

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

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

(UNAUDITED)

FOR THE SEVEN (7) MONTHS ENDED

JANUARY 31, 2012

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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| Mr. Abel Tapia | Director, Colorado Lottery |
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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

March 16, 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 seven months ended January 31, 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, 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
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 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 seven months ended January 31, 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 Seven Months Ended January 31, | | | |
|--|--|-------------------|-----------------|-------------------|
| | FY 2012 | | FY 2011 | |
| | Total | Actual Percent | Total | Actual Percent |
| INCOME | | | | |
| Gross Ticket Sales | \$301.87 | | \$296.87 | |
| Nonoperating revenue | 0.49 | | 0.61 | |
| TOTAL INCOME | 302.36 | | 297.48 | |
| LESS: | | | | |
| PRIZES | \$189.86 | 62.9% (1) | \$183.42 | 61.8% (1) |
| RETAILER COMMISSIONS AND BONUSES | \$23.18 | 7.7% (1) | \$22.60 | 7.6% (1) |
| ADMINISTRATIVE COSTS | | | | |
| Ticket Costs and Vendor Fees | 6.34 | | 6.49 | |
| Other Operating Expenses | 16.91 | (3) | 15.20 | |
| TOTAL ADMINISTRATIVE COSTS (Note 3) | 23.25 | 7.7% (2) | 21.69 | 7.3% (2) |
| | 66.07 | | 69.77 | |
| NET CHANGE IN NET ASSETS | -0.68 | | 0.51 | |
| PROCEEDS DISTRIBUTION | \$66.75 | 22.1% (2) | \$69.26 | 23.3% (2) |

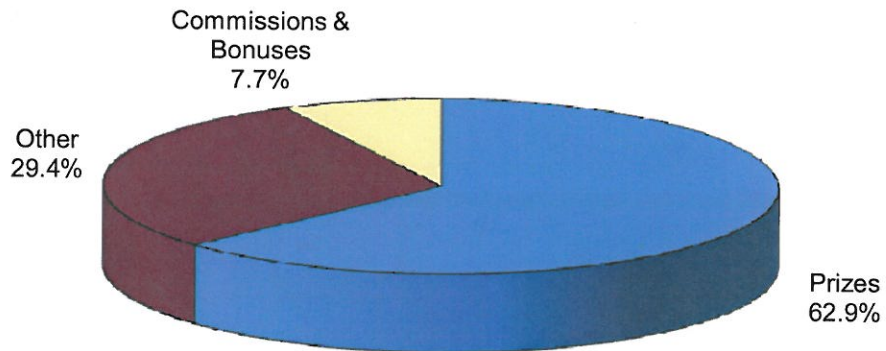
Note 1: Percent of gross ticket sales.

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.

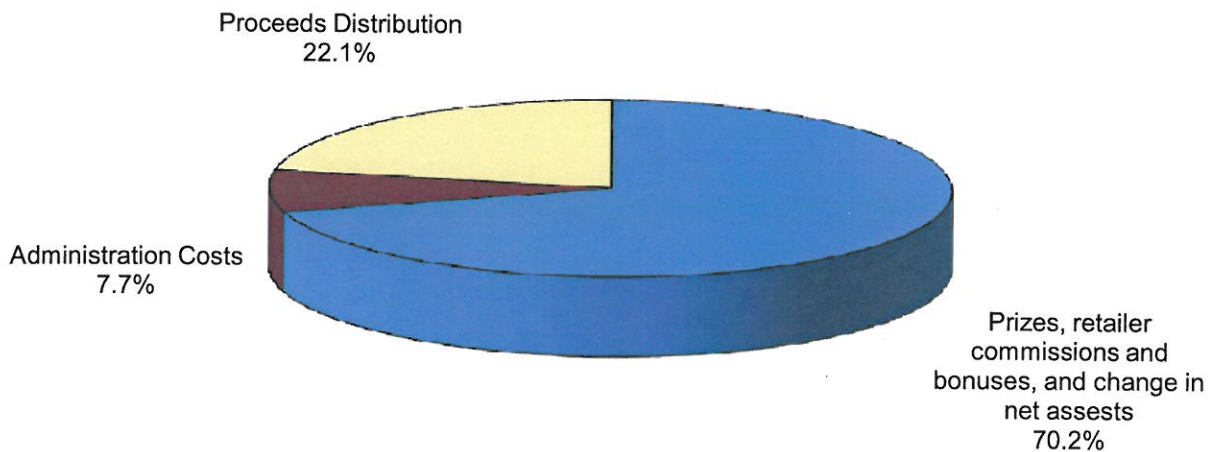
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE SEVEN MONTHS
ENDED JANUARY 31, 2012

