

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

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

**(UNAUDITED)**

**FOR THE THREE QUARTERS ENDED**

**MARCH 31, 2012**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

## COLORADO LOTTERY DIVISION

Department of Revenue

### Headquarters

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John Hickenlooper  
Governor

Barbara Brohl  
Executive Director

Abel Tapia  
Lottery Director

May 22, 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 three quarters ended March 31, 2012 depicts total revenues of \$412.2 million, which includes gross ticket sales of \$411.6 million. Net income before proceeds distributions is \$93.4 million with a decrease in net assets of \$0.9 million. Accordingly, a total of \$94.3 million in distributions will have been made by June 1, 2012 in the following manner; nearly \$47.2 million to the Great Outdoors Colorado Fund, \$9.4 million to the Division of Parks and Outdoor Recreation and \$37.7 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the three quarters ended March 31, 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 blue ink that reads "John Caligaris".

John Caligaris  
Controller  
Colorado Lottery

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

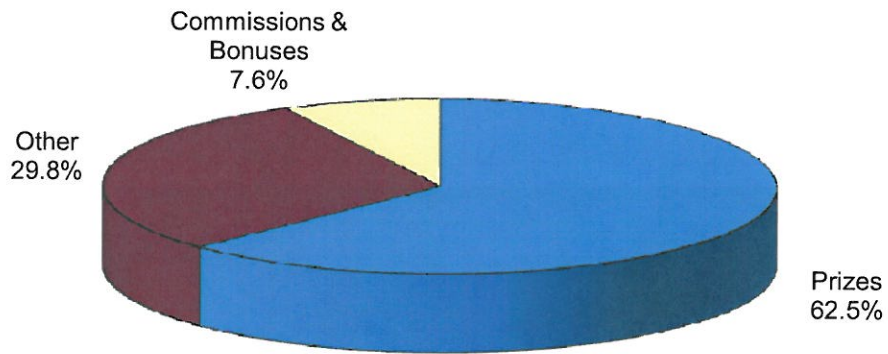
**INCLUDING STATEMENT OF LOTTERY REVENUES  
PRIZE DISBURSEMENTS AND OTHER EXPENSES  
(UNAUDITED)**

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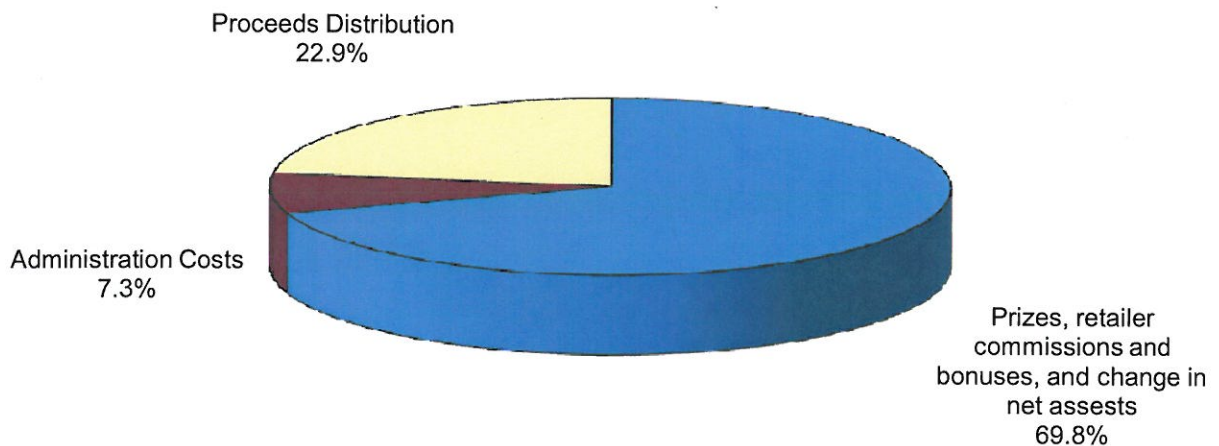
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE THREE QUARTERS  
ENDED MARCH 31, 2012

