

***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, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

January 11, 2012

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, 2011 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 the 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 Department of Revenue

**COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

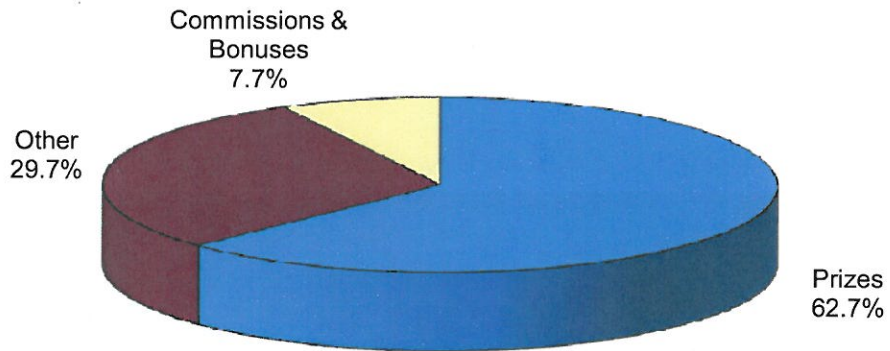
**INCLUDING STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

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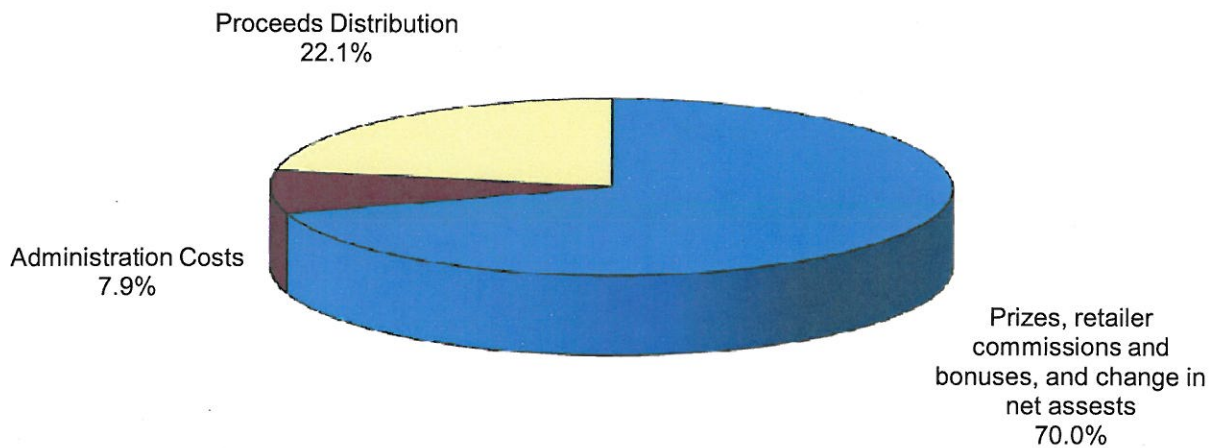
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FOUR MONTHS
ENDED OCTOBER 31, 2011

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
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2011 AND 2010

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for four months ended October 31, 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 the Four Months Ended October 31,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$168.55		\$161.68	
Nonoperating revenue	0.29		0.34	
TOTAL INCOME	168.84		162.02	
LESS:				
PRIZES	\$105.61	62.7% (1)	\$101.62	62.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$12.94	7.7% (1)	\$12.33	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	3.60		3.60	
Other Operating Expenses	9.82	(3)	8.51	
TOTAL ADMINISTRATIVE COSTS (Note 3)	13.42	7.9% (2)	12.11	7.5% (2)
	36.87		35.96	
NET CHANGE IN NET ASSETS	-0.45		0.42	
PROCEEDS DISTRIBUTION	\$37.32	22.1% (2)	\$35.53	21.9% (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
STATEMENTS OF NET ASSETS
OCTOBER 31, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 34,751,330	\$ 45,520,153
Accounts Receivable, net of the allowance for doubtful accounts of \$178,332 in 2011 and \$212,369 in 2010	25,802,502	18,401,783
Consignment Inventory, at Cost	137,559	106,458
Warehouse Inventory, at Cost	1,185,549	1,267,094
Prepaid Expenses	206,833	166,622
Total Current Assets	62,083,773	65,462,110
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	412,958	375,244
Prepaid Prize Expense with MUSL	4,604,146	3,807,596
Total Reserve and Restricted Assets	6,317,104	5,582,840
Capital Assets:		
Equipment	6,378,722	6,781,468
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,021,866)	(2,732,594)
Total Capital Assets	3,421,567	4,048,874
TOTAL ASSETS	\$ 71,822,444	\$ 75,093,824
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,999,192	\$ 3,356,452
Prize Liability	25,958,237	28,366,948
Payable to MUSL	0	0
Wages and Benefits	157,800	125,497
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	382,033	935,296
Funds Available for Distribution	37,323,310	35,526,990
Total Current Liabilities	65,820,572	68,311,183
Long-Term Liabilities:		
Accrued Annual and Sick Leave	798,879	884,068
Expired Warrants Liability	68,468	74,455
Total Long-Term Liabilities	867,347	958,523
TOTAL LIABILITIES	66,687,919	69,269,706
NET ASSETS		
Investment in Capital Assets	3,421,567	4,048,874
Restricted-Licensed Agent Recovery Reserve	412,958	375,244
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,134,525	5,824,118
TOTAL LIABILITIES AND NET ASSETS	\$ 71,822,444	\$ 75,093,824

