COSTS</b>                |                                       |                   |                 |                   |
| Ticket Costs and Vendor Fees               | 3.60                                  |                   | 3.33            |                   |
| Other Operating Expenses                   | 9.17                                  | (4)               | 8.59            |                   |
| <b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b> | <b>12.77</b>                          | <b>7.1% (3)</b>   | <b>11.92</b>    | <b>6.9% (3)</b>   |
|  | <b>43.09</b>                          |                   | <b>40.06</b>    |                   |
| <b>NET CHANGE IN NET ASSETS</b>            | <b>(0.23)</b>                         |                   | <b>(0.30)</b>   |                   |
| <b>PROCEEDS DISTRIBUTION</b>               | <b>\$43.32</b>                        | <b>24.0% (3)</b>  | <b>\$40.36</b>  | <b>23.4% (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.

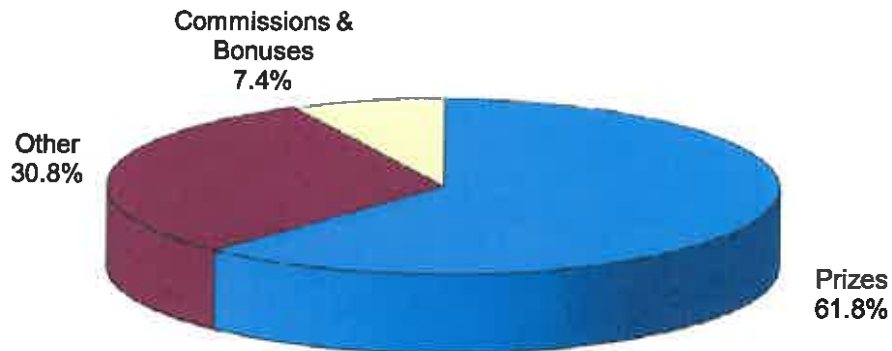
Note 2: Percent of gross ticket sales.

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.

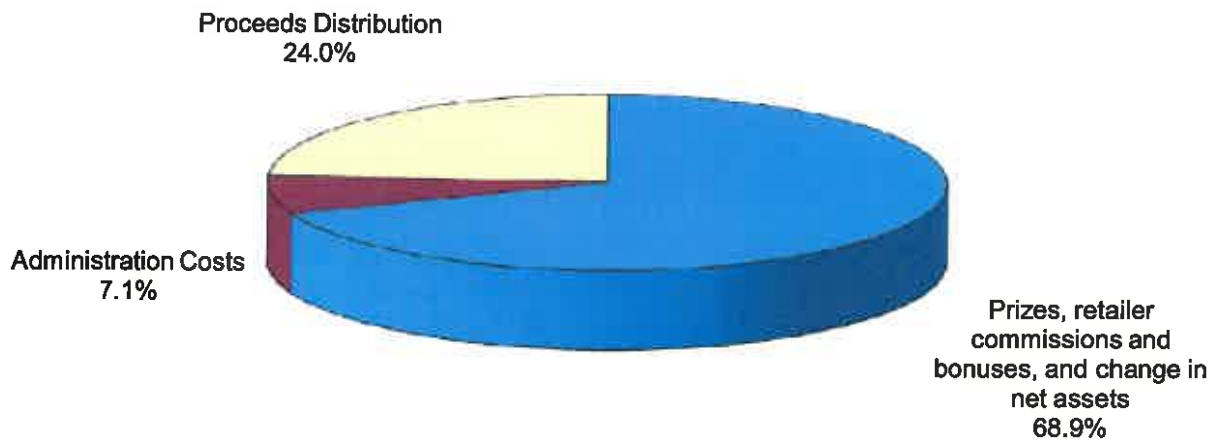
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013

