

***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, 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

December 12, 2012

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, 2012 depicts total revenues of \$130.1 million, which includes gross ticket sales of \$130.0 million. Net income before proceeds distributions is \$30.5 million with a decrease in net assets of \$0.2 million. Accordingly, a total of \$30.7 million in distributions will have been made by December 1, 2012 in the following manner; over \$15.3 million to the Great Outdoors Colorado Fund, nearly \$3.1 million to the Division of Parks and Outdoor Recreation, nearly \$12.3 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, 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, error 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)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 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 first quarters ended September 30, 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 First Quarters Ended September 30,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$129.97		\$124.72	
Nonoperating revenue	0.13		0.27	
TOTAL INCOME	130.10		124.99	
LESS:				
PRIZES	\$80.85	62.2% (1)	\$79.03	63.4% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.70	7.5% (1)	\$9.58	7.7% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.51		2.54	
Other Operating Expenses	6.57	(3)	7.34	
TOTAL ADMINISTRATIVE COSTS (Note 3)	9.08	7.0% (2)	9.88	7.9% (2)
	30.47		26.50	
NET CHANGE IN NET ASSETS	(0.22)		(0.36)	
PROCEEDS DISTRIBUTION	\$30.69	23.6% (2)	\$26.85	21.5% (2)

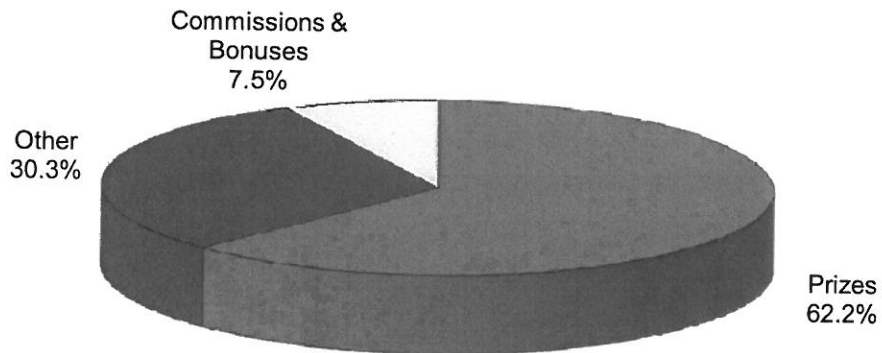
Note 1: Percent of gross ticket sales.

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.

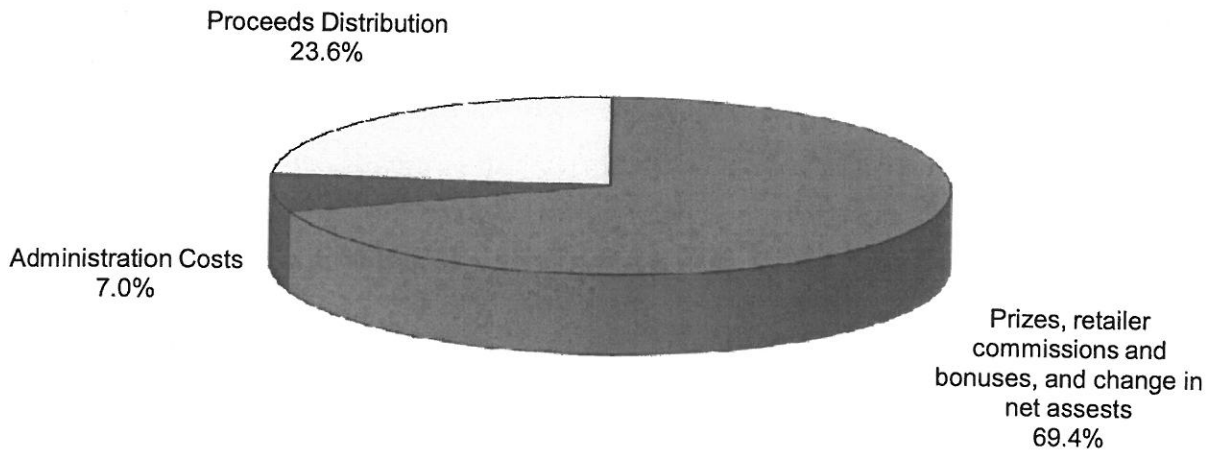
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012

