

***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, 2012

**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

Abel Tapia
Lottery Director

October 24, 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 two months ended August 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 TWO (2) MONTHS ENDED AUGUST 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 months ended August 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 Months Ended August 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$88.63		\$83.73	
Nonoperating revenue	0.08		0.11	
TOTAL INCOME	88.71		83.84	
LESS:				
PRIZES	\$55.55	62.7% (1)	\$52.71	63.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.60	7.4% (1)	\$6.42	7.7% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.74		1.71	
Other Operating Expenses	4.42	(3)	4.98	
TOTAL ADMINISTRATIVE COSTS (Note 3)	6.16	6.9% (2)	6.69	8.0% (2)
	20.40		18.02	
NET CHANGE IN NET ASSETS	-0.13		-0.17	
PROCEEDS DISTRIBUTION	\$20.53	23.1% (2)	\$18.18	21.7% (2)

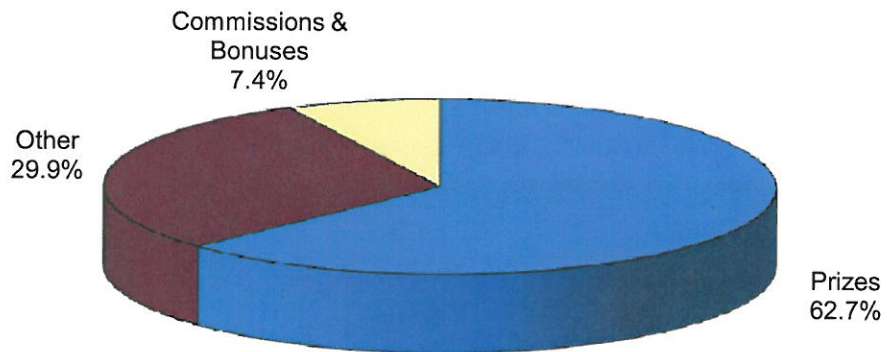
Note 1: Percent of gross ticket sales.

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.

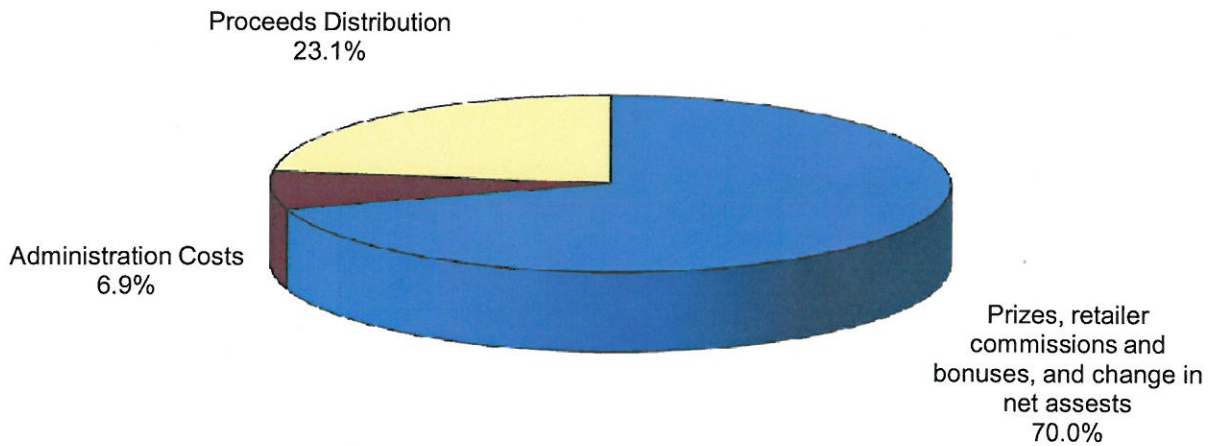
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS
ENDED AUGUST 31, 2012