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2011 AND 2010
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 168,549,948	\$ 161,678,814
DIRECT OPERATING EXPENSES		
Prize Expense	105,697,569	101,213,841
Powerball Prize Variance	(399,486)	1,128,504
Mega Millions Prize Variance	314,157	(717,978)
Retailer Commissions and Bonuses	12,937,891	12,330,557
Cost of Tickets and Vendor Fees	3,596,513	3,604,333
GROSS PROFIT ON SALE OF TICKETS	<u>46,403,304</u>	<u>44,119,557</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	4,596,441	3,979,551
Administration Fees Paid to MUSL	24,100	56,606
Wages and Benefits	3,079,651	2,804,521
Professional Services	210,967	47,316
State Agencies Services	56,067	60,077
Department of Revenue Services	165,122	179,250
Travel	55,543	64,997
Equipment	37,671	62,934
Depreciation	361,088	198,444
Accrued Annual and Sick Leave	(8,837)	(68,372)
Space Rental	235,913	235,062
Rents for Equipment	10,755	10,082
Motorpool Leasing	129,682	124,620
Materials and Supplies	54,113	52,319
Telephone	56,314	48,406
On-Line Telecommunications	109,119	78,706
Data Processing Supplies and Services	12,720	58,861
Equipment Maintenance	214,256	148,065
Postage	21,008	28,180
Printing	12,801	29,166
Delivery Expense	335,110	266,688
Other	54,535	41,959
Total Other Operating Expenses	<u>9,824,139</u>	<u>8,507,438</u>
OPERATING INCOME	<u>36,579,165</u>	<u>35,612,119</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	126,435	36,461
Investment Income	166,787	301,506
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(37,323,310)	(35,526,990)
Total Nonoperating Revenues (Expenses)	<u>(37,030,088)</u>	<u>(35,189,023)</u>
NET INCOME(LOSS)	<u>\$ (450,923)</u>	<u>\$ 423,096</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(450,923)</u>	<u>423,096</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,134,525</u>	<u>\$ 5,824,118</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 OCTOBER 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	434,000	417,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,641,998</u>	<u>9,454,946</u>
TOTAL ASSETS	\$ <u>10,075,998</u>	\$ <u>9,871,946</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,075,998</u>	<u>9,871,946</u>
TOTAL NET ASSETS	\$ <u>10,075,998</u>	\$ <u>9,871,946</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FOUR MONTHS ENDED OCTOBER 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>188,212</u>	\$ <u>195,334</u>
Total Additions	<u>188,212</u>	<u>195,334</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	(228,788)	(205,666)
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>10,075,998</u></u>	\$ <u><u>9,871,946</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2011
(With Comparative Totals for the Four Months Ended October 31, 2010)