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
JANUARY 31, 2012 AND 2011
(UNAUDITED)

| ASSETS | FY 2012 | FY 2011 |
|--|---------------|---------------|
| Current Assets: | | |
| Cash and Investments | \$ 36,693,799 | \$ 51,211,809 |
| Accounts Receivable, net of the allowance for doubtful accounts of \$172,917 in 2012 and \$177,379 in 2011 | 25,050,531 | 21,585,916 |
| Consignment Inventory, at Cost | 120,591 | 111,997 |
| Warehouse Inventory, at Cost | 995,695 | 911,363 |
| Prepaid Expenses | 154,159 | 122,741 |
| Total Current Assets | 63,014,775 | 73,943,826 |
| Reserve and Restricted Assets: | | |
| Cash and Investments-Operating Reserve | 1,300,000 | 1,400,000 |
| Cash and Investments-Licensed Agent Recovery Reserve Receipts | 429,805 | 384,295 |
| Prepaid Prize Expense with MUSL | 4,732,943 | 3,930,959 |
| Total Reserve and Restricted Assets | 6,462,748 | 5,715,254 |
| Capital Assets: | | |
| Equipment | 6,405,824 | 7,004,953 |
| Leasehold Improvements | 64,711 | 0 |
| Less Accumulated Depreciation and Amortization | (3,290,922) | (2,883,146) |
| Total Capital Assets | 3,179,613 | 4,121,807 |
| TOTAL ASSETS | \$ 72,657,136 | \$ 83,780,887 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 2,778,082 | \$ 2,349,811 |
| Prize Liability | 22,996,975 | 30,742,346 |
| Payable to MUSL | 62,513 | 0 |
| Wages and Benefits | 105,328 | 111,983 |
| Accrued Annual and Sick Leave | 0 | 0 |
| Retailer Bonus Liability | 1,033,001 | 1,077,505 |
| Funds Available for Distribution | 39,895,869 | 42,696,228 |
| Total Current Liabilities | 66,871,768 | 76,977,873 |
| Long-Term Liabilities: | | |
| Accrued Annual and Sick Leave | 807,482 | 821,841 |
| Expired Warrants Liability | 68,468 | 75,071 |
| Total Long-Term Liabilities | 875,950 | 896,912 |
| TOTAL LIABILITIES | 67,747,718 | 77,874,785 |
| NET ASSETS | | |
| Investment in Capital Assets | 3,179,613 | 4,121,807 |
| Restricted-Licensed Agent Recovery Reserve | 429,805 | 384,295 |
| Restricted-Operating Reserve | 1,300,000 | 1,400,000 |
| Unrestricted-Other | 0 | 0 |
| TOTAL NET ASSETS | 4,909,418 | 5,906,102 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 72,657,136 | \$ 83,780,887 |

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2012 AND 2011
(UNAUDITED)

| | <u>FY 2012</u> | <u>FY 2011</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Gross Ticket Sales | \$ 301,871,490 | \$ 296,874,147 |
| DIRECT OPERATING EXPENSES | | |
| Prize Expense | 188,658,305 | 182,636,205 |
| Powerball Prize Variance | 172,077 | 1,167,608 |
| Mega Millions Prize Variance | 1,033,709 | (380,262) |
| Retailer Commissions and Bonuses | 23,180,160 | 22,605,043 |
| Cost of Tickets and Vendor Fees | 6,339,212 | 6,488,194 |
| GROSS PROFIT ON SALE OF TICKETS | <u>82,488,027</u> | <u>84,357,359</u> |
| OTHER OPERATING EXPENSES | | |
| Marketing and Communications | 8,147,540 | 7,185,568 |
| Administration Fees Paid to MUSL | 75,136 | 89,060 |
| Wages and Benefits | 5,234,561 | 4,983,227 |
| Professional Services | 274,471 | 309,027 |
| State Agencies Services | 68,644 | 73,284 |
| Department of Revenue Services | 288,964 | 313,687 |
| Travel | 83,644 | 86,360 |
| Equipment | 61,024 | 85,862 |
| Depreciation | 630,144 | 348,997 |
| Accrued Annual and Sick Leave | 716 | (131,994) |
| Space Rental | 420,581 | 414,499 |
| Rents for Equipment | 18,955 | 17,861 |
| Motorpool Leasing | 224,404 | 208,151 |
| Materials and Supplies | 95,434 | 77,753 |
| Telephone | 93,793 | 82,616 |
| On-Line Telecommunications | 209,603 | 216,777 |
| Data Processing Supplies and Services | 17,616 | 22,612 |
| Equipment Maintenance | 267,020 | 197,186 |
| Postage | 29,798 | 38,735 |
| Printing | 21,029 | 9,491 |
| Delivery Expense | 574,312 | 518,859 |
| Other | 73,444 | 57,871 |
| Total Other Operating Expenses | <u>16,910,833</u> | <u>15,205,489</u> |
| OPERATING INCOME | <u>65,577,194</u> | <u>69,151,870</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Other Revenue | 205,111 | 84,524 |
| Investment Income | 288,721 | 525,268 |
| Funds Distributed for Current Year | (26,851,187) | (26,560,354) |
| Funds Available for Distribution for Current Year | (39,895,869) | (42,696,228) |
| Total Nonoperating Revenues (Expenses) | <u>(66,253,224)</u> | <u>(68,646,790)</u> |
| NET INCOME(LOSS) | <u>\$ (676,030)</u> | <u>\$ 505,080</u> |
| NET ASSETS, BEGINNING OF YEAR | 5,585,448 | 5,401,022 |
| Net Change in Net Assets | <u>(676,030)</u> | <u>505,080</u> |
| NET ASSETS, END OF PERIOD | <u>\$ 4,909,418</u> | <u>\$ 5,906,102</u> |

