

***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, 2012**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Mr. Dana Franzen, CPA	Chairman, Lottery Commissioner
Mr. Dick Reeve	Vice-Chairman, Lottery Commissioner
Ms. Robin Wise	Lottery Commissioner
Ms. Margie Martinez	Lottery Commissioner
Ms. Frances Koncilja	Lottery Commissioner
Ms. Barbara Brohl	Executive Director, Department of Revenue
Mr. Abel Tapia	Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Dianne Ray	State Auditor

State Library (including 4 hard copies)

Joint Legislative Library

- State Treasurer
- Speaker of the House of Representatives
- President of the Senate
- Senate Minority Leader
- House Minority Leader

# STATE OF COLORADO

---

## COLORADO LOTTERY DIVISION

Department of Revenue

### Headquarters

212 W. 3<sup>rd</sup> Street, Suite 210  
Pueblo, CO 81003  
(719) 546-2400  
(719) 546-5208 Fax



---

John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Abel Tapia  
Lottery Director

January 9, 2013

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 four months ended October 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, errors 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)**

**TABLE OF CONTENTS**

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 Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.	6
Schedule of Revenue and Costs for Completed and In-Progress Games.....	7
Schedule of Percent of Prize Expense to Gross Ticket Sales .....	7
Budget Status .....	8

COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 Four Months Ended October 31,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$172.57		\$168.55	
Nonoperating revenue	0.19		0.29	
<b>TOTAL INCOME</b>	<b>172.76</b>		<b>168.84</b>	
<b>LESS:</b>				
<b>PRIZES</b>	\$107.89	62.5% (1)	\$105.61	62.7% (1)
<b>RETAILER COMMISSIONS AND BONUSES</b>	\$12.89	7.5% (1)	\$12.94	7.7% (1)
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	3.33		3.60	
Other Operating Expenses	8.59	(3)	9.82	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>11.92</b>	<b>6.9% (2)</b>	<b>13.42</b>	<b>7.9% (2)</b>
	40.06		36.87	
<b>NET CHANGE IN NET ASSETS</b>	<b>(0.30)</b>		<b>(0.45)</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$40.36</b>	<b>23.4% (2)</b>	<b>\$37.32</b>	<b>22.1% (2)</b>

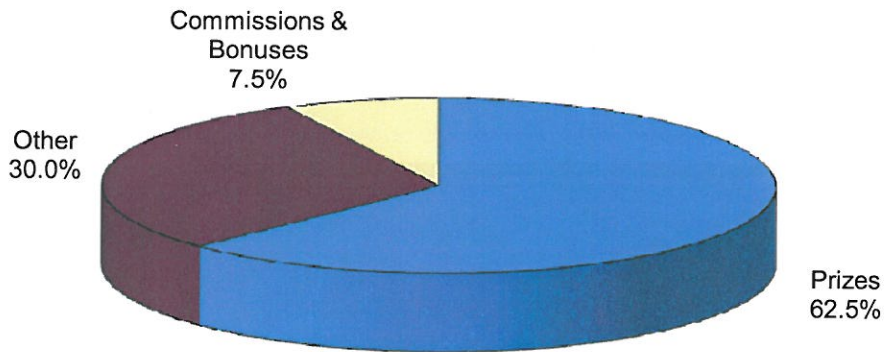
Note 1: Percent of gross ticket sales.

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.

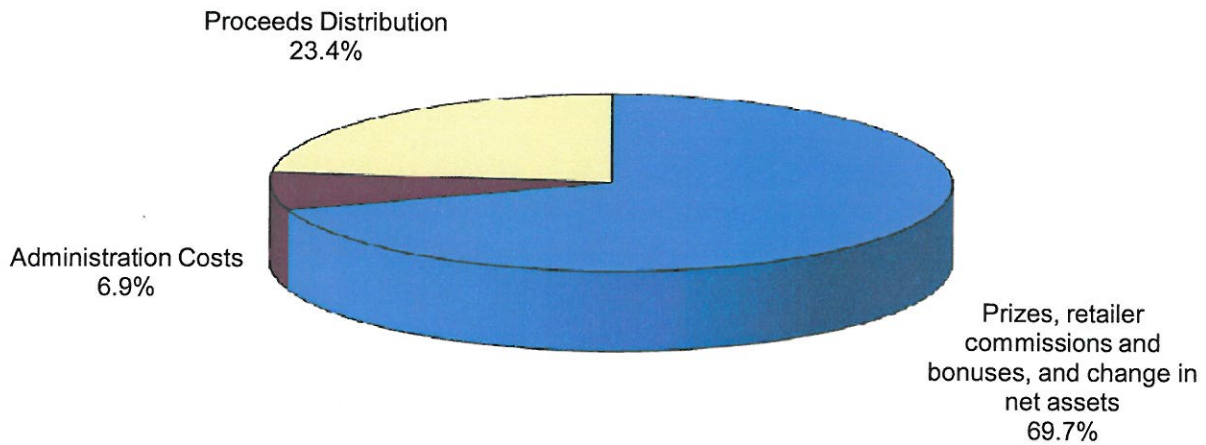
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FOUR MONTHS  
ENDED OCTOBER 31, 2012