**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  
OCTOBER 31, 2013 AND 2012  
(UNAUDITED)

| ASSETS   | FY 2014              | FY 2013              |
|--|----------------------|----------------------|
| <b>Current Assets:</b>   |                      |                      |
| Cash and Investments   | \$ 47,998,916        | \$ 40,488,084        |
| Accounts Receivable, net of the allowance for doubtful accounts of \$149,241 in 2013 and \$151,917 in 2012 | 17,400,641           | 22,505,915           |
| Consignment Inventory, at Cost   | 135,306              | 153,915              |
| Warehouse Inventory, at Cost   | 1,014,811            | 1,214,271            |
| Prepaid Expenses   | 265,046              | 153,658              |
| <b>Total Current Assets</b>  | <b>66,814,720</b>    | <b>64,515,843</b>    |
| <b>Reserve and Restricted Assets:</b>  |                      |                      |
| Cash and Investments-Operating Reserve   | 1,400,000            | 1,300,000            |
| Cash and Investments-Licensed Agent Recovery Reserve Receipts  | 383,191              | 362,701              |
| Prepaid Prize Expense with MUSL  | 4,978,617            | 5,144,574            |
| <b>Total Reserve and Restricted Assets</b>   | <b>6,761,808</b>     | <b>6,807,275</b>     |
| <b>Capital Assets:</b>   |                      |                      |
| Equipment  | 5,946,887            | 6,083,517            |
| Leasehold Improvements   | 64,711               | 64,711               |
| Less Accumulated Depreciation and Amortization   | (4,432,791)          | (3,631,276)          |
| <b>Total Capital Assets</b>  | <b>1,578,807</b>     | <b>2,516,952</b>     |
| <b>TOTAL ASSETS</b>  | <b>\$ 75,155,335</b> | <b>\$ 73,840,070</b> |
| <b>LIABILITIES</b>   |                      |                      |
| <b>Current Liabilities:</b>  |                      |                      |
| Accounts Payable   | \$ 1,980,620         | \$ 1,035,123         |
| Prize Liability  | 24,472,762           | 26,007,029           |
| Payable to MUSL  | 314,839              | 989,644              |
| Wages and Benefits   | 79,393               | 73,753               |
| Accrued Annual and Sick Leave  | 0                    | 0                    |
| Retailer Bonus Liability   | 698,404              | 311,928              |
| Funds Available for Distribution   | 43,317,298           | 40,361,652           |
| <b>Total Current Liabilities</b>   | <b>70,863,316</b>    | <b>68,779,129</b>    |
| <b>Long-Term Liabilities:</b>  |                      |                      |
| Accrued Annual and Sick Leave  | 869,296              | 820,378              |
| Expired Warrants Liability   | 60,725               | 60,910               |
| <b>Total Long-Term Liabilities</b>   | <b>930,021</b>       | <b>881,288</b>       |
| <b>TOTAL LIABILITIES</b>   | <b>71,793,337</b>    | <b>69,660,417</b>    |
| <b>NET POSITION</b>  |                      |                      |
| Investment in Capital Assets   | 1,578,807            | 2,516,952            |
| Restricted-Licensed Agent Recovery Reserve   | 383,191              | 362,701              |
| Restricted-Operating Reserve   | 1,400,000            | 1,300,000            |
| Unrestricted-Other   | 0                    | 0                    |
| <b>TOTAL NET POSITION</b>  | <b>3,361,998</b>     | <b>4,179,653</b>     |
| <b>TOTAL LIABILITIES AND NET POSITION</b>  | <b>\$ 75,155,335</b> | <b>\$ 73,840,070</b> |

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2013 AND 2012  
(UNAUDITED)

