

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

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

(UNAUDITED)

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Mr. Walker Stapleton	State Treasurer
Rep. Frank McNulty	Speaker of the House of Representatives
Sen. Brandon Shaffer	President of the Senate
Sen. Mike Kopp	Senate Minority Leader
Rep. Sal Pace	House Minority Leader
Mr. Dana Franzen, CPA	Chairman, Lottery Commissioner
Mr. Dick Reeve	Vice-Chairman, Lottery Commissioner
Ms. Robin Wise	Lottery Commissioner
Ms. Betty Martinez	Lottery Commissioner
Ms. Margie Martinez	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
Colorado State Publications Depository & Distribution Center	
Joint Legislative Library	

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

November 16, 2011

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 first quarter ended September 30, 2011 depicts total revenues of \$125.0 million, which includes gross ticket sales of \$124.7 million. Net income before proceeds distributions is \$26.5 million with a decrease in net assets of \$0.4 million. Accordingly, a total of nearly \$26.9 million in distributions will have been made by December 1, 2011 in the following manner; over \$13.4 million to the Great Outdoors Colorado Fund, nearly \$2.7 million to the Division of Parks and Outdoor Recreation and over \$10.7 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 2011 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, error or omissions, but should reduce that risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in blue ink that reads "John Caligaris". The signature is written in a cursive style and is positioned above the printed name.

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 FIRST QUARTERS ENDED SEPTEMBER 30, 2011 AND 2010

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for first quarters ended September 30, 2011, and 2010 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 First Quarters Ended September 30,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$124.72		\$120.67	
Nonoperating revenue	0.27		0.24	
TOTAL INCOME	124.99		120.91	
LESS:				
PRIZES	\$79.03	63.4% (1)	\$75.79	62.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.58	7.7% (1)	\$9.20	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.54		2.66	
Other Operating Expenses	7.34	(3)	6.39	
TOTAL ADMINISTRATIVE COSTS (Note 3)	9.88	7.9% (2)	9.05	7.5% (2)
	26.50		26.87	
NET CHANGE IN NET ASSETS	-0.36		0.31	
PROCEEDS DISTRIBUTION	\$26.85	21.5% (2)	\$26.56	22.0% (2)

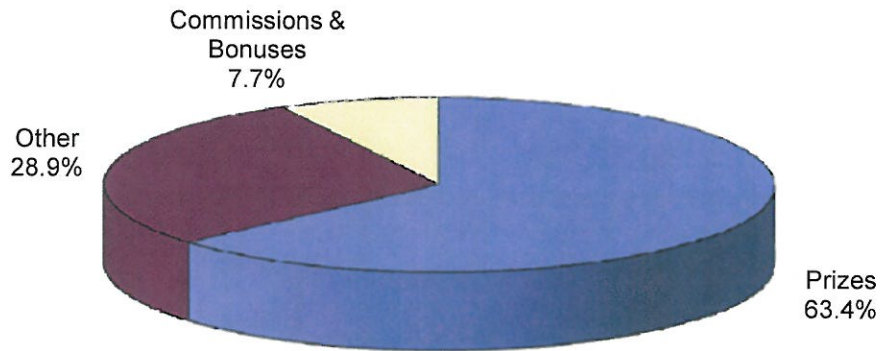
Note 1: Percent of gross ticket sales.

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.

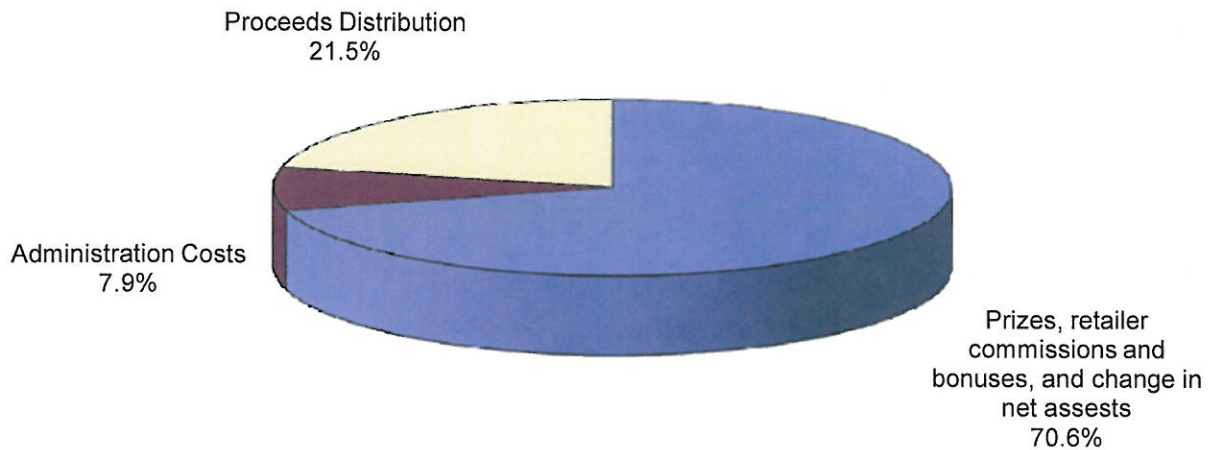
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER
ENDED SEPTEMBER 30, 2011

