

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

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

(UNAUDITED)

FOR THE ONE (1) MONTH ENDED

JULY 31, 2012

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

Headquarters

212 W. 3rd Street, Suite 210

Pueblo, CO 81003

(719) 546-2400

(719) 546-5208 Fax



John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

September 21, 2012

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 one month ended July 31, 2012 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, error or omissions, but should reduce the risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in blue ink 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 ONE (1) MONTH ENDED JULY 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 one month ended July 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 One Month Ended July 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$42.08		\$40.18	
Nonoperating revenue	0.05		0.07	
TOTAL INCOME	42.13		40.25	
LESS:				
PRIZES	\$27.15	64.5% (1)	\$24.92	62.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$3.15	7.5% (1)	\$3.08	7.7% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	0.82		0.84	
Other Operating Expenses	2.19	(3)	2.38	
TOTAL ADMINISTRATIVE COSTS (Note 3)	3.01	7.1% (2)	3.22	8.0% (2)
	8.82		9.03	
Less: NET CHANGE IN NET ASSETS	(0.07)		(0.08)	
PROCEEDS DISTRIBUTION	\$8.89	21.1% (2)	\$9.11	22.6% (2)

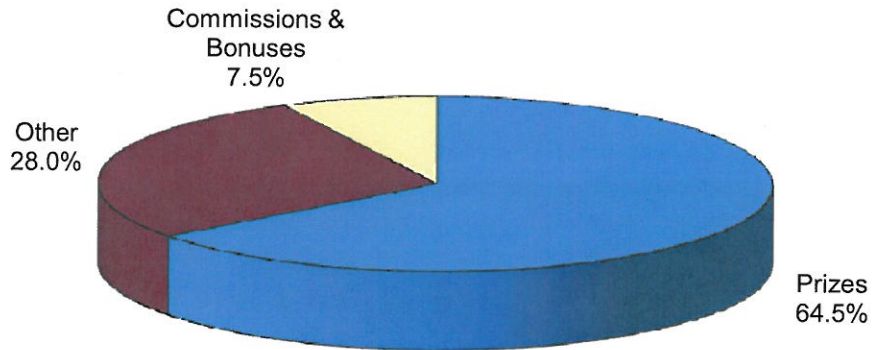
Note 1: Percent of gross ticket sales.

Note 2: Percent of total income.

Note 3: 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.

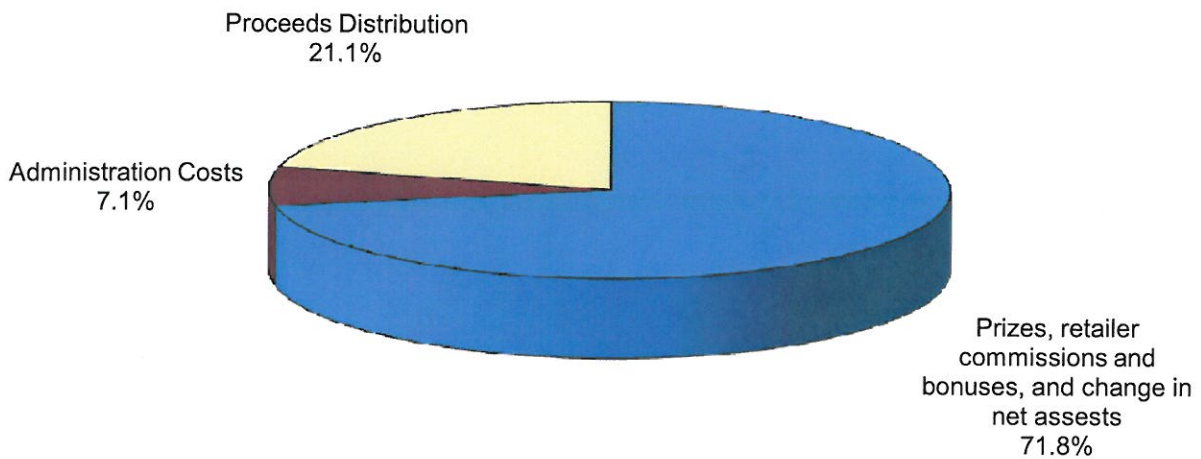
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ONE MONTH
ENDED JULY 31, 2012