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

(UNAUDITED)

| | FY 2012 | FY 2011 |
|--|---------------|---------------|
| ASSETS | | |
| Current Assets: | | |
| Current Portion Long Term Investments-PB Annuity | 434,000 | 417,000 |
| Long Term Assets: | | |
| Long Term Investments-PB Annuity | 9,782,077 | 9,626,670 |
| TOTAL ASSETS | \$ 10,216,077 | \$ 10,043,670 |
| NET ASSETS | | |
| Held in Trust for Powerball Winner | 10,216,077 | 10,043,670 |
| TOTAL NET ASSETS | \$ 10,216,077 | \$ 10,043,670 |

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2012 AND 2011

(UNAUDITED)

| | <u>FY 2012</u> | <u>FY 2011</u> |
|--|-----------------------------|-----------------------------|
| Additions | | |
| Investment Income | \$ <u>328,291</u> | \$ <u>367,058</u> |
| Total Additions | <u>328,291</u> | <u>367,058</u> |
| Deductions | | |
| Prize Payments | <u>417,000</u> | <u>401,000</u> |
| Change in net assets | (88,709) | (33,942) |
| 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>10,216,077</u></u> | \$ <u><u>10,043,670</u></u> |

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2012
(With Comparative Totals for the Seven (7) Months Ended January 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 | \$209,339,751 | \$17,909,173 | \$44,500,769 | \$11,311,291 | \$5,450,112 | \$13,360,394 | \$0 | \$301,871,490 | \$296,874,147 |
| PRIZE EXPENSE | (143,178,328) | (10,540,528) | (20,256,365) | (6,038,646) | (3,459,098) | (5,389,840) | 204,500 | (188,658,305) | (182,636,205) |
| MULTI-STATE PRIZE VARIANCES | N/A | N/A | (172,077) | N/A | N/A | (1,033,709) | N/A | (1,205,786) | (787,346) |
| NET REVENUE AFTER PRIZES | 66,161,423 | 7,368,645 | 24,072,327 | 5,272,645 | 1,991,014 | 6,936,845 | 204,500 | 112,007,399 | 113,450,596 |
| COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1) | | | | | | | | | |
| Retailer Commission | (14,631,615) | (1,072,623) | (2,665,539) | (677,542) | (326,118) | (799,940) | | (20,173,377) | (19,732,801) |
| Retailer Bonus | (2,364,852) | (116,785) | (286,188) | (106,129) | (50,719) | (82,535) | 425 | (3,006,783) | (2,872,242) |
| Cost of Tickets Sold | (1,725,897) | N/A | N/A | N/A | N/A | N/A | N/A | (1,725,897) | (1,926,733) |
| Telecomm Reimbursements | 318,738 | 27,268 | 67,756 | 17,223 | 8,298 | 20,342 | | 459,625 | 453,030 |
| On-Line Vendor Fees | (3,520,991) | (301,608) | (745,314) | (190,479) | (91,819) | (222,729) | | (5,072,940) | (5,014,491) |
| TOTAL | (21,924,617) | (1,463,748) | (3,629,285) | (956,927) | (460,358) | (1,084,862) | 425 | (29,519,372) | (29,093,237) |
| GROSS PROFIT ON SALE OF TICKETS | \$44,236,806 | \$5,904,897 | \$20,443,042 | \$4,315,718 | \$1,530,656 | \$5,851,983 | \$204,925 | \$82,488,027 | \$84,357,359 |
| AVERAGE DAILY TICKET SALES | \$973,673 | \$83,298 | \$206,980 | \$52,611 | \$25,349 | \$62,141 | \$0 | \$1,404,053 | \$1,380,810 |

