

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

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

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 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

February 13, 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 five months ended November 30, 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)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 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 five months ended November 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 the Five Months Ended November 30,			
	FY 2013		FY 2012	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$232.46		\$210.23	
Nonoperating revenue	0.26		0.38	
TOTAL INCOME	232.72		210.61	
LESS:				
PRIZES	\$142.88	61.5% (1)	\$133.16	63.3% (1)
RETAILER COMMISSIONS AND BONUSES	\$17.31	7.4% (2)	\$16.15	7.7% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	4.46		4.49	
Other Operating Expenses	11.10	(4)	11.95	
TOTAL ADMINISTRATIVE COSTS (Note 3)	15.56	6.7% (3)	16.44	7.8% (3)
	56.97		44.86	
NET CHANGE IN NET ASSETS	(0.38)		(0.53)	
PROCEEDS DISTRIBUTION	\$57.35	24.6% (3)	\$45.39	21.6% (3)

Note 1: Percent of gross ticket sales - per C.R.S. 24-35-210 (9) total disbursements for lottery prizes shall be no less than fifty percent of the total revenue accruing from the sale of lottery tickets or shares.

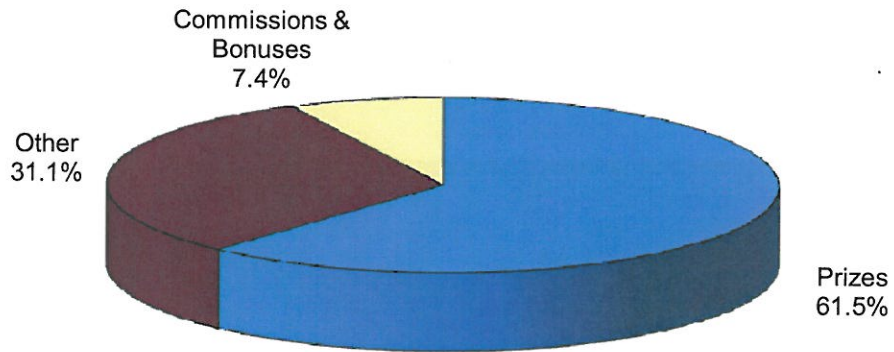
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

Note 4: 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.

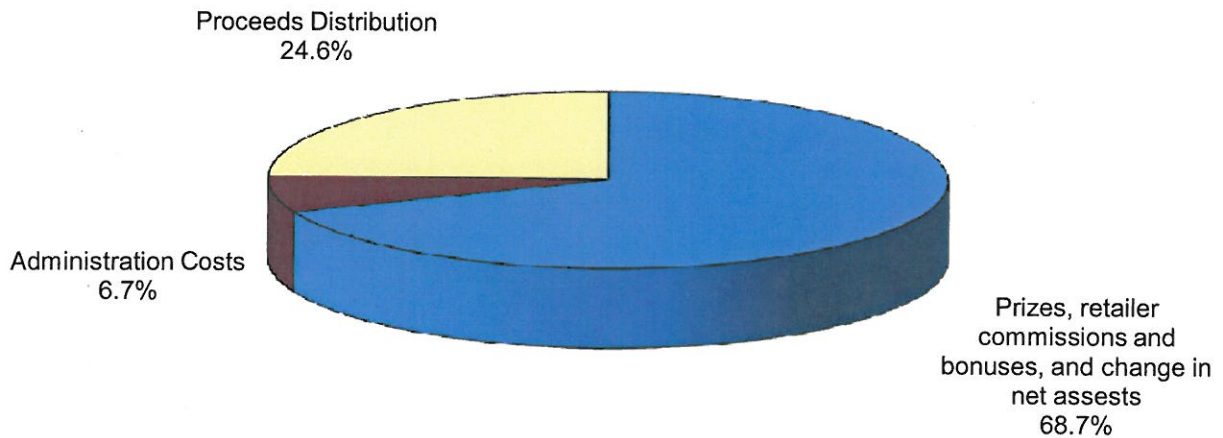
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIVE MONTHS
ENDED NOVEMBER 30, 2012

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
NOVEMBER 30, 2012 AND 2011
(UNAUDITED)