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
SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)

ASSETS	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets:		
Cash and Investments	\$ 33,300,778	\$ 32,509,187
Accounts Receivable, net of the allowance for doubtful accounts of \$150,731 in 2012 and \$177,966 in 2011	20,226,883	18,839,789
Consignment Inventory, at Cost	97,188	123,717
Warehouse Inventory, at Cost	1,069,677	1,186,524
Prepaid Expenses	164,648	224,279
Total Current Assets	<u>54,859,174</u>	<u>52,883,496</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	368,476	409,281
Prepaid Prize Expense with MUSL	5,108,842	4,577,489
Total Reserve and Restricted Assets	<u>6,777,318</u>	<u>6,286,770</u>
Capital Assets:		
Equipment	6,083,517	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(3,549,222)	(2,931,808)
Total Capital Assets	<u>2,599,006</u>	<u>3,511,625</u>
TOTAL ASSETS	<u>\$ 64,235,498</u>	<u>\$ 62,681,891</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,069,602	\$ 2,510,114
Prize Liability	23,798,795	26,533,502
Payable to MUSL	1,846,833	(160,735)
Wages and Benefits	111,513	118,350
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	605,172	754,417
Funds Available for Distribution	30,678,535	26,851,187
Total Current Liabilities	<u>59,110,450</u>	<u>56,606,835</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	796,656	785,552
Expired Warrants Liability	60,910	68,598
Total Long-Term Liabilities	<u>857,566</u>	<u>854,150</u>
TOTAL LIABILITIES	<u>59,968,016</u>	<u>57,460,985</u>
NET ASSETS		
Investment in Capital Assets	2,599,006	3,511,625
Restricted-Licensed Agent Recovery Reserve	368,476	409,281
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	<u>4,267,482</u>	<u>5,220,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 64,235,498</u>	<u>\$ 62,681,891</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 129,965,979	\$ 124,715,865
DIRECT OPERATING EXPENSES		
Prize Expense	78,833,080	78,686,520
Powerball Prize Variance	1,706,028	197,007
Mega Millions Prize Variance	309,988	145,450
Retailer Commissions and Bonuses	9,698,525	9,581,801
Cost of Tickets and Vendor Fees	<u>2,507,332</u>	<u>2,538,641</u>
GROSS PROFIT ON SALE OF TICKETS	<u>36,911,026</u>	<u>33,566,446</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,908,101	3,475,494
Administration Fees Paid to MUSL	78,013	18,075
Wages and Benefits	2,305,890	2,251,257
Professional Services	21,972	164,434
State Agencies Services	21,593	50,085
Department of Revenue Services	146,553	123,842
Travel	15,314	42,477
Equipment	27,256	28,046
Depreciation	245,415	271,030
Accrued Annual and Sick Leave	(39,826)	(22,250)
Space Rental	178,395	174,846
Rents for Equipment	8,103	8,069
Motorpool Leasing	94,865	97,790
Materials and Supplies	28,957	49,011
Telephone	39,813	37,742
On-Line Telecommunications	102,052	91,978
Data Processing Supplies and Services	8,950	7,346
Equipment Maintenance	100,885	145,630
Postage	1,105	19,854
Printing	8,673	10,679
Delivery Expense	227,784	255,172
Other	39,463	44,547
Total Other Operating Expenses	<u>6,569,326</u>	<u>7,345,154</u>
OPERATING INCOME	<u>30,341,700</u>	<u>26,221,292</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	37,854	143,370
Investment Income	83,564	121,983
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(30,678,535)</u>	<u>(26,851,187)</u>
Total Nonoperating Revenues (Expenses)	<u>(30,557,117)</u>	<u>(26,585,834)</u>
NET INCOME(LOSS)	<u>\$ (215,417)</u>	<u>\$ (364,542)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(215,417)</u>	<u>(364,542)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,267,482</u>	<u>\$ 5,220,906</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012 & 2011
(UNAUDITED)