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
SEPTEMBER 30, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 32,509,187	\$ 36,237,916
Accounts Receivable, net of the allowance for doubtful accounts of \$177,966 in 2011 and \$215,953 in 2010	18,839,789	16,095,767
Consignment Inventory, at Cost	123,717	117,928
Warehouse Inventory, at Cost	1,186,524	1,098,356
Prepaid Expenses	224,279	128,494
Total Current Assets	52,883,496	53,678,461
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	409,281	366,956
Prepaid Prize Expense with MUSL	4,577,489	3,787,163
Total Reserve and Restricted Assets	6,286,770	5,554,119
Capital Assets:		
Equipment	6,378,722	6,635,848
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(2,931,808)	(2,701,552)
Total Capital Assets	3,511,625	3,934,296
TOTAL ASSETS	\$ 62,681,891	\$ 63,166,875
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,510,114	\$ 2,384,841
Prize Liability	26,533,502	26,464,499
Payable to MUSL	(160,735)	226,128
Wages and Benefits	118,350	117,256
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	754,417	730,368
Funds Available for Distribution	26,851,187	26,560,354
Total Current Liabilities	56,606,835	56,483,446
Long-Term Liabilities:		
Accrued Annual and Sick Leave	785,552	907,722
Expired Warrants Liability	68,598	74,455
Total Long-Term Liabilities	854,150	982,177
TOTAL LIABILITIES	57,460,985	57,465,623
NET ASSETS		
Investment in Capital Assets	3,511,625	3,934,296
Restricted-Licensed Agent Recovery Reserve	409,281	366,956
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,220,906	5,701,252
TOTAL LIABILITIES AND NET ASSETS	\$ 62,681,891	\$ 63,166,875