ASSETS	<u>FY 2013</u>	<u>FY 2012</u>
Current Assets:		
Cash and Investments	\$ 20,720,442	\$ 45,516,650
Accounts Receivable, net of the allowance for doubtful accounts of \$144,807 in 2012 and \$176,378 in 2011	33,301,303	22,033,667
Consignment Inventory, at Cost	128,701	142,123
Warehouse Inventory, at Cost	1,362,745	1,141,565
Prepaid Expenses	142,667	189,099
Total Current Assets	<u>55,655,858</u>	<u>69,023,104</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	370,785	420,736
Prepaid Prize Expense with MUSL	5,179,658	4,636,523
Total Reserve and Restricted Assets	<u>6,850,443</u>	<u>6,357,259</u>
Capital Assets:		
Equipment	6,083,517	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(3,713,073)</u>	<u>(3,111,445)</u>
Total Capital Assets	<u>2,435,155</u>	<u>3,331,988</u>
 TOTAL ASSETS	 <u>\$ 64,941,456</u>	 <u>\$ 78,712,351</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,147,714	\$ 2,092,316
Prize Liability	26,891,661	24,330,521
Payable to MUSL	3,493,037	267,143
Wages and Benefits	110,367	118,616
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	629,104	586,541
Funds Available for Distribution	26,670,161	45,388,610
Total Current Liabilities	<u>59,942,044</u>	<u>72,783,747</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	832,562	807,412
Expired Warrants Liability	60,910	68,468
Total Long-Term Liabilities	<u>893,472</u>	<u>875,880</u>
 TOTAL LIABILITIES	 <u>60,835,516</u>	 <u>73,659,627</u>
 NET ASSETS		
Investment in Capital Assets	2,435,155	3,331,988
Restricted-Licensed Agent Recovery Reserve	370,785	420,736
Restricted-Operating Reserve	1,300,000	1,300,000
Unrestricted-Other	0	0
 TOTAL NET ASSETS	 <u>4,105,940</u>	 <u>5,052,724</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 64,941,456</u>	 <u>\$ 78,712,351</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2012 AND 2011
(UNAUDITED)

	<u>FY 2013</u>	<u>FY 2012</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 232,464,648	\$ 210,234,426
DIRECT OPERATING EXPENSES		
Prize Expense	141,830,288	132,512,882
Powerball Prize Variance	2,894,107	157,131
Mega Millions Prize Variance	(1,846,140)	491,619
Retailer Commissions and Bonuses	17,312,649	16,150,073
Cost of Tickets and Vendor Fees	4,464,177	4,490,186
GROSS PROFIT ON SALE OF TICKETS	<u>67,809,567</u>	<u>56,432,535</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	4,478,208	5,599,077
Administration Fees Paid to MUSL	92,761	63,085
Wages and Benefits	3,805,718	3,745,397
Professional Services	54,859	218,661
State Agencies Services	64,787	58,476
Department of Revenue Services	244,255	206,403
Travel	28,944	71,813
Equipment	72,760	44,704
Depreciation	409,266	450,667
Accrued Annual and Sick Leave	(4,083)	406
Space Rental	300,251	297,028
Rents for Equipment	13,505	13,539
Motorpool Leasing	155,829	162,272
Materials and Supplies	43,593	74,648
Telephone	66,530	69,184
On-Line Telecommunications	169,347	151,473
Data Processing Supplies and Services	11,550	13,118
Equipment Maintenance	132,472	206,697
Postage	1,361	29,798
Printing	37,380	17,960
Delivery Expense	400,534	397,959
Other	517,132	64,238
Total Other Operating Expenses	<u>11,096,959</u>	<u>11,956,603</u>
OPERATING INCOME	<u>56,712,608</u>	<u>44,475,932</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	71,121	163,562
Investment Income	188,008	216,392
Funds Distributed for Current Year	(30,678,535)	0
Funds Available for Distribution for Current Year	(26,670,161)	(45,388,610)
Total Nonoperating Revenues (Expenses)	<u>(57,089,567)</u>	<u>(45,008,656)</u>
NET INCOME(LOSS)	<u>\$ (376,959)</u>	<u>\$ (532,724)</u>
NET ASSETS, BEGINNING OF YEAR	4,482,899	5,585,448
Net Change in Net Assets	<u>(376,959)</u>	<u>(532,724)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,105,940</u>	<u>\$ 5,052,724</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 NOVEMBER 30, 2012 AND 2011

(UNAUDITED)

	FY 2013	FY 2012
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	451,000	434,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,789,313	9,687,676
TOTAL ASSETS	\$ 10,240,313	\$ 10,121,676
 NET ASSETS		
Held in Trust for Powerball Winner	10,240,313	10,121,676
TOTAL NET ASSETS	\$ 10,240,313	\$ 10,121,676

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2012 AND 2011

(UNAUDITED)

	FY 2013	FY 2012
Additions		
Investment Income	\$ <u>228,324</u>	\$ <u>233,890</u>
Total Additions	<u>228,324</u>	<u>233,890</u>
 Deductions		
Prize Payments	<u>434,000</u>	<u>417,000</u>
Change in net assets	(205,676)	(183,110)
 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>10,240,313</u></u>	\$ <u><u>10,121,676</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ONLINE GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2012
(With Comparative Totals for the Five Months Ended November 30, 2011)