	FY2013	FY2012
Operating Activities		
Cash received from retailers	\$ 129,145,870	\$ 125,002,448
Cash paid in prizes	(79,870,776)	(84,647,957)
Cash paid in retailer commissions	(8,647,086)	(8,336,340)
Cash payments to suppliers	(5,967,235)	(6,549,819)
Cash payments to employees for services	(3,036,607)	(3,001,064)
Cash paid in retailer bonus	(1,258,885)	(1,300,743)
Net cash provided by operating activities	30,365,281	21,166,525
Noncapital Financing Activities		
Distribution of net proceeds	(28,984,076)	(25,612,785)
Net cash used by noncapital financing activities	(28,984,076)	(25,612,785)
Capital and Related Financing Activities		
Acquisition of capital assets	(13,492)	600
Net cash used by capital and related financing activities	(13,492)	600
Investing Activities		
Interest received	83,564	121,983
Net cash provided by investing activities	83,564	121,983
Increase (Decrease) in Cash and Investments	1,451,277	(4,323,677)
Cash and Investments, Beginning of Year (including \$1,651,031 and \$1,802,793, respectively, in restricted accounts)	33,517,977	38,542,145
Cash and Investments, End of Period, (including \$1,668,476 and \$1,709,281, respectively, in restricted accounts)	\$ 34,969,254	\$ 34,218,468
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<i>Operating income</i>	\$ 30,341,700	\$ 26,221,292
<i>Depreciation</i>	245,415	271,030
<i>Loss (gain) on disposition of equipment</i>	939	(600)
<i>Other revenue</i>	37,854	143,370
<i>(Increase)Decrease in Prepaid Prize Expense with MUSL</i>	(114,820)	(147,362)
<i>Change in:</i>	0	0
<i>Accounts Receivable</i>	(734,997)	397,017
<i>Ticket Inventory</i>	(139,397)	(77,745)
<i>Prepaid Expenses</i>	(92,086)	(145,348)
<i>Liabilities(excluding funds available for distribution)</i>	820,673	(5,495,129)
<i>Net cash provided by operating activities</i>	\$ 30,365,281	\$ 21,166,525
Statement of Net Assets Classification		
Cash and investments	\$ 33,300,778	\$ 32,509,187
Cash and investments- Licensed Agent Recovery Reserve	368,476	409,281
Cash and investments- Operating Reserve	1,300,000	1,300,000
Cash and Investments, End of Period	\$ 34,969,254	\$ 34,218,468

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 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>10,150,057</u>	<u>10,028,798</u>
TOTAL ASSETS	\$ <u>10,584,057</u>	\$ <u>10,445,798</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,584,057</u>	<u>10,445,798</u>
TOTAL NET ASSETS	\$ <u>10,584,057</u>	\$ <u>10,445,798</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2012 AND 2011

(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
Additions		
Investment Income	\$ <u>138,068</u>	\$ <u>141,012</u>
Total Additions	<u>138,068</u>	<u>141,012</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	138,068	141,012
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>10,584,057</u></u>	\$ <u><u>10,445,798</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012
(With Comparative Totals for the First Quarter Ended September 30, 2011)

							FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$86,234,367	\$7,504,597	\$24,966,643	\$5,193,144	\$0	\$6,067,228	\$129,965,979	\$124,715,865
PRIZE EXPENSE	(59,929,103)	(3,633,416)	(10,397,824)	(2,800,368)	61,612	(2,210,788)	(78,909,887)	(78,686,520)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,629,221)	N/A	N/A	(309,988)	(1,939,209)	(342,457)
NET REVENUE AFTER PRIZES	26,305,264	3,871,181	12,939,598	2,392,776	61,612	3,546,452	49,116,883	45,686,888
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(6,027,925)	(449,466)	(1,495,557)	(311,062)	0	(363,076)	(8,647,086)	(8,336,340)
Retailer Bonus	(828,563)	(41,957)	(108,014)	(46,877)	0	(26,028)	(1,051,439)	(1,245,461)
Cost of Tickets Sold	(555,990)	N/A	N/A	N/A	N/A	N/A	(555,990)	(592,758)
Telecomm Reimbursements	129,166	11,241	37,396	7,779	0	9,088	194,670	191,465
On-Line Vendor Fees	(1,424,394)	(123,841)	(411,962)	(85,698)	0	(100,117)	(2,146,012)	(2,137,348)
TOTAL	(8,707,706)	(604,023)	(1,978,137)	(435,858)	0	(480,133)	(12,205,857)	(12,120,442)
GROSS PROFIT ON SALE OF TICKETS	<u>\$17,597,558</u>	<u>\$3,267,158</u>	<u>\$10,961,461</u>	<u>\$1,956,918</u>	<u>\$61,612</u>	<u>\$3,066,319</u>	<u>\$36,911,026</u>	<u>\$33,566,446</u>
AVERAGE DAILY TICKET SALES	<u>\$937,330</u>	<u>\$81,572</u>	<u>\$271,377</u>	<u>\$56,447</u>	<u>\$0</u>	<u>\$65,948</u>	<u>\$1,412,674</u>	<u>\$1,355,607</u>

