

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

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

**(UNAUDITED)**

**FOR THE TWO QUARTERS ENDED**

**DECEMBER 31, 2012**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

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# STATE OF COLORADO

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**COLORADO LOTTERY DIVISION**

Department of Revenue

**Headquarters**

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Pueblo, CO 81003-3235  
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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Abel Tapia  
Lottery Director

March 13, 2013

State Treasurer and Members of the Colorado 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 performance for the two quarters ended December 31, 2012 depicts total revenues of \$279.8 million, which includes gross ticket sales of \$279.5 million. Net income before proceeds distributions is \$67.4 million with a decrease in net assets of \$0.5 million. Accordingly, a total of \$67.9 million in distributions will have been made by March 1, 2013 in the following manner; over \$33.9 million to the Great Outdoors Colorado Fund, nearly \$6.8 million to the Division of Parks and Outdoor Recreation, and nearly \$27.2 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the two quarters ended December 31, 2012 have not been audited. They 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 that 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 LOTTERY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**INCLUDING STATEMENT OF LOTTERY REVENUES  
PRIZE DISBURSEMENTS AND OTHER EXPENSES  
(UNAUDITED)**

**T A B L E   O F   C O N T E N T S**

Financial Highlights .....	1
Supplement to Financial Highlights .....	2
Statements of Net Assets .....	3
Statements of Revenues, Expenses, and Changes in Fund Net Assets .....	4
Statements of Cash Flows .....	5
Statements of Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	6
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.	7
Schedule of Revenue and Costs for Scratch and On-Line Games.....	8
Schedule of Percent of Prize Expense to Gross Ticket Sales .....	8
Budget Status .....	9

COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012 AND 2011

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the two quarters ended December 31, 2012, and 2011 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 Quarters Ended December 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$279.52		\$258.67	
Nonoperating revenue	0.31		0.43	
<b>TOTAL INCOME</b>	<b>279.83</b>		<b>259.10</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$172.62</b>	<b>61.8% (1)</b>	<b>\$163.76</b>	<b>63.3% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$20.83</b>	<b>7.5% (2)</b>	<b>\$19.87</b>	<b>7.7% (2)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	5.41		5.48	
Other Operating Expenses	13.55	(4)	14.35	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>18.96</b>	<b>6.8% (3)</b>	<b>19.83</b>	<b>7.7% (3)</b>
	67.42		55.64	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.46)</b>		<b>(0.60)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$67.88</b>	<b>24.3% (3)</b>	<b>\$56.24</b>	<b>21.7% (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.

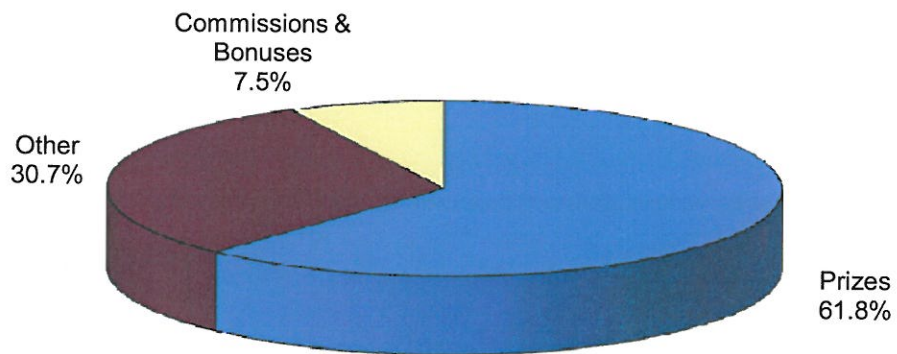
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

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

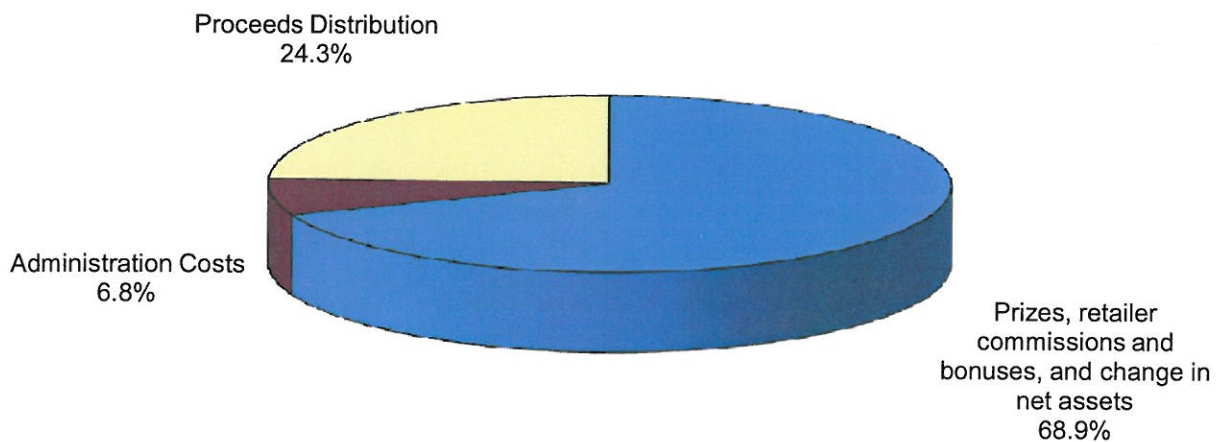
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012