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2011 AND 2010
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 124,715,865	\$ 120,667,652
DIRECT OPERATING EXPENSES		
Prize Expense	78,686,520	75,644,816
Powerball Prize Variance	197,007	743,245
Mega Millions Prize Variance	145,450	(591,516)
Retailer Commissions and Bonuses	9,581,801	9,196,751
Cost of Tickets and Vendor Fees	<u>2,538,641</u>	<u>2,669,868</u>
GROSS PROFIT ON SALE OF TICKETS	<u>33,566,446</u>	<u>33,004,488</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,475,494	2,948,515
Administration Fees Paid to MUSL	18,075	78,646
Wages and Benefits	2,251,257	2,070,144
Professional Services	164,434	31,332
State Agencies Services	50,085	54,921
Department of Revenue Services	123,842	134,437
Travel	42,477	61,052
Equipment	28,046	55,479
Depreciation	271,030	148,781
Accrued Annual and Sick Leave	(22,250)	(43,779)
Space Rental	174,846	176,729
Rents for Equipment	8,069	7,429
Motorpool Leasing	97,790	95,148
Materials and Supplies	49,011	46,570
Telephone	37,742	36,568
On-Line Telecommunications	91,978	92,230
Data Processing Supplies and Services	7,346	14,234
Equipment Maintenance	145,630	120,392
Postage	19,854	19,415
Printing	10,679	12,038
Delivery Expense	255,172	205,742
Other	44,547	22,037
Total Other Operating Expenses	<u>7,345,154</u>	<u>6,388,060</u>
OPERATING INCOME	<u>26,221,292</u>	<u>26,616,428</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	143,370	18,586
Investment Income	121,983	225,570
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(26,851,187)	(26,560,354)
Total Nonoperating Revenues (Expenses)	<u>(26,585,834)</u>	<u>(26,316,198)</u>
NET INCOME(LOSS)	<u>\$ (364,542)</u>	<u>\$ 300,230</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(364,542)</u>	<u>300,230</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,220,906</u>	<u>\$ 5,701,252</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011 & 2010
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Cash flows from operating activities:		
Cash received from retailers	\$ 125,002,448	\$ 124,866,007
Cash paid in prizes	(84,647,957)	(78,928,109)
Cash payments to suppliers	(8,336,340)	(6,924,485)
Cash paid in retailer commissions	(6,660,298)	(8,036,474)
Cash payments to employees for services	(3,001,064)	(2,687,325)
Cash paid in retailer bonus	(1,300,743)	(1,540,026)
Cash received (used) - other	--	5,266
	<u>21,056,046</u>	<u>26,754,854</u>
Cash flows from non-capital financing activities:		
Distribution of net proceeds	<u>(25,612,785)</u>	<u>(30,254,285)</u>
Net cash used by noncapital financing activities	<u>(25,612,785)</u>	<u>(30,254,285)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>111,079</u>	<u>(290,820)</u>
Cash flows from investing activities:		
Interest received	<u>121,983</u>	<u>225,570</u>
	<u>121,983</u>	<u>225,570</u>
Net increase (decrease) in cash and investments	(4,323,677)	(3,564,681)
Cash and investments, Beginning of Year (including \$1,802,793 and \$1,570,801, respectively, in restricted accounts)	<u>38,542,145</u>	<u>41,569,553</u>
Cash and investments, End of Period, (including \$1,709,281 and \$1,766,956, respectively, in restricted accounts)	<u>\$ 34,218,468</u>	<u>\$ 38,004,872</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 26,221,292	\$ 26,616,428
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	271,030	148,781
<i>Loss on disposition of equipment</i>	(111,079)	37,964
<i>Other revenue</i>	143,370	18,586
<i>Decrease(Increase) in Prepaid Prize Expense with MUSL</i>	(147,362)	141,157
<i>Change in:</i>		
<i>Accounts Receivable</i>	397,017	3,671,087
<i>Ticket Inventory</i>	(77,745)	53,795
<i>Other Assets</i>	(145,348)	(73,903)
<i>Liabilities(excluding funds available for distribution)</i>	<u>(5,495,129)</u>	<u>(3,859,041)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 21,056,046</u>	<u>\$ 26,754,854</u>
Statement of Net Assets Classification		
Cash and investments	\$ 32,509,187	\$ 36,237,916
Cash and investments- Licensed Agent Recovery Reserve	409,281	366,956
Cash and investments- Operating Reserve	<u>1,300,000</u>	<u>1,400,000</u>
Cash and investments, End of Period	<u>\$ 34,218,468</u>	<u>\$ 38,004,872</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>10,028,798</u>	<u>9,823,477</u>
TOTAL ASSETS	\$ <u>10,445,798</u>	\$ <u>10,224,477</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,445,798</u>	<u>10,224,477</u>
TOTAL NET ASSETS	\$ <u>10,445,798</u>	\$ <u>10,224,477</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2011 AND 2010

(UNAUDITED)

	FY 2012	FY 2011
Additions		
Investment Income	\$ <u>141,012</u>	\$ <u>146,865</u>
Total Additions	<u>141,012</u>	<u>146,865</u>
 Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	141,012	146,865
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,304,786</u>	<u>10,077,612</u>
End of Period	\$ <u><u>10,445,798</u></u>	\$ <u><u>10,224,477</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011
(With Comparative Totals for the First Quarter Ended September 30, 2010)