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
AUGUST 31, 2012 AND 2011
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 22,395,648	\$ 45,808,224
Accounts Receivable, net of the allowance for doubtful accounts of \$160,215 in 2012 and \$169,624 in 2011	18,365,914	21,199,480
Consignment Inventory, at Cost	95,130	115,696
Warehouse Inventory, at Cost	882,160	1,272,551
Prepaid Expenses	180,567	241,725
Total Current Assets	41,919,419	68,637,676
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	364,890	413,067
Prepaid Prize Expense with MUSL	5,065,768	4,538,327
Total Reserve and Restricted Assets	6,730,658	6,351,394
Capital Assets:		
Equipment	6,092,901	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,475,614)	(2,841,749)
Total Capital Assets	2,681,998	3,601,684
TOTAL ASSETS	\$ 51,332,075	\$ 78,590,754
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,547,748	\$ 3,050,832
Prize Liability	23,149,251	25,032,526
Payable to MUSL	348,307	(219,044)
Wages and Benefits	79,056	82,400
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	457,488	558,102
Funds Available for Distribution	20,534,431	43,800,520
Total Current Liabilities	46,116,281	72,305,336
Long-Term Liabilities:		
Accrued Annual and Sick Leave	807,996	802,069
Expired Warrants Liability	60,910	68,598
Total Long-Term Liabilities	868,906	870,667
TOTAL LIABILITIES	46,985,187	73,176,003
NET ASSETS		
Investment in Capital Assets	2,681,998	3,601,684
Restricted-Licensed Agent Recovery Reserve	364,890	413,067
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,346,888	5,414,751
TOTAL LIABILITIES AND NET ASSETS	\$ 51,332,075	\$ 78,590,754

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2012 AND 2011
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 88,632,804	\$ 83,727,253
DIRECT OPERATING EXPENSES		
Prize Expense	54,657,559	52,764,756
Powerball Prize Variance	787,394	(70,576)
Mega Millions Prize Variance	105,948	17,494
Retailer Commissions and Bonuses	6,603,932	6,423,921
Cost of Tickets and Vendor Fees	<u>1,740,045</u>	<u>1,708,524</u>
GROSS PROFIT ON SALE OF TICKETS	<u>24,737,926</u>	<u>22,883,134</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	1,950,387	2,337,255
Administration Fees Paid to MUSL	68,972	12,049
Wages and Benefits	1,556,281	1,494,471
Professional Services	16,542	142,946
State Agencies Services	3,754	10,381
Department of Revenue Services	97,702	82,561
Travel	8,476	31,687
Equipment	6,091	15,521
Depreciation	163,361	180,971
Accrued Annual and Sick Leave	(28,753)	(5,216)
Space Rental	118,380	118,912
Rents for Equipment	4,594	5,852
Motorpool Leasing	62,575	63,978
Materials and Supplies	8,529	42,185
Telephone	24,593	23,908
On-Line Telecommunications	67,835	60,889
Data Processing Supplies and Services	5,374	6,910
Equipment Maintenance	92,378	119,905
Postage	1,080	11,064
Printing	5,402	5,302
Delivery Expense	152,945	179,156
Other	31,947	37,907
Total Other Operating Expenses	<u>4,418,445</u>	<u>4,978,594</u>
OPERATING INCOME	<u>20,319,481</u>	<u>17,904,540</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	26,380	23,111
Investment Income	52,559	89,387
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(20,534,431)</u>	<u>(18,187,735)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,455,492)</u>	<u>(18,075,237)</u>
NET INCOME(LOSS)	<u>\$ (136,011)</u>	<u>\$ (170,697)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(136,011)</u>	<u>(170,697)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,346,888</u>	<u>\$ 5,414,751</u>

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

(UNAUDITED)

	FY 2013	FY 2012
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	434,000	417,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,105,664	9,981,929
TOTAL ASSETS	\$ 10,539,664	\$ 10,398,929
 NET ASSETS		
Held in Trust for Powerball Winner	10,539,664	10,398,929
TOTAL NET ASSETS	\$ 10,539,664	\$ 10,398,929

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2012 AND 2011

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
Additions		
Investment Income	\$ <u>93,675</u>	\$ <u>94,143</u>
Total Additions	<u>93,675</u>	<u>94,143</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	93,675	94,143
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>10,539,664</u></u>	\$ <u><u>10,398,929</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2012
(With Comparative Totals for the Two (2) Months Ended August 31, 2011)