**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  
MARCH 31, 2012 AND 2011  
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 35,146,882	\$ 36,155,665
Accounts Receivable, net of the allowance for doubtful accounts of \$224,494 in 2012 and \$175,589 in 2011	31,792,439	20,118,797
Consignment Inventory, at Cost	113,123	136,549
Warehouse Inventory, at Cost	1,079,222	840,533
Prepaid Expenses	119,220	97,439
Total Current Assets	68,250,886	57,348,983
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	388,417	399,992
Prepaid Prize Expense with MUSL	4,874,899	4,030,997
Total Reserve and Restricted Assets	6,563,316	5,830,989
Capital Assets:		
Equipment	6,415,377	7,101,389
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,457,920)	(3,060,477)
Total Capital Assets	3,022,168	4,040,912
TOTAL ASSETS	\$ 77,836,370	\$ 67,220,884
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,495,333	\$ 2,288,686
Prize Liability	27,606,919	28,049,725
Payable to MUSL	0	160,718
Wages and Benefits	179,761	171,000
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	911,966	815,429
Funds Available for Distribution	38,026,448	28,956,397
Total Current Liabilities	72,220,427	60,441,955
Long-Term Liabilities:		
Accrued Annual and Sick Leave	836,890	863,262
Expired Warrants Liability	68,468	74,763
Total Long-Term Liabilities	905,358	938,025
TOTAL LIABILITIES	73,125,785	61,379,980
NET ASSETS		
Investment in Capital Assets	3,022,168	4,040,912
Restricted-Licensed Agent Recovery Reserve	388,417	399,992
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,710,585	5,840,904
TOTAL LIABILITIES AND NET ASSETS	\$ 77,836,370	\$ 67,220,884

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2012 AND 2011  
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 411,614,299	\$ 387,368,643
DIRECT OPERATING EXPENSES		
Prize Expense	259,019,947	241,530,537
Powerball Prize Variance	(1,847,602)	1,508,845
Mega Millions Prize Variance	221,588	(945,258)
Retailer Commissions and Bonuses	31,417,993	29,537,253
Cost of Tickets and Vendor Fees	<u>8,490,082</u>	<u>8,287,958</u>
GROSS PROFIT ON SALE OF TICKETS	<u>114,312,291</u>	<u>107,449,308</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	10,297,078	9,444,948
Administration Fees Paid to MUSL	87,185	107,364
Wages and Benefits	6,736,320	6,431,988
Professional Services	339,634	438,335
State Agencies Services	78,859	80,884
Department of Revenue Services	371,525	403,312
Travel	95,614	107,471
Equipment	65,735	99,689
Depreciation	797,142	526,327
Accrued Annual and Sick Leave	30,612	(89,871)
Space Rental	548,401	527,986
Rents for Equipment	24,689	22,928
Motorpool Leasing	287,446	263,893
Materials and Supplies	122,716	112,596
Telephone	118,654	105,395
On-Line Telecommunications	266,952	279,110
Data Processing Supplies and Services	18,650	27,560
Equipment Maintenance	299,970	299,657
Postage	44,915	49,089
Printing	14,443	18,118
Delivery Expense	737,901	704,613
Other	86,015	72,755
Total Other Operating Expenses	<u>21,470,456</u>	<u>20,034,147</u>
OPERATING INCOME	<u>92,841,835</u>	<u>87,415,161</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	183,454	125,385
Investment Income	365,248	647,544
Funds Distributed for Current Year	(56,238,952)	(58,791,811)
Funds Available for Distribution for Current Year	<u>(38,026,448)</u>	<u>(28,956,397)</u>
Total Nonoperating Revenues (Expenses)	<u>(93,716,698)</u>	<u>(86,975,279)</u>
NET INCOME (LOSS)	<u>\$ (874,863)</u>	<u>\$ 439,882</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(874,863)</u>	<u>439,882</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,710,585</u>	<u>\$ 5,840,904</u>

COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2012 & 2011  
(UNAUDITED)