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 SEVEN (7) MONTHS ENDED JANUARY 31, 2012

| | Games in Progress | | | | | | | FY 12 | FY 11 |
|-------------------------------------|------------------------------|----------------------------|----------------------------|---------------------------|--------------------------|---------------------------|------------------|--------------------------------|------------------------------|
| | Scratch | Lotto | Powerball | Cash 5 | Matchplay | Mega Millions | Raffle | Total | Total |
| Prize Expense * (/)/Ticket Sales | \$143,178,328 209,339,751 | \$10,540,528 17,909,173 | \$20,428,442 44,500,769 | \$6,038,646 11,311,291 | \$3,459,098 5,450,112 | \$6,423,549 13,360,394 | (\$204,500) 0 | \$189,864,091 \$301,871,490 | \$183,423,551 296,874,147 |
| Prize % | 68.40% | 58.86% | 45.91% | 53.39% | 63.47% | 48.08% | N/A | 62.90% | 61.78% |

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2012

| | FY12 Budget (Note 1) | Amount Expended (Note 3) | Amount Available | Percent Expended (Note 2) |
|------------------------------------|----------------------------|--------------------------------|----------------------|---------------------------------|
| Personal Services | \$8,793,014 | \$4,677,770 | \$4,115,244 | 53.2% |
| DOR Postage | 0 | 0 | 0 | N/A |
| Amortization Equal | 191,348 | 100,971 | 90,377 | 52.8% |
| Suppl Amortization Equalization | 153,762 | 78,707 | 75,055 | 51.2% |
| Workmen's Compensation | 62,670 | 36,558 | 26,112 | 58.3% |
| Shift Differential | 6,188 | 4,536 | 1,652 | 73.3% |
| Health and Life | 671,016 | 414,482 | 256,534 | 61.8% |
| Short Term Disability | 12,096 | 6,941 | 5,155 | 57.4% |
| Operating | 1,203,156 | 702,226 | 500,930 | 58.4% |
| Variable Vehicle | 182,785 | 755 | 182,030 | 0.4% |
| Leased Space | 718,145 | 417,187 | 300,958 | 58.1% |
| Leased Space-Grand Junction | 6,907 | 3,395 | 3,512 | 49.2% |
| Risk Management | 25,231 | 14,718 | 10,513 | 58.3% |
| Vehicle Lease Payments | 138,708 | 75,183 | 63,525 | 54.2% |
| Travel | 113,498 | 85,144 | 28,354 | 75.0% |
| Purch. Of Services-Computer Center | 2,603 | 0 | 2,603 | 0.0% |
| Marketing, Communications & Sales | 14,700,000 | 8,145,690 | 6,554,310 | 55.4% |
| Communications Services | 2,193 | 1,345 | 848 | 61.3% |
| Payments to MNT | 210,811 | 122,973 | 87,838 | 58.3% |
| Payments to Other Agencies | 239,410 | 56,950 | 182,460 | 23.8% |
| Legal Services | 16,081 | 11,694 | 4,387 | 72.7% |
| Indirect Costs | 495,867 | 288,964 | 206,903 | 58.3% |
| Ticket Costs-Scratch | 6,578,000 | 2,341,346 | 4,236,654 | 35.6% |
| Research | 250,000 | 1,850 | 248,150 | 0.7% |
| Vendor Fees | 12,571,504 | 5,156,580 | 7,414,924 | 41.0% |
| Prize Payments | 424,104,016 | 193,283,231 | 230,820,785 | 45.6% |
| Retailer Compensation | 52,241,350 | 23,180,160 | 29,061,190 | 44.4% |
| Multi-State Lottery Funds | 177,433 | 75,135 | 102,298 | 42.3% |
| Lottery System Migration | 1,014,752 | 285,412 | 729,340 | 28.1% |
| TOTAL | <u>\$524,882,544</u> | <u>\$239,569,903</u> | <u>\$285,312,641</u> | <u>45.64%</u> |

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 | 188,658,305 |
| Powerball Prize Variance | 172,077 |
| Megamillions Prize Variance | 1,033,709 |
| Commissions and Bonuses | 23,180,160 |
| Cost of Tickets & Vendor Fees | 6,339,212 |
| Operating Expenses | 16,910,833 |
| Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings | <u>236,294,296</u> |
| Plus: Powerball Variance classified as revenue | 3,100,296 |
| Megamillions Variance classified as revenue | 318,844 |
| Telecommunications offset classified as revenue | 459,625 |
| Less: Non-appropriated expenses and other adjustments | |
| Depreciation | (630,144) |
| Accrued Annual and Sick Leave | (716) |
| Loss on Disposal of Equipment classified as revenue | 600 |
| Sub-Total | 239,542,801 |
| Plus: Capitalized Fixed Assets | 27,102 |
| | <u>239,569,903</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 January 31, 2012 is 58 1/3%.

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