	Games in Progress						FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$86,535,434	\$8,005,710	\$17,849,713	\$4,801,600	\$2,362,130	\$5,161,278	\$124,715,865	\$120,667,652
PRIZE EXPENSE	(59,544,006)	(4,538,279)	(8,176,055)	(2,725,975)	(1,395,059)	(2,307,146)	(78,686,520)	(75,644,816)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(197,007)	N/A	N/A	(145,450)	(342,457)	(151,729)
NET REVENUE AFTER PRIZES	26,991,428	3,467,431	9,476,651	2,075,625	967,071	2,708,682	45,686,888	44,871,107
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(6,049,361)	(479,558)	(1,069,434)	(287,660)	(141,346)	(308,981)	(8,336,340)	(8,036,474)
Retailer Bonus	(980,291)	(52,240)	(114,441)	(45,269)	(21,992)	(31,228)	(1,245,461)	(1,160,277)
Cost of Tickets Sold	(592,758)	N/A	N/A	N/A	N/A	N/A	(592,758)	(774,711)
Telecomm Reimbursements	132,850	12,290	27,403	7,372	3,626	7,924	191,465	189,330
On-Line Vendor Fees	(1,484,249)	(137,303)	(304,636)	(82,288)	(40,471)	(88,401)	(2,137,348)	(2,084,487)
TOTAL	(8,973,809)	(656,811)	(1,461,108)	(407,845)	(200,183)	(420,686)	(12,120,442)	(11,866,619)
GROSS PROFIT ON SALE OF TICKETS	\$18,017,619	\$2,810,620	\$8,015,543	\$1,667,780	\$766,888	\$2,287,996	\$33,566,446	\$33,004,488
AVERAGE DAILY TICKET SALES	\$940,603	\$87,019	\$194,019	\$52,191	\$25,675	\$56,101	\$1,355,607	\$1,311,605

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 FIRST QUARTER ENDED SEPTEMBER 30, 2011

	Games in Progress						FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Total
Prize Expense *	\$59,544,006	\$4,538,279	\$8,373,062	\$2,725,975	\$1,395,059	\$2,452,596	\$79,028,977	\$75,796,545
(/)/Ticket Sales	86,535,434	8,005,710	17,849,713	4,801,600	2,362,130	5,161,278	\$124,715,865	120,667,652
Prize %	68.81%	56.69%	46.91%	56.77%	59.06%	47.52%	63.37%	62.81%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$1,999,191	\$6,793,823	22.7%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	42,346	149,002	22.1%
Suppl Amortization Equalization	153,762	32,574	121,188	21.2%
Workmen's Compensation	62,670	15,667	47,003	25.0%
Shift Differential	6,188	1,579	4,609	25.5%
Health and Life	671,016	176,721	494,295	26.3%
Short Term Disability	12,096	2,957	9,139	24.4%
Operating	1,203,156	332,632	870,524	27.6%
Variable Vehicle	192,785	78	192,707	0.0%
Leased Space	703,845	173,391	530,454	24.6%
Leased Space-Grand Junction	6,907	1,455	5,452	21.1%
Risk Management	25,231	6,308	18,923	25.0%
Vehicle Lease Payments	138,708	32,571	106,137	23.5%
Travel	113,498	42,477	71,021	37.4%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	3,474,144	11,225,856	23.6%
Communications Services	2,193	576	1,617	26.3%
Payments to MNT	210,811	52,703	158,108	25.0%
Payments to Other Agencies	239,410	44,366	195,044	18.5%
Legal Services	16,081	5,719	10,362	35.6%
Indirect Costs	495,867	123,842	372,025	25.0%
Ticket Costs-Scratch	6,578,000	869,830	5,708,170	13.2%
Research	250,000	1,350	248,650	0.5%
Vendor Fees	12,571,504	2,174,488	10,397,016	17.3%
Prize Payments	424,104,016	80,547,270	343,556,746	19.0%
Retailer Compensation	52,241,350	9,581,800	42,659,550	18.3%
Multi-State Lottery Funds	177,433	18,074	159,359	10.2%
Lottery System Migration	1,014,752	202,042	812,710	19.9%
TOTAL	<u>\$524,878,244</u>	<u>\$99,956,151</u>	<u>\$424,922,093</u>	<u>19.04%</u>

FY11 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.00 (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	78,686,520
Powerball Prize Variance	197,007
Megamillions Prize Variance	145,450
Commissions and Bonuses	9,581,801
Cost of Tickets & Vendor Fees	2,538,641
Operating Expenses	7,345,154

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 98,494,573

Plus: Powerball Variance classified as revenue	1,200,731
Megamillions Variance classified as revenue	317,562
Telecommunications offset classified as revenue	191,465

Less: Non-appropriated expenses and other adjustments	
Depreciation	(271,030)
Accrued Annual and Sick Leave	22,250
Loss on Disposal of Equipment classified as revenue	600

Sub-Total 99,956,151

Plus: Capitalized Fixed Assets	0
	<u>99,956,151</u>

Note 1 - FY12 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through September 30, 2011 is 25%.

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 2012