	FY 2012	FY 2011
Cash flows from operating activities:		
Cash received from retailers	\$ 399,051,342	\$ 387,942,070
Cash paid in prizes	(259,218,385)	(243,865,333)
Cash payments to suppliers	(27,392,537)	(21,834,885)
Cash paid in retailer commissions	(21,385,772)	(25,768,384)
Cash payments to employees for services	(7,426,240)	(6,914,080)
Cash paid in retailer bonus	(3,923,189)	(3,978,471)
Cash received (used) - other	--	(21,278)
	79,705,219	85,559,639
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(81,851,737)	(89,046,096)
	(81,851,737)	(89,046,096)
Net cash used by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	74,424	(774,983)
Cash flows from investing activities:		
Interest received	365,248	647,544
	365,248	647,544
Net increase (decrease) in cash and investments	(1,706,846)	(3,613,896)
Cash and investments, Beginning of Year (including \$1,802,793 and \$1,570,801, respectively, in restricted accounts)	38,542,145	41,569,553
	38,542,145	41,569,553
Cash and investments, End of Period, (including \$1,688,417 and \$1,799,992, respectively, in restricted accounts)	\$ 36,835,299	\$ 37,955,657
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 92,841,835	\$ 87,415,161
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	797,142	526,327
<i>Loss on disposition of equipment</i>	(111,079)	37,964
<i>Other revenue</i>	183,454	125,385
<i>Decrease(Increase) in Prepaid Prize Expense with MUSL</i>	(444,772)	(102,678)
<i>Change in:</i>		
<i>Accounts Receivable</i>	(12,555,633)	(351,943)
<i>Ticket Inventory</i>	40,151	292,997
<i>Other Assets</i>	(40,289)	(42,848)
<i>Liabilities(excluding funds available for distribution)</i>	(1,005,590)	(2,340,726)
	(1,005,590)	(2,340,726)
<i>Net cash provided by operating activities</i>	\$ 79,705,219	\$ 85,559,639
Statement of Net Assets Classification		
Cash and investments	\$ 35,146,882	\$ 36,155,665
Cash and investments- Licensed Agent Recovery Reserve	388,417	399,992
Cash and investments- Operating Reserve	1,300,000	1,400,000
	1,300,000	1,400,000
Cash and investments, End of Period	\$ 36,835,299	\$ 37,955,657



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

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	434,000	417,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,873,437</u>	<u>9,747,342</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>10,307,437</u></b>	<b>\$ <u>10,164,342</u></b>
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	<u>10,307,437</u>	<u>10,164,342</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>10,307,437</u></b>	<b>\$ <u>10,164,342</u></b>

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE THREE QUARTERS ENDED MARCH 31, 2012 AND 2011

(UNAUDITED)

	FY 2012	FY 2011
<b>Additions</b>		
Investment Income	\$ <u>419,651</u>	\$ <u>487,730</u>
Total Additions	<u>419,651</u>	<u>487,730</u>
 <b>Deductions</b>		
Prize Payments	<u>417,000</u>	<u>401,000</u>
<b>Change in net assets</b>	2,651	86,730
<b>Net Assets held in Trust for Powerball Winner</b>		
<b>Beginning of Year</b>	<u>10,304,786</u>	<u>10,077,612</u>
<b>End of Period</b>	\$ <u><u>10,307,437</u></u>	\$ <u><u>10,164,342</u></u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE THREE QUARTERS ENDED MARCH 31, 2012  
(With Comparative Totals for the Three Quarters Ended March 31, 2011)

	Games in Progress							FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle II	Total	Scratch and On-Line
TICKET SALES	\$273,656,546	\$23,161,188	\$62,205,788	\$14,652,995	\$7,035,936	\$30,901,846	\$0	\$411,614,299	\$387,368,643
PRIZE EXPENSE	(187,896,687)	(13,201,601)	(30,832,753)	(7,885,552)	(4,426,103)	(14,981,751)	204,500	(259,019,947)	(241,530,537)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	1,847,602	N/A	N/A	(221,588)	N/A	1,626,014	(563,587)
NET REVENUE AFTER PRIZES	85,759,859	9,959,587	33,220,637	6,767,443	2,609,833	15,698,507	204,500	154,220,366	145,274,519
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(19,128,688)	(1,387,236)	(3,726,737)	(877,689)	(421,023)	(1,851,164)		(27,392,537)	(25,768,384)
Retailer Bonus	(3,088,206)	(151,155)	(390,606)	(137,308)	(65,543)	(193,063)	425	(4,025,456)	(3,768,869)
Cost of Tickets Sold	(2,184,921)	N/A	N/A	N/A	N/A	N/A	N/A	(2,184,921)	(2,391,055)
Telecomm Reimbursements	384,931	32,579	87,500	20,611	9,897	43,467		578,985	570,404
On-Line Vendor Fees	(4,582,666)	(388,266)	(1,037,449)	(245,617)	(117,985)	(512,163)		(6,884,146)	(6,467,307)
TOTAL	(28,599,550)	(1,894,078)	(5,067,292)	(1,240,003)	(594,654)	(2,512,923)	425	(39,908,075)	(37,825,211)
GROSS PROFIT ON SALE OF TICKETS	\$57,160,309	\$8,065,509	\$28,153,345	\$5,527,440	\$2,015,179	\$13,185,584	\$204,925	\$114,312,291	\$107,449,308
AVERAGE DAILY TICKET SALES	\$995,115	\$84,223	\$226,203	\$53,284	\$25,585	\$112,370	\$0	\$1,496,779	\$1,413,754

