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)

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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

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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,

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 20	014	FY 2	013			
	Total	Actual Percent	Total	Actual Percent			
INCOME							
Gross Ticket Sales Nonoperating revenue	\$180.58 0.22	_	\$172.57 0.19				
TOTAL INCOME	180.80		172.76				
LESS:							
PRIZES	\$111.59	61.8% (1)	\$107.89	62.5% (1)			
RETAILER COMMISSIONS AND BONUSES	\$13.35	7.4% (2)	\$12.89	7.5% (2)			
ADMINISTRATIVE COSTS							
Ticket Costs and Vendor Fees Other Operating Expenses	3.60 9.17	(4) _	3.33 8.59				
TOTAL ADMINISTRATIVE COSTS (Note 3)	12.77	7.1% (3)	11.92	6.9% (3)			
	43.09		40.06				
NET CHANGE IN NET ASSETS	(0.23)	_	(0.30)				
PROCEEDS DISTRIBUTION	\$43.32	24.0% (3)	\$40.36	23.4% (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.

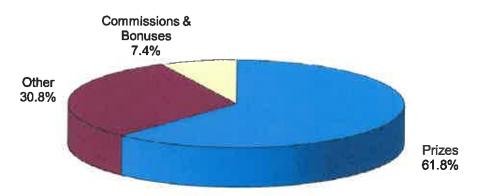
Note 2: Percent of gross ticket sales.

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.

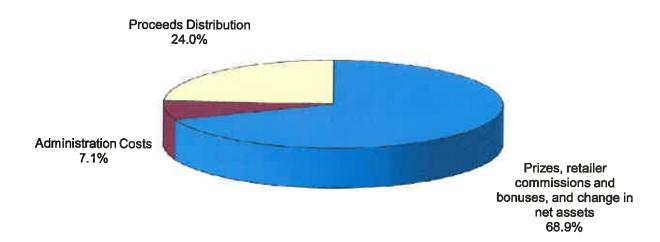
COLORADO LOTTERY SUPPLEMENT OF FINANCIAL HIGHLIGHTS FOR THE FOUR MONTHS ENDED OCTOBER 31, 2013

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
Current Assets:		
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	22 505 015
Consignment Inventory, at Cost	17,400,641 135,306	22,505,915 153,915
Warehouse Inventory, at Cost	1,014,811	1,214,271
Prepaid Expenses	265,046	153,658
Total Current Assets	66,814,720	64,515,843
B tB (t) th		
Reserve and Restricted Assets:	1 400 000	1 200 000
Cash and Investments-Operating Reserve Cash and Investments-Licensed Agent Recovery	1,400,000	1,300,000
Reserve Receipts	383,191	362,701
Prepaid Prize Expense with MUSL	4,978,617	5,144,574
Total Reserve and Restricted Assets	6,761,808	6,807,275
Capital Assets:	5.047.007	4 002 517
Equipment Leasehold Improvements	5,946,887 64,711	6,083,517 64,711
Less Accumulated Depreciation and Amortization	(4,432,791)	(3,631,276)
Total Capital Assets	1,578,807	2,516,952
•		
TOTAL ASSETS	\$ 75,155,335	\$ 73,840,070
LIABILITIES		
Current Liabilities:		
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 Accrued Annual and Sick Leave	79,393	73,753
Retailer Bonus Liability	0 698,404	0 311,928
Funds Available for Distribution	43,317,298	40,361,652
Total Current Liabilities	70,863,316	68,779,129
Long Town Linking		
Long-Term Liabilities: Accrued Annual and Sick Leave	869,296	920 279
Expired Warrants Liability	60,725	820,378 60,910
Total Long-Term Liabilities	930,021	881,288
TOTAL LIABILITIES		
_	71,793,337	69,660,417
NET POSITION		
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
TOTAL NET POSITION	3,361,998	4,179,653
TOTAL LIABILITIES AND NET POSITION	\$ 75,155,335	\$ 73,840,070
	,,-	

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

	FY 2014	FY 2013
OPERATING REVENUES		
Gross Ticket Sales	\$ 180,577,720	\$ 172,574,448
DIRECT OPERATING EXPENSES		
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	128,544,246	124,117,734
GROSS PROFIT ON SALE OF TICKETS	52,033,474	48,456,714
OTHER ORER ATING EVERYORE		
OTHER OPERATING EXPENSES		
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	9,169,484	8,590,844
OTHER OPERATING REVENUE (EXPENSE)	78,145	49,284
TOTAL OPERATING INCOME	42,942,135	39,915,154
NONOPERATING REVENUES (EXPENSES)		
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)	(43,169,329)	(40,218,400)
NET INCOME (LOSS)	\$ (227,194)	\$ (303,246)
NET POSITION, BEGINNING OF YEAR	3,589,192	4,482,899
Net Change in Net Position	(227,194)	(303,246)
NET POSITION, END OF PERIOD	\$ 3,361,998	\$ 4,179,653
- ,	J,J07,J30	- 1,17,000