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, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	FY 13 Total	FY 12 Total
Prize Expense * (/)/Ticket Sales	\$59,929,103 86,234,367	\$3,633,416 7,504,597	\$12,027,045 24,966,643	\$2,800,368 5,193,144	(\$61,612) 0	\$2,520,776 6,067,228	\$80,849,096 \$129,965,979	\$79,028,977 124,715,865
Prize %	<u>69.50%</u>	<u>48.42%</u>	<u>48.17%</u>	<u>53.92%</u>	<u>N/A</u>	<u>41.55%</u>	<u>62.21%</u>	<u>63.37%</u>

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$2,006,646	\$6,874,767	22.6%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	48,415	166,449	22.5%
Suppl Amortization Equalization	184,836	40,346	144,490	21.8%
Workmen's Compensation	71,535	17,884	53,651	25.0%
Health and Life	768,761	204,077	564,684	26.5%
Short Term Disability	11,947	2,877	9,070	24.1%
Operating	1,203,156	326,090	877,066	27.1%
Variable Vehicle	192,785	0	192,785	0.0%
Leased Space	731,484	177,036	554,448	24.2%
Leased Space-Grand Junction	5,433	1,359	4,074	25.0%
Risk Management	35,436	8,859	26,577	25.0%
Vehicle Lease Payments	148,659	36,875	111,784	24.8%
Travel	113,498	15,314	98,184	13.5%
Purch. Of Services-Computer Center	2,386	596	1,790	25.0%
Marketing, Communications & Sales	14,700,000	2,870,201	11,829,799	19.5%
Communications Services	2,514	628	1,886	25.0%
Payments to MNT	262,205	65,551	196,654	25.0%
Payments to Other Agencies	239,410	16,995	222,415	7.1%
Legal Services	21,030	4,598	16,432	21.9%
Indirect Costs	408,720	146,553	262,167	35.9%
Ticket Costs-Scratch	6,578,000	790,248	5,787,752	12.0%
Research	250,000	37,900	212,100	15.2%
Vendor Fees	12,571,504	2,181,232	10,390,272	17.4%
Prize Payments	424,104,016	82,078,107	342,025,909	19.4%
Retailer Compensation	52,241,350	9,698,525	42,542,825	18.6%
Multi-State Lottery Funds	177,433	78,013	99,420	44.0%
COFRS Modernization	35,657	0	35,657	N/A
TOTAL	<u>\$524,158,032</u>	<u>\$100,854,925</u>	<u>\$423,303,107</u>	<u>19.24%</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	78,833,080
Powerball Prize Variance	1,706,028
Megamillions Prize Variance	309,988
Commissions and Bonuses	9,698,525
Cost of Tickets & Vendor Fees	2,507,332
Operating Expenses	6,569,326
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>99,624,279</u>
Plus: Powerball Variance classified as revenue	935,341
Megamillions Variance classified as revenue	293,670
Telecommunications offset classified as revenue	194,670
Less: Non-appropriated expenses and other adjustments	
Depreciation	(245,415)
Accrued Annual and Sick Leave	39,826
Loss on Disposal of Equipment classified as revenue	(938)
Sub-Total	<u>100,841,433</u>
Plus: Capitalized Fixed Assets	13,492
	<u>100,854,925</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 September 30, 2012 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 2013