	FY 13						FY 12	
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$58,755,730	\$4,958,772	\$17,414,399	\$3,481,783	\$0	\$4,022,120	\$88,632,804	\$83,727,253
PRIZE EXPENSE	(40,848,187)	(2,577,677)	(7,572,914)	(1,851,031)	36,685	(1,844,435)	(54,657,559)	(52,764,756)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(787,394)	N/A	N/A	(105,948)	(893,342)	53,082
NET REVENUE AFTER PRIZES	17,907,543	2,381,095	9,054,091	1,630,752	36,685	2,071,737	33,081,903	31,015,579
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(4,106,217)	(297,049)	(1,043,297)	(208,552)	0	(240,785)	(5,895,900)	(5,592,465)
Retailer Bonus	(563,491)	(24,740)	(73,980)	(27,044)	0	(18,777)	(708,032)	(831,456)
Cost of Tickets Sold	(383,279)	N/A	N/A	N/A	N/A	N/A	(383,279)	(406,624)
Telecomm Reimbursements	89,417	7,546	26,502	6,121	0	5,299	134,885	132,530
On-Line Vendor Fees	(986,817)	(84,556)	(294,236)	(59,468)	0	(66,574)	(1,491,651)	(1,434,430)
TOTAL	(5,950,387)	(398,799)	(1,385,011)	(288,943)	0	(320,837)	(8,343,977)	(8,132,445)
GROSS PROFIT ON SALE OF TICKETS	\$11,957,156	\$1,982,296	\$7,669,080	\$1,341,809	\$36,685	\$1,750,900	\$24,737,926	\$22,883,134
AVERAGE DAILY TICKET SALES	\$947,673	\$79,980	\$280,877	\$56,158	\$0	\$64,873	\$1,429,561	\$1,350,440

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 (2) MONTHS ENDED AUGUST 31, 2012

	FY 12						FY 11	
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Total
Prize Expense * (/)/Ticket Sales	\$40,848,187 58,755,730	\$2,577,677 4,958,772	\$8,360,308 17,414,399	\$1,851,031 3,481,783	(\$36,685) 0	\$1,950,383 4,022,120	\$55,550,901 \$88,632,804	\$52,711,674 83,727,253
Prize %	69.52%	51.98%	48.01%	53.16%	N/A	48.49%	62.68%	62.96%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$1,356,339	\$7,525,074	15.3%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	32,577	182,287	15.2%
Suppl Amortization Equalization	184,836	27,148	157,688	14.7%
Workmen's Compensation	71,535	11,922	59,613	16.7%
Health and Life	768,761	135,883	632,878	17.7%
Short Term Disability	11,947	1,932	10,015	16.2%
Operating	1,203,156	219,033	984,123	18.2%
Variable Vehicle	192,785	0	192,785	0.0%
Leased Space	731,484	117,474	614,010	16.1%
Leased Space-Grand Junction	5,433	906	4,527	16.7%
Risk Management	35,436	5,906	29,530	16.7%
Vehicle Lease Payments	148,659	24,588	124,071	16.5%
Travel	113,498	8,401	105,097	7.4%
Purch. Of Services-Computer Center	2,386	0	2,386	0.0%
Marketing, Communications & Sales	14,700,000	1,931,437	12,768,563	13.1%
Communications Services	2,514	419	2,095	16.7%
Payments to MNT	262,205	43,701	218,504	16.7%
Payments to Other Agencies	239,410	711	238,699	0.3%
Legal Services	21,030	3,043	17,987	14.5%
Indirect Costs	408,720	97,702	311,018	23.9%
Ticket Costs-Scratch	6,578,000	536,792	6,041,208	8.2%
Research	250,000	18,950	231,050	7.6%
Vendor Fees	12,571,504	1,514,931	11,056,573	12.1%
Prize Payments	424,104,016	56,758,637	367,345,379	13.4%
Retailer Compensation	52,241,350	6,603,932	45,637,418	12.6%
Multi-State Lottery Funds	177,433	68,972	108,461	38.9%
COFRS Modernization	35,657	0	35,657	N/A
TOTAL	<u>\$524,158,032</u>	<u>\$69,521,336</u>	<u>\$454,636,696</u>	<u>13.26%</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	54,657,559
Powerball Prize Variance	787,394
Megamillions Prize Variance	105,948
Commissions and Bonuses	6,603,932
Cost of Tickets & Vendor Fees	1,740,045
Operating Expenses	4,418,445
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>68,313,323</u>
Plus: Powerball Variance classified as revenue	935,341
Megamillions Variance classified as revenue	272,395
Telecommunications offset classified as revenue	134,885
Less: Non-appropriated expenses and other adjustments	
Depreciation	(163,361)
Accrued Annual and Sick Leave	28,753
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	<u>69,521,336</u>
Plus: Capitalized Fixed Assets	0
	<u>69,521,336</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 August 31, 2012 is 16 2/3%.

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