								FY 13	FY 12
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle III (Note 2)	Total	Scratch and Online
TICKET SALES	\$144,763,611	\$13,983,400	\$54,680,252	\$8,718,006	\$0	\$9,714,324	\$605,055	\$232,464,648	\$210,234,426
PRIZE EXPENSE	(100,435,364)	(6,733,268)	(23,808,636)	(4,548,155)	95,975	(6,098,312)	(302,528)	(141,830,288)	(132,512,882)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(2,894,107)	N/A	N/A	1,846,140	N/A	(1,047,967)	(648,750)
NET REVENUE AFTER PRIZES	44,328,247	7,250,132	27,977,509	4,169,851	95,975	5,462,152	302,527	89,586,393	77,072,794
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(10,118,156)	(837,623)	(3,276,400)	(522,175)	0	(581,529)	(35,989)	(15,371,872)	(14,049,972)
Retailer Bonus	(1,452,337)	(84,661)	(264,616)	(79,770)	0	(56,626)	(2,767)	(1,940,777)	(2,100,101)
Cost of Tickets Sold	(955,183)	N/A	N/A	N/A	N/A	N/A	N/A	(955,183)	(1,223,461)
Telecomm Reimbursements	204,751	19,778	77,339	13,740	0	12,331	856	328,795	325,425
On-Line Vendor Fees	(2,390,656)	(230,744)	(902,244)	(145,269)	0	(158,893)	(9,983)	(3,837,789)	(3,592,150)
TOTAL	(14,711,581)	(1,133,250)	(4,365,921)	(733,474)	0	(784,717)	(47,883)	(21,776,826)	(20,640,259)
GROSS PROFIT ON SALE OF TICKETS	\$29,616,666	\$6,116,882	\$23,611,588	\$3,436,377	\$95,975	\$4,677,435	\$254,644	\$67,809,567	\$56,432,535
AVERAGE DAILY TICKET SALES	\$946,167	\$91,395	\$357,387	\$56,980	\$0	\$63,492	\$9,919	\$1,519,377	\$1,374,081

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

Note 2: Raffle III sales began on October 1, 2012

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 13 Total	FY 12 Total
Prize Expense *	\$100,435,364	\$6,733,268	\$26,702,743	\$4,548,155	(\$95,975)	\$4,252,172	\$302,528	\$142,878,255	\$133,161,632
(/)/Ticket Sales	144,763,611	13,983,400	54,680,252	8,718,006	0	9,714,324	605,055	\$232,464,648	210,234,426
Prize %	69.38%	48.15%	48.83%	52.17%	N/A	43.77%	50.00%	61.46%	63.34%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2012

	FY13 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,881,413	\$3,335,472	\$5,545,941	37.6%
DOR Postage	0	0	0	N/A
Amortization Equal	214,864	80,012	134,852	37.2%
Suppl Amortization Equalization	184,836	66,677	118,159	36.1%
Workmen's Compensation	71,535	29,806	41,729	41.7%
Health and Life	768,761	334,930	433,831	43.6%
Short Term Disability	11,947	4,760	7,187	39.8%
Operating	1,203,156	739,903	463,253	61.5%
Variable Vehicle	192,785	0	192,785	0.0%
Leased Space	731,484	297,986	433,498	40.7%
Leased Space-Grand Junction	5,433	2,265	3,168	41.7%
Risk Management	35,436	14,765	20,671	41.7%
Vehicle Lease Payments	148,659	61,572	87,087	41.4%
Travel	113,498	28,944	84,554	25.5%
Purch. Of Services-Computer Center	2,386	994	1,392	41.7%
Marketing, Communications & Sales	14,700,000	4,678,854	10,021,146	31.8%
Communications Services	2,514	1,047	1,467	41.6%
Payments to MNT	262,205	109,252	152,953	41.7%
Payments to Other Agencies	239,410	52,040	187,370	21.7%
Legal Services	21,030	13,061	7,969	62.1%
Indirect Costs	408,720	244,255	164,465	59.8%
Ticket Costs-Scratch	6,578,000	1,374,295	5,203,705	20.9%
Research	250,000	37,900	212,100	15.2%
Vendor Fees	12,571,504	3,895,750	8,675,754	31.0%
Prize Payments	424,104,016	147,305,700	276,798,316	34.7%
Retailer Compensation	52,241,350	17,312,649	34,928,701	33.1%
Multi-State Lottery Funds	177,433	92,761	84,672	52.3%
COFRS Modernization	35,657	0	35,657	N/A
TOTAL	<u>\$524,158,032</u>	<u>\$180,115,650</u>	<u>\$344,042,382</u>	<u>34.36%</u>

FY13 Staffing - FTE - (Note 4) 117.00 (Appropriated) 118.60 (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	141,830,288
Powerball Prize Variance	2,894,107
Megamillions Prize Variance	(1,846,140)
Commissions and Bonuses	17,312,649
Cost of Tickets & Vendor Fees	4,464,177
Operating Expenses	11,096,959

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 175,752,040

Plus: Powerball Variance classified as revenue	1,646,905
Megamillions Variance classified as revenue	2,780,539
Telecommunications offset classified as revenue	328,795
Less: Non-appropriated expenses and other adjustments	
Depreciation	(409,266)
Accrued Annual and Sick Leave	4,083
Loss on Disposal of Equipment classified as revenue	(938)

Sub-Total 180,102,158

Plus: Capitalized Fixed Assets 13,492
180,115,650

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 November 30, 2012 is 41.7%.

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