**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 ASSETS  
DECEMBER 31, 2012 AND 2011  
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 41,823,534	\$ 30,047,375
Accounts Receivable, net of the allowance for doubtful accounts of \$149,266 in 2012 and \$176,378 in 2011	23,606,330	22,803,118
Consignment Inventory, at Cost	113,080	129,358
Warehouse Inventory, at Cost	1,364,689	1,183,457
Prepaid Expenses	134,465	171,629
Total Current Assets	67,042,098	54,334,937
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	370,438	421,668
Prepaid Prize Expense with MUSL	4,866,489	4,699,710
Total Reserve and Restricted Assets	6,536,927	6,421,378
Capital Assets:		
Equipment	6,083,517	6,397,953
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,794,869)	(3,201,023)
Total Capital Assets	2,353,359	3,261,641
TOTAL ASSETS	\$ 75,932,384	\$ 64,017,956
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,417,503	\$ 3,076,723
Prize Liability	30,233,329	24,710,417
Payable to MUSL	270,785	0
Wages and Benefits	146,980	158,066
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	762,139	835,028
Funds Available for Distribution	37,198,271	29,387,765
Total Current Liabilities	71,029,007	58,167,999
Long-Term Liabilities:		
Accrued Annual and Sick Leave	818,670	798,180
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	879,580	866,648
TOTAL LIABILITIES	71,908,587	59,034,647
NET ASSETS		
Investment in Capital Assets	2,353,359	3,261,641
Restricted-Licensed Agent Recovery Reserve	370,438	421,668
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,023,797	4,983,309
TOTAL LIABILITIES AND NET ASSETS	\$ 75,932,384	\$ 64,017,956

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012 AND 2011  
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 279,520,647	\$ 258,666,615
DIRECT OPERATING EXPENSES		
Prize Expense	171,827,946	162,381,118
Powerball Prize Variance	2,535,865	579,443
Mega Millions Prize Variance	(1,742,946)	796,245
Retailer Commissions and Bonuses	20,830,386	19,872,181
Cost of Tickets and Vendor Fees	5,411,352	5,484,047
	<u>80,658,044</u>	<u>69,553,581</u>
GROSS PROFIT ON SALE OF TICKETS		
OTHER OPERATING EXPENSES		
Marketing and Communications	5,762,727	6,793,766
Administration Fees Paid to MUSL	100,135	69,110
Wages and Benefits	4,568,335	4,495,691
Professional Services	51,350	267,097
State Agencies Services	70,261	61,467
Department of Revenue Services	293,106	247,683
Travel	32,189	77,701
Equipment	76,406	53,027
Depreciation	491,062	540,245
Accrued Annual and Sick Leave	(18,074)	(8,762)
Space Rental	362,111	358,868
Rents for Equipment	16,201	15,853
Motorpool Leasing	185,237	195,079
Materials and Supplies	60,897	83,773
Telephone	79,830	81,452
On-Line Telecommunications	202,606	181,408
Data Processing Supplies and Services	13,756	14,766
Equipment Maintenance	144,536	229,607
Postage	1,361	29,798
Printing	41,000	7,645
Delivery Expense	495,347	489,761
Other	523,594	66,342
Total Other Operating Expenses	<u>13,553,973</u>	<u>14,351,377</u>
OPERATING INCOME	<u>67,104,071</u>	<u>55,202,204</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	90,841	183,766
Investment Income	222,792	250,843
Funds Distributed for Current Year	(30,678,535)	(26,851,187)
Funds Available for Distribution for Current Year	(37,198,271)	(29,387,765)
Total Nonoperating Revenues (Expenses)	<u>(67,563,173)</u>	<u>(55,804,343)</u>
NET INCOME(LOSS)	<u>\$ (459,102)</u>	<u>\$ (602,139)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(459,102)</u>	<u>(602,139)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,023,797</u>	<u>\$ 4,983,309</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012 & 2011  
(UNAUDITED)