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

(UNAUDITED)

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

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)

Additions		FY 2014_	,	FY 2013
Investment Income	\$	179,883	\$	183,933
Total Additions		179,883	•	183,933
Deductions				
Prize Payments		451,000		434,000
Change in net position		(271,117)		(250,067)
Net Position held in Trust for Powerball Winner				
Beginning of Year	_	10,554,009		10,445,989
End of Period	\$ =	10,282,892	\$ _	10,195,922

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)

								FY 14	FY 13
			Jackpot Games						Scratch and
	Scratch	Lotto	Powerball	Cash 5	Mega Millions	Raffle III	Pick 3	Total	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 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, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission Retailer Bonus Cost of Tickets Sold	(8,149,962) (1,066,731) (890,476)	(610,836) (54,882) N/A	(2,195,479) (143,801) N/A	(384,731) (52,513) N/A	(454,844) (30,486)	0 282	(181,137) (23,518)	(11,976,989) (1,371,649)	(11,497,229) (1,394,667)
Telecomm Reimbursements	173.500	15,176	54,520	N/A 9,563	N/A 11,303	N/A	N/A	(890,476)	(753,068)
Jackpot Vendor Fees	(1,925,821)	(168,363)	(604,865)	(106,092)	(126,146)	0	4,503	268,565	269,230
	(1,020,021)	(100,000)	(004,000)	(100,092)	(120,140)	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 OF TICKETS	\$24.614.993	<u>\$4.256,897</u>	<u>\$15,993,187</u>	<u>\$2,505,572</u>	\$3,339,634	<u>\$40.402</u>	<u>\$1.282.789</u>	<u>\$52,033,474</u>	\$48.456.714
AVERAGE DAILY TICKET SALES	<u>\$948.441</u>	<u>\$82.958</u>	<u>\$298.035</u>	<u>\$52.275</u>	<u>\$61.790</u>	<u>\$0</u>	<u>\$24.613</u>	<u>\$1.468.112</u>	<u>\$1.403.044</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 FOUR MONTHS ENDED OCTOBER 31, 2013

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

COLORADO LOTTERY BUDGET STATUS

FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2013

	FY14 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,096,469	\$2,756,699	\$6,339,770	30.3%
Amortization Equal	240,527	77,641	162,886	32.3%
Suppl Amortization Equalization	217,174	68,507	148,667	31.5%
Workmen's Compensation	77,428	25,809	51,619	33.3%
Health and Life	851,601	308,124	543,477	36.2%
Short Term Disability	12,698	4,447	8,251	35.0%
Operating	1,203,156	323,234	879,922	26.9%
Variable Vehicle	207,185	71,578	135,607	34.5%
Leased Space	758,805	248,789	510,016	32.8%
Leased Space-Grand Junction	7,661	2,554	5,107	33.3%
Risk Management	27,049	9,016	18,033	33.3%
Vehicle Lease Payments	160,731	51,614	109,117	32.1%
Trave!	113,498	20,781	92,717	18.3%
Purch. Of Services-Computer Center	276,527	92,176	184,351	33.3%
Marketing, Communications & Sales	14,700,000	3,843,097	10,856,903	26.1%
Communications Services	3,029	252	2,777	8.3%
Payments to MNT	282,286	94,092	188,194	33.3%
Payments to Other Agencies	239,410	87,582	151,828	36.6%
Legal Services	125,592	33,627	91,965	26.8%
Indirect Costs	500,260	166,753	333,507	33.3%
Ticket Costs-Scratch	6,578,000	1,251,955	5,326,045	19.0%
Research	250,000	60,220	189,780	24.1%
Vendor Fees	12,571,504	3,046,876	9,524,628	24.2%
Prize Payments	424,104,016	111,592,399	312,511,617	26.3%
Retailer Compensation	52,241,350	13,348,638	38,892,712	25.6%
Multi-State Lottery Funds	177,433	32,306	145,127	18.2%
COFRS Modernization	35,657	11,886	23,771	33.3%
OIT Security	13,167	4,389	8,778	33.3%
MNT & AD OIT	45,180	15,060	30,120	33.3%
TOTAL	\$525,117,393	\$137,650,101	\$387,428,394	26.21%
FY14 Staffing - FTE - (Note 4)	117.00 (Ap)	propriated)	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 Commissions and Bonuses Cost of Tickets & Vendor Fees Operating Expenses	111,592,399 13,348,638 3,603,209 9,169,484
Total Expenses per Statement of Revenues, Expenses and Changes in Net Position	137,713,730
Plus: Telecommunications offset classified as revenue	268,565
Less: Non-appropriated expenses and other adjustments Depreciation Accrued Annual and Sick Leave Loss on Disposal of Equipment classified as revenue	(321,515) (10,679) 0
Sub-Total	137,650,101
Plus: Capitalized Fixed Assets	0137,650,101

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 October 31, 2013 is 33.3%.

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