|   | <u>FY 2014</u>      | <u>FY 2013</u>      |
|---|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                         |                     |                     |
| Gross Ticket Sales                                | \$ 180,577,720      | \$ 172,574,448      |
| <b>DIRECT OPERATING EXPENSES</b>                  |                     |                     |
| Prize Expense                                     | 111,592,399         | 107,892,808         |
| Retailer Commissions and Bonuses                  | 13,348,638          | 12,891,896          |
| Cost of Tickets and Vendor Fees                   | 3,603,209           | 3,333,030           |
| Total Direct Operating Expenses                   | <u>128,544,246</u>  | <u>124,117,734</u>  |
| <b>GROSS PROFIT ON SALE OF TICKETS</b>            | <u>52,033,474</u>   | <u>48,456,714</u>   |
| <b>OTHER OPERATING EXPENSES</b>                   |                     |                     |
| Marketing and Communications                      | 3,909,192           | 3,686,398           |
| Administration Fees Paid to MUSL                  | 32,306              | 85,387              |
| Wages and Benefits                                | 3,213,848           | 3,057,621           |
| Professional Services                             | 35,510              | 27,488              |
| State Agencies Services                           | 140,658             | 26,900              |
| Department of Revenue Services                    | 166,753             | 195,404             |
| Travel  | 20,781              | 22,280              |
| Equipment   | 30,201              | 37,558              |
| Depreciation                                      | 321,515             | 327,470             |
| Accrued Annual and Sick Leave                     | 10,679              | (16,156)            |
| Space Rental                                      | 251,991             | 238,358             |
| Rents for Equipment                               | 8,093               | 10,809              |
| Motorpool Leasing                                 | 123,292             | 123,549             |
| Materials and Supplies                            | 52,730              | 34,726              |
| Telephone   | 75,848              | 53,102              |
| On-Line Telecommunications                        | 140,491             | 136,030             |
| Data Processing Supplies and Services             | 113,709             | 10,738              |
| Equipment Maintenance                             | 93,160              | 112,751             |
| Printing  | 27,876              | 12,618              |
| Delivery Expense                                  | 323,023             | 337,141             |
| Other   | 77,828              | 70,672              |
| Total Other Operating Expenses                    | <u>9,169,484</u>    | <u>8,590,844</u>    |
| <b>OTHER OPERATING REVENUE (EXPENSE)</b>          | 78,145              | 49,284              |
| <b>TOTAL OPERATING INCOME</b>                     | <u>42,942,135</u>   | <u>39,915,154</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                     |                     |
| Investment Income                                 | 147,969             | 143,252             |
| Funds Distributed for Current Year                | 0                   | 0                   |
| Funds Available for Distribution for Current Year | (43,317,298)        | (40,361,652)        |
| Total Nonoperating Revenues (Expenses)            | <u>(43,169,329)</u> | <u>(40,218,400)</u> |
| <b>NET INCOME (LOSS)</b>                          | <u>\$ (227,194)</u> | <u>\$ (303,246)</u> |
| <b>NET POSITION, BEGINNING OF YEAR</b>            | 3,589,192           | 4,482,899           |
| Net Change in Net Position                        | <u>(227,194)</u>    | <u>(303,246)</u>    |
| <b>NET POSITION, END OF PERIOD</b>                | <u>\$ 3,361,998</u> | <u>\$ 4,179,653</u> |



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

(UNAUDITED)

|  | FY 2014              | FY 2013              |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                    |                      |                      |
| <b>Current Assets:</b>                           |                      |                      |
| Current Portion Long Term Investments-PB Annuity | 469,000              | 451,000              |
| <b>Long Term Assets:</b>                         |                      |                      |
| Long Term Investments-PB Annuity                 | 9,813,892            | 9,744,922            |
| <b>TOTAL ASSETS</b>                              | <b>\$ 10,282,892</b> | <b>\$ 10,195,922</b> |
| <br><b>NET POSITION</b>                          |                      |                      |
| Held in Trust for Powerball Winner               | 10,282,892           | 10,195,922           |
| <b>TOTAL NET POSITION</b>                        | <b>\$ 10,282,892</b> | <b>\$ 10,195,922</b> |

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013 AND 2012**

(UNAUDITED)

|  | <u>FY 2014</u>              | <u>FY 2013</u>              |
|--|-----------------------------|-----------------------------|
| <b>Additions</b>                                       |                             |                             |
| Investment Income                                      | \$ <u>179,883</u>           | \$ <u>183,933</u>           |
| <b>Total Additions</b>                                 | <u>179,883</u>              | <u>183,933</u>              |
| <b>Deductions</b>                                      |                             |                             |
| Prize Payments   | <u>451,000</u>              | <u>434,000</u>              |
| <b>Change in net position</b>                          | (271,117)                   | (250,067)                   |
| <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>10,282,892</u></u> | \$ <u><u>10,195,922</u></u> |