	FY2013	FY2012
<b>Operating Activities</b>		
Cash received from retailers	\$ 275,635,174	\$ 255,078,517
Cash paid in prizes	(165,358,004)	(170,523,018)
Cash paid in retailer commissions	(18,529,402)	(17,290,282)
Cash payments to suppliers	(14,703,464)	(14,043,347)
Cash payments to employees for services	(5,263,323)	(5,206,642)
Cash paid in retailer bonus	(2,351,675)	(2,556,570)
	69,429,306	45,458,658
<b>Noncapital Financing Activities</b>		
Distribution of net proceeds	(59,662,611)	(52,463,972)
	(59,662,611)	(52,463,972)
<b>Capital and Related Financing Activities</b>		
Acquisition of capital assets	(13,492)	(18,631)
	(13,492)	(18,631)
<b>Investing Activities</b>		
Interest received	222,792	250,843
	222,792	250,843
<b>Increase (Decrease) in Cash and Investments</b>	9,975,995	(6,773,102)
<b>Cash and Investments, Beginning of Year (including \$1,651,031 and \$1,802,793, respectively, in restricted accounts)</b>	33,517,977	38,542,145
<b>Cash and Investments, End of Period, (including \$1,670,438 and \$1,721,668, respectively, in restricted accounts)</b>	\$ 43,493,972	\$ 31,769,043
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<i>Operating income</i>	\$ 67,104,071	\$ 55,202,204
<i>Depreciation</i>	491,062	540,245
<i>Loss (gain) on disposition of equipment</i>	939	(600)
<i>Other revenue</i>	90,841	183,766
<i>(Increase)Decrease in Prepaid Prize Expense with MUSL</i>	127,533	(269,583)
<i>Change in:</i>	0	0
<i>Accounts Receivable</i>	(4,114,444)	(3,566,312)
<i>Ticket Inventory</i>	(450,301)	(80,319)
<i>Prepaid Expenses</i>	(61,903)	(92,698)
<i>Liabilities(excluding funds available for distribution)</i>	6,241,508	(6,458,045)
<i>Net cash provided by operating activities</i>	\$ 69,429,306	\$ 45,458,658
<b>Statement of Net Assets Classification</b>		
Cash and investments	\$ 41,823,534	\$ 30,047,375
Cash and investments- Licensed Agent Recovery Reserve	370,438	421,668
Cash and investments- Operating Reserve	1,300,000	1,300,000
<b>Cash and Investments, End of Period</b>	\$ 43,493,972	\$ 31,769,043

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF FIDUCIARY NET ASSETS  
 DECEMBER 31, 2012 AND 2011

(UNAUDITED)

	FY 2013	FY 2012
<b>ASSETS</b>		
<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	9,835,184	9,734,877
<b>TOTAL ASSETS</b>	\$ 10,286,184	\$ 10,168,877
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	10,286,184	10,168,877
<b>TOTAL NET ASSETS</b>	\$ 10,286,184	\$ 10,168,877

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

	FY 2013	FY 2012
<b>Additions</b>		
Investment Income	\$ <u>274,195</u>	\$ <u>281,091</u>
Total Additions	<u>274,195</u>	<u>281,091</u>
 <b>Deductions</b>		
Prize Payments	<u>434,000</u>	<u>417,000</u>
<b>Change in net assets</b>	(159,805)	(135,909)
 <b>Net Assets held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,445,989</u>	<u>10,304,786</u>
<b>End of Period</b>	\$ <u><u>10,286,184</u></u>	\$ <u><u>10,168,877</u></u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Two Quarters Ended December 31, 2011)

								FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Total	Scratch and Online
TICKET SALES	\$179,010,544	\$16,441,005	\$60,372,096	\$10,555,547	\$0	\$11,300,335	\$1,841,120	\$279,520,647	\$258,666,615
PRIZE EXPENSE	(124,156,882)	(7,766,260)	(26,903,211)	(5,450,924)	128,894	(6,759,003)	(920,560)	(171,827,946)	(162,381,118)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(2,535,865)	N/A	N/A	1,742,946	N/A	(792,919)	(1,375,688)
NET REVENUE AFTER PRIZES	54,853,662	8,674,745	30,933,020	5,104,623	128,894	6,284,278	920,560	106,899,782	94,909,809
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(12,508,591)	(984,818)	(3,617,511)	(632,238)	0	(676,477)	(109,767)	(18,529,402)	(17,290,282)
Retailer Bonus	(1,764,793)	(94,689)	(278,264)	(93,658)	1,182	(62,669)	(8,093)	(2,300,984)	(2,581,899)
Cost of Tickets Sold	(1,200,641)	N/A	N/A	N/A	N/A	N/A	N/A	(1,200,641)	(1,509,633)
Telecomm Reimbursements	258,412	23,734	87,151	15,238	0	16,313	2,658	403,506	385,055
On-Line Vendor Fees	(2,955,730)	(271,295)	(996,162)	(174,179)	0	(186,471)	(30,380)	(4,614,217)	(4,359,469)
TOTAL	(18,171,343)	(1,327,068)	(4,804,786)	(884,837)	1,182	(909,304)	(145,582)	(26,241,738)	(25,356,228)
GROSS PROFIT ON SALE OF TICKETS	\$36,682,319	\$7,347,677	\$26,128,234	\$4,219,786	\$130,076	\$5,374,974	\$774,978	\$80,658,044	\$69,553,581
AVERAGE DAILY TICKET SALES	\$972,883	\$89,353	\$328,109	\$57,367	\$0	\$61,415	\$20,012	\$1,519,134	\$1,405,797

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

Note 2: Raffle III sales began on October 1, 2012

COLORADO LOTTERY  
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense *	\$124,156,882	\$7,766,260	\$29,439,076	\$5,450,924	(\$128,894)	\$5,016,057	\$920,560	\$172,620,865	\$163,756,806
(/)/Ticket Sales	179,010,544	16,441,005	60,372,096	10,555,547	0	11,300,335	1,841,120	\$279,520,647	258,666,615
Prize %	69.36%	47.24%	48.76%	51.64%	N/A	44.39%	50.00%	61.76%	63.31%

\*Net of Multi-State Prize Variances

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$3,990,625	\$4,890,788	44.9%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	96,033	118,831	44.7%
Suppl Amortization Equalization	184,836	80,028	104,808	43.3%
Workmen's Compensation	71,535	35,768	35,767	50.0%
Health and Life	768,761	401,940	366,821	52.3%
Short Term Disability	11,947	5,717	6,230	47.9%
Operating	1,203,156	736,404	466,752	61.2%
Variable Vehicle	192,785	110,705	82,080	57.4%
Leased Space	731,484	359,393	372,091	49.1%
Leased Space-Grand Junction	5,433	2,718	2,715	50.0%
Risk Management	35,436	17,718	17,718	50.0%
Vehicle Lease Payments	148,659	73,897	74,762	49.7%
Travel	113,498	32,190	81,308	28.4%
Purch. Of Services-Computer Center	2,386	1,193	1,193	50.0%
Marketing, Communications & Sales	14,700,000	5,963,371	8,736,629	40.6%
Communications Services	2,514	1,257	1,257	50.0%
Payments to MNT	262,205	131,103	131,102	50.0%
Payments to Other Agencies	239,410	54,397	185,013	22.7%
Legal Services	21,030	16,179	4,851	76.9%
Indirect Costs	408,720	293,106	115,614	71.7%
Ticket Costs-Scratch	6,578,000	1,727,708	4,850,292	26.3%
Research	250,000	37,900	212,100	15.2%
Vendor Fees	12,571,504	4,683,156	7,888,348	37.3%
Prize Payments	424,104,016	178,027,487	246,076,529	42.0%
Retailer Compensation	52,241,350	20,830,386	31,410,964	39.9%
Multi-State Lottery Funds	177,433	55,891	121,542	31.5%
COFRS Modernization	35,657	0	35,657	N/A
<b>TOTAL</b>	<b><u>\$524,158,032</u></b>	<b><u>\$217,766,270</u></b>	<b><u>\$306,391,762</u></b>	<b><u>41.55%</u></b>

FY13 Staffing - FTE - (Note 4) 117.00 (Appropriated) 118.60 (Projected)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Retained Earnings" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Retained Earnings

Prize Expense	171,827,946
Powerball Prize Variance	2,535,865
Megamillions Prize Variance	(1,742,946)
Commissions and Bonuses	20,830,386
Cost of Tickets & Vendor Fees	5,411,352
Operating Expenses	13,553,973

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 212,416,576

Plus: Powerball Variance classified as revenue	2,597,387
Megamillions Variance classified as revenue	2,809,236
Telecommunications offset classified as revenue	403,505

Less: Non-appropriated expenses and other adjustments	
Depreciation	(491,062)
Accrued Annual and Sick Leave	18,074
Loss on Disposal of Equipment classified as revenue	(938)

Sub-Total 217,752,778

Plus: Capitalized Fixed Assets	13,492
	<u>217,766,270</u>

Note 1 - FY13 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through December 31, 2012 is 50.0%.

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 2013