**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  
OCTOBER 31, 2012 AND 2011  
(UNAUDITED)

ASSETS	FY 2013	FY 2012
Current Assets:		
Cash and Investments	\$ 40,488,084	\$ 34,751,330
Accounts Receivable, net of the allowance for doubtful accounts of \$151,917 in 2012 and \$178,332 in 2011	22,505,915	25,802,502
Consignment Inventory, at Cost	153,915	137,559
Warehouse Inventory, at Cost	1,214,271	1,185,549
Prepaid Expenses	153,658	206,833
Total Current Assets	64,515,843	62,083,773
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	362,701	412,958
Prepaid Prize Expense with MUSL	5,144,574	4,604,146
Total Reserve and Restricted Assets	6,807,275	6,317,104
Capital Assets:		
Equipment	6,083,517	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,631,276)	(3,021,866)
Total Capital Assets	2,516,952	3,421,567
TOTAL ASSETS	\$ 73,840,070	\$ 71,822,444
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,035,123	\$ 1,999,192
Prize Liability	26,007,029	25,958,237
Payable to MUSL	989,644	0
Wages and Benefits	73,753	157,800
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	311,928	382,033
Funds Available for Distribution	40,361,652	37,323,310
Total Current Liabilities	68,779,129	65,820,572
Long-Term Liabilities:		
Accrued Annual and Sick Leave	820,378	798,879
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	881,288	867,347
TOTAL LIABILITIES	69,660,417	66,687,919
NET ASSETS		
Investment in Capital Assets	2,516,952	3,421,567
Restricted-Licensed Agent Recovery Reserve	362,701	412,958
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,179,653	5,134,525
TOTAL LIABILITIES AND NET ASSETS	\$ 73,840,070	\$ 71,822,444



COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2012 AND 2011  
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 172,574,448	\$ 168,549,948
DIRECT OPERATING EXPENSES		
Prize Expense	105,303,573	105,697,569
Powerball Prize Variance	2,380,935	(399,486)
Mega Millions Prize Variance	208,300	314,157
Retailer Commissions and Bonuses	12,891,896	12,937,891
Cost of Tickets and Vendor Fees	<u>3,333,030</u>	<u>3,596,513</u>
GROSS PROFIT ON SALE OF TICKETS	<u>48,456,714</u>	<u>46,403,304</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,686,398	4,596,441
Administration Fees Paid to MUSL	85,387	24,100
Wages and Benefits	3,057,621	3,079,651
Professional Services	27,488	210,967
State Agencies Services	26,900	56,067
Department of Revenue Services	195,404	165,122
Travel	22,280	55,543
Equipment	37,558	37,671
Depreciation	327,470	361,088
Accrued Annual and Sick Leave	(16,156)	(8,837)
Space Rental	238,358	235,913
Rents for Equipment	10,809	10,755
Motorpool Leasing	123,549	129,682
Materials and Supplies	34,726	54,113
Telephone	53,102	56,314
On-Line Telecommunications	136,030	109,119
Data Processing Supplies and Services	10,738	12,720
Equipment Maintenance	112,751	214,256
Postage	1,105	21,008
Printing	12,618	12,801
Delivery Expense	337,141	335,110
Other	69,567	54,535
Total Other Operating Expenses	<u>8,590,844</u>	<u>9,824,139</u>
OPERATING INCOME	<u>39,865,870</u>	<u>36,579,165</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	49,284	126,435
Investment Income	143,252	166,787
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(40,361,652)</u>	<u>(37,323,310)</u>
Total Nonoperating Revenues (Expenses)	<u>(40,169,116)</u>	<u>(37,030,088)</u>
NET INCOME(LOSS)	<u>\$ (303,246)</u>	<u>\$ (450,923)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(303,246)</u>	<u>(450,923)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,179,653</u>	<u>\$ 5,134,525</u>



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

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<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	<u>9,744,922</u>	<u>9,641,998</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,195,922</u></b>	<b>\$ <u>10,075,998</u></b>
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	<u>10,195,922</u>	<u>10,075,998</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>10,195,922</u></b>	<b>\$ <u>10,075,998</u></b>

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE FOUR MONTHS ENDED OCTOBER 31, 2012 AND 2011

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
<b>Additions</b>		
Investment Income	\$ <u>183,933</u>	\$ <u>188,212</u>
Total Additions	<u>183,933</u>	<u>188,212</u>
 <b>Deductions</b>		
Prize Payments	<u>434,000</u>	<u>417,000</u>
<b>Change in net assets</b>	(250,067)	(228,788)
 <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>10,195,922</u></u>	\$ <u><u>10,075,998</u></u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2012  
(With Comparative Totals for the Four Months Ended October 31, 2011)

								FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III	Total	Scratch and On-Line
TICKET SALES	\$115,951,463	\$10,420,784	\$31,050,517	\$6,957,466	\$0	\$7,924,133	\$270,085	\$172,574,448	\$168,549,948
PRIZE EXPENSE	(80,968,652)	(4,859,765)	(12,588,664)	(3,643,950)	81,636	(3,189,135)	(135,043)	(105,303,573)	(105,697,569)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(2,380,935)	N/A	N/A	(208,300)	N/A	(2,589,235)	85,329
NET REVENUE AFTER PRIZES	34,982,811	5,561,019	16,080,918	3,313,516	81,636	4,526,698	135,042	64,681,640	62,937,708
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(8,105,879)	(624,167)	(1,860,109)	(416,751)	0	(474,292)	(16,031)	(11,497,229)	(11,259,080)
Retailer Bonus	(1,110,186)	(55,394)	(131,598)	(60,667)	0	(35,720)	(1,102)	(1,394,667)	(1,678,811)
Cost of Tickets Sold	(753,068)	N/A	N/A	N/A	N/A	N/A	N/A	(753,068)	(978,863)
Telecomm Reimbursements	180,894	16,257	48,441	12,362	0	10,854	422	269,230	265,780
On-Line Vendor Fees	(1,914,856)	(171,959)	(512,349)	(116,318)	0	(129,254)	(4,456)	(2,849,192)	(2,883,430)
TOTAL	(11,703,095)	(835,263)	(2,455,615)	(581,374)	0	(628,412)	(21,167)	(16,224,926)	(16,534,404)
GROSS PROFIT ON SALE OF TICKETS	\$23,279,716	\$4,725,756	\$13,625,303	\$2,732,142	\$81,636	\$3,898,286	\$113,875	\$48,456,714	\$46,403,304
AVERAGE DAILY TICKET SALES	\$942,695	\$84,722	\$252,443	\$56,565	\$0	\$64,424	\$7	\$1,403,044	\$1,370,325

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, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense * (/)/Ticket Sales	\$80,968,652 115,951,463	\$4,859,765 10,420,784	\$14,969,599 31,050,517	\$3,643,950 6,957,466	(\$81,636) 0	\$3,397,435 7,924,133	\$135,043 270,085	\$107,892,808 \$172,574,448	\$105,612,240 168,549,948
Prize %	69.83%	46.64%	48.21%	52.37%	N/A	42.87%	50.00%	62.52%	62.66%

\*Net of Multi-State Prize Variances

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$2,662,951	\$6,218,462	30.0%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	64,275	150,589	29.9%
Suppl Amortization Equalization	184,836	53,562	131,274	29.0%
Workmen's Compensation	71,535	23,845	47,690	33.3%
Health and Life	768,761	268,262	500,499	34.9%
Short Term Disability	11,947	3,815	8,132	31.9%
Operating	1,203,156	414,387	788,769	34.4%
Variable Vehicle	192,785	0	192,785	0.0%
Leased Space	731,484	236,546	494,938	32.3%
Leased Space-Grand Junction	5,433	1,812	3,621	33.4%
Risk Management	35,436	11,812	23,624	33.3%
Vehicle Lease Payments	148,659	49,240	99,419	33.1%
Travel	113,498	22,280	91,218	19.6%
Purch. Of Services-Computer Center	2,386	795	1,591	33.3%
Marketing, Communications & Sales	14,700,000	3,648,498	11,051,502	24.8%
Communications Services	2,514	838	1,676	33.3%
Payments to MNT	262,205	87,402	174,803	33.3%
Payments to Other Agencies	239,410	18,376	221,034	7.7%
Legal Services	21,030	8,838	12,192	42.0%
Indirect Costs	408,720	195,404	213,316	47.8%
Ticket Costs-Scratch	6,578,000	1,102,006	5,475,994	16.8%
Research	250,000	37,900	212,100	15.2%
Vendor Fees	12,571,504	2,896,113	9,675,391	23.0%
Prize Payments	424,104,016	109,415,200	314,688,816	25.8%
Retailer Compensation	52,241,350	12,891,895	39,349,455	24.7%
Multi-State Lottery Funds	177,433	85,387	92,046	48.1%
COFRS Modernization	35,657	0	35,657	N/A
<b>TOTAL</b>	<u><u>\$524,158,032</u></u>	<u><u>\$134,201,439</u></u>	<u><u>\$389,956,593</u></u>	<u><u>25.60%</u></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	105,303,573
Powerball Prize Variance	2,380,935
Megamillions Prize Variance	208,300
Commissions and Bonuses	12,891,896
Cost of Tickets & Vendor Fees	3,333,030
Operating Expenses	8,590,844

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 132,708,578

Plus: Powerball Variance classified as revenue	949,401
Megamillions Variance classified as revenue	572,990
Telecommunications offset classified as revenue	269,230
Less: Non-appropriated expenses and other adjustments	
Depreciation	(327,470)
Accrued Annual and Sick Leave	16,156
Loss on Disposal of Equipment classified as revenue	(938)

Sub-Total 134,187,947

Plus: Capitalized Fixed Assets 13,492  
134,201,439

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 October 31, 2012 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 2013