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES**  
**FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013**  
(With Comparative Totals for the Four Months Ended October 31, 2012)

|   | Scratch       | Jackpot Games |              |             |               |            | FY 14       | FY 13         |                              |
|---|---------------|---------------|--------------|-------------|---------------|------------|-------------|---------------|------------------------------|
|   |               | Lotto         | Powerball    | Cash 5      | Mega Millions | Raffle III | Pick 3      | Total         | Scratch and<br>Jackpot Games |
| TICKET SALES  | \$116,658,232 | \$10,203,784  | \$36,658,323 | \$6,429,802 | \$7,600,159   | \$0        | \$3,027,420 | \$180,577,720 | \$172,574,448                |
| PRIZE EXPENSE   | (80,183,749)  | (5,127,982)   | (17,775,511) | (3,390,457) | (3,660,352)   | 40,120     | (1,494,468) | (111,592,399) | (107,892,808)                |
| NET REVENUE<br>AFTER PRIZES                                     | 36,474,483    | 5,075,802     | 18,882,812   | 3,039,345   | 3,939,807     | 40,120     | 1,532,952   | 68,985,321    | 64,681,640                   |
| COMMISSIONS, BONUSES,<br>TICKET COSTS<br>& VENDOR FEES (Note 1) |               |               |              |             |               |            |             |               |                              |
| Retailer Commission   | (8,149,962)   | (610,836)     | (2,195,479)  | (384,731)   | (454,844)     | 0          | (181,137)   | (11,976,989)  | (11,497,229)                 |
| Retailer Bonus  | (1,066,731)   | (54,882)      | (143,801)    | (52,513)    | (30,486)      | 282        | (23,518)    | (1,371,649)   | (1,394,667)                  |
| Cost of Tickets Sold  | (890,476)     | N/A           | N/A          | N/A         | N/A           | N/A        | N/A         | (890,476)     | (753,068)                    |
| Telecomm Reimbursements   | 173,500       | 15,176        | 54,520       | 9,563       | 11,303        | 0          | 4,503       | 268,565       | 269,230                      |
| Jackpot Vendor Fees   | (1,925,821)   | (168,363)     | (604,865)    | (106,092)   | (126,146)     | 0          | (50,011)    | (2,981,298)   | (2,849,192)                  |
| TOTAL   | (11,859,490)  | (818,905)     | (2,889,625)  | (533,773)   | (600,173)     | 282        | (250,163)   | (16,951,847)  | (16,224,926)                 |
| GROSS PROFIT ON SALE<br>OF TICKETS                              | \$24,614,993  | \$4,256,897   | \$15,993,187 | \$2,505,572 | \$3,339,634   | \$40,402   | \$1,282,789 | \$52,033,474  | \$48,456,714                 |
| AVERAGE DAILY<br>TICKET SALES                                   | \$948,441     | \$82,958      | \$298,035    | \$52,275    | \$61,790      | \$0        | \$24,613    | \$1,468,112   | \$1,403,044                  |

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 FOUR MONTHS ENDED OCTOBER 31, 2013**

|                  | Scratch      | Lotto       | Powerball    | Cash 5      | Mega Millions | Raffle III | Pick 3      | FY 13<br>Total | FY 12<br>Total |
|------------------|--------------|-------------|--------------|-------------|---------------|------------|-------------|----------------|----------------|
| Prize Expense    | \$80,183,749 | \$5,127,982 | \$17,775,511 | \$3,390,457 | \$3,660,352   | (\$40,120) | \$1,494,468 | \$111,592,399  | \$107,892,808  |
| (/)/Ticket Sales | 116,658,232  | 10,203,784  | 36,658,323   | 6,429,802   | 7,600,159     | 0          | 3,027,420   | \$180,577,720  | 172,574,448    |
| Prize %          | 68.73%       | 50.26%      | 48.49%       | 52.73%      | 48.16%        | N/A        | 49.36%      | 61.80%         | 62.52%         |