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 THREE QUARTERS ENDED MARCH 31, 2012

	Games in Progress							FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$187,896,687	\$13,201,601	\$28,985,151	\$7,885,552	\$4,426,103	\$15,203,339	(\$204,500)	\$257,393,933	\$242,094,124
(/)/Ticket Sales	273,656,546	23,161,188	62,205,788	14,652,995	7,035,936	30,901,846	0	\$411,614,299	387,368,643
Prize %	68.66%	57.00%	46.60%	53.82%	62.91%	49.20%	N/A	62.53%	62.50%

\*Net of Multi-State Prize Variances

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE THREE QUARTERS ENDED MARCH 31, 2012

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$6,048,636	\$2,744,378	68.8%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	133,650	57,698	69.8%
Suppl Amortization Equalization	153,762	105,940	47,822	68.9%
Workmen's Compensation	62,670	47,003	15,667	75.0%
Shift Differential	6,188	5,360	828	86.6%
Health and Life	671,016	535,772	135,244	79.8%
Short Term Disability	12,096	8,944	3,152	73.9%
Operating	1,203,156	651,623	551,533	54.2%
Variable Vehicle	182,785	172,708	10,077	94.5%
Leased Space	718,145	544,036	174,109	75.8%
Leased Space-Grand Junction	6,907	4,365	2,542	63.2%
Risk Management	25,231	18,923	6,308	75.0%
Vehicle Lease Payments	138,708	96,372	42,336	69.5%
Travel	113,498	95,614	17,884	84.2%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	10,243,478	4,456,522	69.7%
Communications Services	2,193	1,729	464	78.8%
Payments to MNT	210,811	158,108	52,703	75.0%
Payments to Other Agencies	239,410	62,800	176,610	26.2%
Legal Services	19,431	16,059	3,372	82.6%
Indirect Costs	495,867	371,525	124,342	74.9%
Ticket Costs-Scratch	6,578,000	2,985,536	3,592,464	45.4%
Research	250,000	53,600	196,400	21.4%
Vendor Fees	12,571,504	6,989,146	5,582,358	55.6%
Prize Payments	424,104,016	265,692,631	158,411,385	62.6%
Retailer Compensation	52,241,350	31,417,993	20,823,357	60.1%
Multi-State Lottery Funds	177,433	87,185	90,248	49.1%
Lottery System Migration	1,014,752	310,912	703,840	30.6%
<b>TOTAL</b>	<b><u>\$524,885,894</u></b>	<b><u>\$326,859,648</u></b>	<b><u>\$198,026,246</u></b>	<b><u>62.27%</u></b>

FY11 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	259,019,947
Powerball Prize Variance	(1,847,602)
Megamillions Prize Variance	221,588
Commissions and Bonuses	31,417,993
Cost of Tickets & Vendor Fees	8,490,082
Operating Expenses	21,470,456
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<b>318,772,464</b>
Plus: Powerball Variance classified as revenue	6,670,874
Megamillions Variance classified as revenue	1,627,824
Telecommunications offset classified as revenue	578,985
Less: Non-appropriated expenses and other adjustments	
Depreciation	(797,142)
Accrued Annual and Sick Leave	(30,612)
Loss on Disposal of Equipment classified as revenue	600
<b>Sub-Total</b>	<b>326,822,993</b>
Plus: Capitalized Fixed Assets	36,655
	<b><u>326,859,648</u></b>

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 March 31, 2012 is 75%.

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