	Games in Progress						FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$116,218,103	\$10,377,982	\$25,706,486	\$6,421,627	\$3,164,776	\$6,660,974	\$168,549,948	\$161,678,814
PRIZE EXPENSE	(78,607,793)	(6,211,354)	(12,559,148)	(3,533,939)	(1,924,121)	(2,861,214)	(105,697,569)	(101,213,841)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	399,486	N/A	N/A	(314,157)	85,329	(410,526)
NET REVENUE AFTER PRIZES	37,610,310	4,166,628	13,546,824	2,887,688	1,240,655	3,485,603	62,937,708	60,054,447
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(8,124,072)	(621,700)	(1,540,352)	(384,703)	(189,383)	(398,870)	(11,259,080)	(10,765,238)
Retailer Bonus	(1,313,268)	(67,633)	(166,892)	(60,843)	(29,513)	(40,662)	(1,678,811)	(1,565,319)
Cost of Tickets Sold	(978,863)	N/A	N/A	N/A	N/A	N/A	(978,863)	(1,055,809)
Telecomm Reimbursements	183,260	16,365	40,536	10,126	4,990	10,503	265,780	247,795
On-Line Vendor Fees	(1,989,790)	(177,708)	(438,021)	(109,876)	(54,127)	(113,908)	(2,883,430)	(2,796,319)
TOTAL	(12,222,733)	(850,676)	(2,104,729)	(545,296)	(268,033)	(542,937)	(16,534,404)	(15,934,890)
GROSS PROFIT ON SALE OF TICKETS	\$25,387,577	\$3,315,952	\$11,442,095	\$2,342,392	\$972,622	\$2,942,666	\$46,403,304	\$44,119,557
AVERAGE DAILY TICKET SALES	\$944,863	\$84,374	\$208,996	\$52,208	\$25,730	\$54,154	\$1,370,325	\$1,314,462

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, 2011

	Games in Progress						FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Total
Prize Expense * (/)/Ticket Sales	\$78,607,793 116,218,103	\$6,211,354 10,377,982	\$12,159,662 25,706,486	\$3,533,939 6,421,627	\$1,924,121 3,164,776	\$3,175,371 6,660,974	\$105,612,240 \$168,549,948	\$101,624,367 161,678,814
Prize %	67.64%	59.85%	47.30%	55.03%	60.80%	47.67%	62.66%	62.86%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2011

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$2,763,701	\$6,029,313	31.4%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	56,406	134,942	29.5%
Suppl Amortization Equalization	153,762	43,389	110,373	28.2%
Workmen's Compensation	62,670	20,890	41,780	33.3%
Shift Differential	6,188	2,311	3,877	37.3%
Health and Life	671,016	235,214	435,802	35.1%
Short Term Disability	12,096	3,952	8,144	32.7%
Operating	1,203,156	433,562	769,594	36.0%
Variable Vehicle	192,785	465	192,320	0.2%
Leased Space	703,845	233,973	469,872	33.2%
Leased Space-Grand Junction	6,907	1,940	4,967	28.1%
Risk Management	25,231	8,410	16,821	33.3%
Vehicle Lease Payments	138,708	43,402	95,306	31.3%
Travel	113,498	55,543	57,955	48.9%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	4,595,090	10,104,910	31.3%
Communications Services	2,193	768	1,425	35.0%
Payments to MNT	210,811	70,270	140,541	33.3%
Payments to Other Agencies	239,410	49,374	190,036	20.6%
Legal Services	16,081	6,692	9,389	41.6%
Indirect Costs	495,867	165,122	330,745	33.3%
Ticket Costs-Scratch	6,578,000	1,332,872	5,245,128	20.3%
Research	250,000	1,350	248,650	0.5%
Vendor Fees	12,571,504	2,920,570	9,650,934	23.2%
Prize Payments	424,104,016	108,026,168	316,077,848	25.5%
Retailer Compensation	52,241,350	12,937,895	39,303,455	24.8%
Multi-State Lottery Funds	177,433	24,099	153,334	13.6%
Lottery System Migration	1,014,752	265,412	749,340	26.2%
TOTAL	<u>\$524,878,244</u>	<u>\$134,298,840</u>	<u>\$390,579,404</u>	<u>25.59%</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	105,697,569
Powerball Prize Variance	(399,486)
Megamillions Prize Variance	314,157
Commissions and Bonuses	12,937,891
Cost of Tickets & Vendor Fees	3,596,513
Operating Expenses	9,824,139
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>131,970,783</u>
Plus: Powerball Variance classified as revenue	2,096,367
Megamillions Variance classified as revenue	317,561
Telecommunications offset classified as revenue	265,780
Less: Non-appropriated expenses and other adjustments	
Depreciation	(361,088)
Accrued Annual and Sick Leave	8,837
Loss on Disposal of Equipment classified as revenue	600
Sub-Total	134,298,840
Plus: Capitalized Fixed Assets	0
	<u>134,298,840</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 October 31, 2011 is 33.33%.

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