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
JULY 31, 2012 AND 2011
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 33,625,740	\$ 43,628,376
Accounts Receivable, net of the allowance for doubtful accounts of \$226,930 in 2012 and \$168,323 in 2011	25,865,602	20,147,917
Consignment Inventory, at Cost	101,549	105,419
Warehouse Inventory, at Cost	949,175	1,070,596
Prepaid Expenses	191,504	131,570
Total Current Assets	60,733,570	65,083,878
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	358,781	409,727
Prepaid Prize Expense with MUSL	5,031,038	4,493,406
Total Reserve and Restricted Assets	6,689,819	6,303,133
Capital Assets:		
Equipment	6,079,409	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,393,934)	(2,751,219)
Total Capital Assets	2,750,186	3,692,214
TOTAL ASSETS	\$ 70,173,575	\$ 75,079,225
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,951,907	\$ 6,859,879
Prize Liability	23,829,648	26,076,260
Payable to MUSL	870,890	0
Wages and Benefits	39,673	41,200
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	302,462	986,747
Funds Available for Distribution	37,874,595	34,722,559
Total Current Liabilities	64,869,175	68,686,645
Long-Term Liabilities:		
Accrued Annual and Sick Leave	834,523	822,041
Expired Warrants Liability	60,910	68,598
Total Long-Term Liabilities	895,433	890,639
TOTAL LIABILITIES	65,764,608	69,577,284
NET ASSETS		
Investment in Capital Assets	2,750,186	3,692,214
Restricted-Licensed Agent Recovery Reserve	358,781	409,727
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,408,967	5,501,941
TOTAL LIABILITIES AND NET ASSETS	\$ 70,173,575	\$ 75,079,225

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE ONE (1) MONTH ENDED JULY 31, 2012 AND 2011
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 42,079,065	\$ 40,175,344
DIRECT OPERATING EXPENSES		
Prize Expense	26,533,121	25,341,325
Powerball Prize Variance	719,880	(615,882)
Mega Millions Prize Variance	(104,824)	187,999
Retailer Commissions and Bonuses	3,153,618	3,082,382
Cost of Tickets and Vendor Fees	<u>816,899</u>	<u>843,937</u>
GROSS PROFIT ON SALE OF TICKETS	<u>10,960,371</u>	<u>11,335,583</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	927,546	1,034,694
Administration Fees Paid to MUSL	55,891	6,025
Wages and Benefits	785,621	746,374
Professional Services	6,223	122,579
State Agencies Services	2,356	5,581
Department of Revenue Services	31,535	41,322
Travel	3,623	18,297
Equipment	4,930	2,779
Depreciation	81,680	90,442
Accrued Annual and Sick Leave	(2,093)	14,982
Space Rental	58,204	59,094
Rents for Equipment	2,269	2,643
Motorpool Leasing	29,236	33,050
Materials and Supplies	7,328	34,337
Telephone	13,263	12,110
On-Line Telecommunications	33,737	30,535
Data Processing Supplies and Services	3,877	4,308
Equipment Maintenance	54,199	22,291
Postage	0	10,255
Printing	3,552	1,711
Delivery Expense	63,632	62,311
Other	24,898	24,658
Total Other Operating Expenses	<u>2,191,507</u>	<u>2,380,378</u>
OPERATING INCOME	<u>8,768,864</u>	<u>8,955,205</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	14,618	14,112
Investment Income	33,105	56,950
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(8,890,519)</u>	<u>(9,109,774)</u>
Total Nonoperating Revenues (Expenses)	<u>(8,842,796)</u>	<u>(9,038,712)</u>
NET INCOME (LOSS)	<u>\$ (73,932)</u>	<u>\$ (83,507)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(73,932)</u>	<u>(83,507)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,408,967</u>	<u>\$ 5,501,941</u>

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

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	434,000	417,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,059,189</u>	<u>9,934,086</u>
TOTAL ASSETS	\$ <u>10,493,189</u>	\$ <u>10,351,086</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,493,189</u>	<u>10,351,086</u>
TOTAL NET ASSETS	\$ <u>10,493,189</u>	\$ <u>10,351,086</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE ONE (1) MONTH ENDED JULY 31, 2012 AND 2011

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
Additions		
Investment Income	\$ <u>47,200</u>	\$ <u>46,300</u>
Total Additions	<u>47,200</u>	<u>46,300</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	47,200	46,300
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,445,989</u>	<u>10,304,786</u>
End of Period	\$ <u><u>10,493,189</u></u>	\$ <u><u>10,351,086</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE ONE (1) MONTH ENDED JULY 31, 2012
(With Comparative Totals for the Fiscal Year Ended July 31, 2011)

							FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$29,504,303	\$2,380,699	\$6,579,287	\$1,708,142	\$0	\$1,906,634	\$42,079,065	\$40,175,344
PRIZE EXPENSE	(21,145,018)	(985,571)	(2,459,904)	(933,118)	18,417	(1,027,927)	(26,533,121)	(25,341,325)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(719,880)	N/A	N/A	104,824	(615,056)	427,883
NET REVENUE AFTER PRIZES	8,359,285	1,395,128	3,399,503	775,024	18,417	983,531	14,930,888	15,261,902
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(2,063,803)	(142,651)	(394,276)	(102,339)	0	(114,157)	(2,817,226)	(2,686,454)
Retailer Bonus	(278,520)	(10,973)	(25,777)	(12,833)	0	(8,289)	(336,392)	(395,928)
Cost of Tickets Sold	(196,978)	N/A	N/A	N/A	N/A	N/A	(196,978)	(205,559)
Telecomm Reimbursements	52,468	4,234	11,700	3,037	0	3,391	74,830	58,850
On-Line Vendor Fees	(487,261)	(39,281)	(108,560)	(28,187)	0	(31,462)	(694,751)	(697,228)
TOTAL	(2,974,094)	(188,671)	(516,913)	(140,322)	0	(150,517)	(3,970,517)	(3,926,319)
GROSS PROFIT ON SALE OF TICKETS	\$5,385,191	\$1,206,457	\$2,882,590	\$634,702	\$18,417	\$833,014	\$10,960,371	\$11,335,583
AVERAGE DAILY TICKET SALES	\$951,752	\$76,797	\$212,235	\$55,101	\$0	\$61,504	\$1,357,389	\$1,339,178

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 ONE (1) MONTH ENDED JULY 31, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	FY 12 Total	FY 11 Total
Prize Expense *	\$21,145,018	\$985,571	\$3,179,784	\$933,118	(\$18,417)	\$923,103	\$27,148,177	\$24,913,442
(/)/Ticket Sales	29,504,303	2,380,699	6,579,287	1,708,142	0	1,906,634	\$42,079,065	40,175,344
Prize %	71.67%	41.40%	48.33%	54.63%	N/A	48.42%	64.52%	62.01%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE ONE (1) MONTH ENDED JULY 31, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$714,952	\$8,166,461	8.0%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	110	214,754	0.1%
Suppl Amortization Equalization	184,836	91	184,745	0.0%
Workmen's Compensation	71,535	5,961	65,574	8.3%
Health and Life	768,761	68,318	700,443	8.9%
Short Term Disability	11,947	974	10,973	8.2%
Operating	1,203,156	129,952	1,073,204	10.8%
Variable Vehicle	192,785	0	192,785	0.0%
Leased Space	731,484	57,751	673,733	7.9%
Leased Space-Grand Junction	5,433	453	4,980	8.3%
Risk Management	35,436	2,953	32,483	8.3%
Vehicle Lease Payments	148,659	12,300	136,359	8.3%
Travel	113,498	3,623	109,875	3.2%
Purch. Of Services-Computer Center	2,386	0	2,386	0.0%
Marketing, Communications & Sales	14,700,000	927,547	13,772,453	6.3%
Communications Services	2,514	210	2,304	8.4%
Payments to MNT	262,205	21,851	240,354	8.3%
Payments to Other Agencies	239,410	711	238,699	0.3%
Legal Services	21,030	1,645	19,385	7.8%
Indirect Costs	408,720	31,535	377,185	7.7%
Ticket Costs-Scratch	6,578,000	260,609	6,317,391	4.0%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	706,211	11,865,293	5.6%
Prize Payments	424,104,016	27,420,572	396,683,444	6.5%
Retailer Compensation	52,241,350	3,153,619	49,087,731	6.0%
Multi-State Lottery Funds	177,433	55,891	121,542	31.5%
Lottery System Migration	0	0	0	N/A
TOTAL	<u>\$524,122,375</u>	<u>\$33,577,839</u>	<u>\$490,544,536</u>	<u>6.41%</u>

FY13 Staffing - FTE - (Note 4) 117.00 (Appropriated) 117.80 (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	26,533,121
Powerball Prize Variance	719,880
Megamillions Prize Variance	(104,824)
Commissions and Bonuses	3,153,618
Cost of Tickets & Vendor Fees	816,899
Operating Expenses	2,191,507
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>33,310,201</u>
Plus: Powerball Variance classified as revenue	0
Megamillions Variance classified as revenue	272,395
Telecommunications offset classified as revenue	74,830
Less: Non-appropriated expenses and other adjustments	
Depreciation	(81,680)
Accrued Annual and Sick Leave	2,093
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	<u>33,577,839</u>
Plus: Capitalized Fixed Assets	0
	<u><u>33,577,839</u></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 July 31, 2012 is 8 1/3%.

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 2013