

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

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

(UNAUDITED)

FOR THE EIGHT (8) MONTHS ENDED

FEBRUARY 29, 2012

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 4, 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 eight months ended February 29, 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
(UNAUDITED)**

DISTRIBUTION

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Mr. Walker Stapleton	State Treasurer
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Ms. Margie Martinez	Lottery Commissioner
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**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 EIGHT (8) MONTHS ENDED FEBRUARY 29, 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 eight months ended February 29, 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 Eight Months Ended February 29,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$350.83		\$338.02	
Nonoperating revenue	0.55		0.71	
TOTAL INCOME	351.38		338.73	
LESS:				
PRIZES	\$221.59	63.2% (1)	\$210.67	62.3% (1)
RETAILER COMMISSIONS AND BONUSES	\$26.89	7.7% (1)	\$25.76	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.33		7.35	
Other Operating Expenses	19.33	(3)	17.61	
TOTAL ADMINISTRATIVE COSTS (Note 3)	26.66	7.6% (2)	24.96	7.4% (2)
	76.24		77.34	
NET CHANGE IN NET ASSETS	-0.75		0.43	
PROCEEDS DISTRIBUTION	\$76.99	21.9% (2)	\$76.91	22.7% (2)

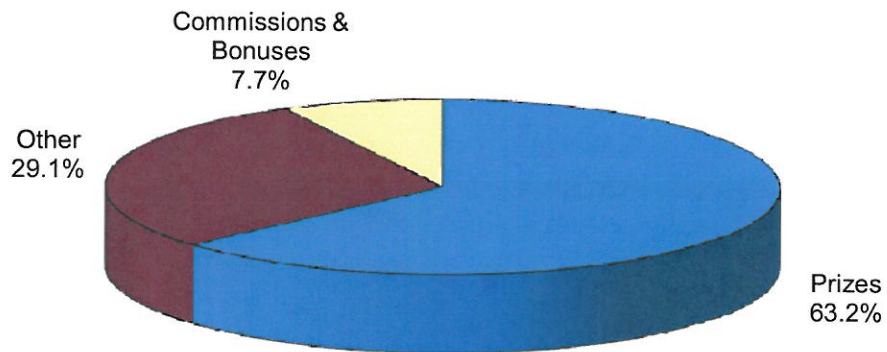
Note 1: Percent of gross ticket sales.

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.

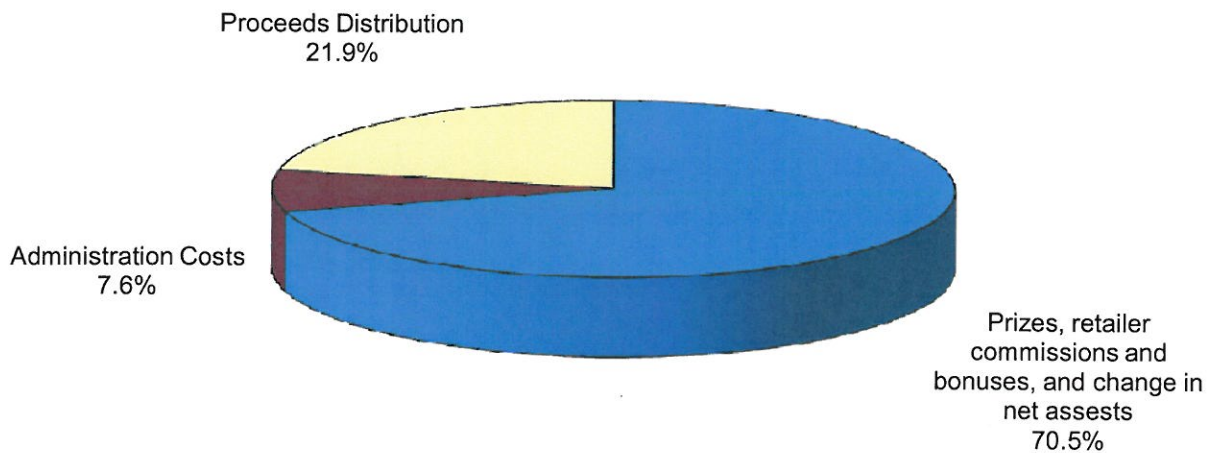
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE EIGHT MONTHS
ENDED FEBRUARY 29, 2012

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
FEBRUARY 29, 2012 AND 2011
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 48,028,008	\$ 55,485,478
Accounts Receivable, net of the allowance for doubtful accounts of \$175,024 in 2012 and \$178,667 in 2011	25,422,509	21,917,494
Consignment Inventory, at Cost	117,005	129,091
Warehouse Inventory, at Cost	1,027,851	795,122
Prepaid Expenses	136,690	110,090
Total Current Assets	74,732,063	78,437,275
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	432,358	390,242
Prepaid Prize Expense with MUSL	4,736,029	3,961,931
Total Reserve and Restricted Assets	6,468,387	5,752,173
Capital Assets:		
Equipment	6,415,378	7,014,336
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,374,341)	(2,971,881)
Total Capital Assets	3,105,748	4,042,455
TOTAL ASSETS	\$ 84,306,198	\$ 88,231,903
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,821,492	\$ 3,549,548
Prize Liability	24,741,707	26,865,905
Payable to MUSL	122,413	0
Wages and Benefits	143,069	144,492
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	609,339	573,199
Funds Available for Distribution	50,135,307	50,348,047
Total Current Liabilities	78,573,327	81,481,191
Long-Term Liabilities:		
Accrued Annual and Sick Leave	826,297	843,252
Expired Warrants Liability	68,468	74,763
Total Long-Term Liabilities	894,765	918,015
TOTAL LIABILITIES	79,468,092	82,399,206
NET ASSETS		
Investment in Capital Assets	3,105,748	4,042,455
Restricted-Licensed Agent Recovery Reserve	432,358	390,242
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,838,106	5,832,697
TOTAL LIABILITIES AND NET ASSETS	\$ 84,306,198	\$ 88,231,903

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2012 AND 2011
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 350,825,326	\$ 338,026,996
DIRECT OPERATING EXPENSES		
Prize Expense	222,980,087	209,573,261
Powerball Prize Variance	(2,588,792)	1,348,813
Mega Millions Prize Variance	1,198,335	(249,120)
Retailer Commissions and Bonuses	26,893,030	25,756,054
Cost of Tickets and Vendor Fees	<u>7,329,401</u>	<u>7,351,108</u>
GROSS PROFIT ON SALE OF TICKETS	<u>95,013,265</u>	<u>94,246,880</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,377,310	8,325,622
Administration Fees Paid to MUSL	81,160	98,213
Wages and Benefits	5,983,573	5,711,228
Professional Services	281,750	338,905
State Agencies Services	73,311	76,730
Department of Revenue Services	330,245	358,499
Travel	86,969	96,294
Equipment	65,390	94,665
Depreciation	713,564	437,732
Accrued Annual and Sick Leave	19,530	(110,274)
Space Rental	481,297	471,636
Rents for Equipment	21,731	20,576
Motorpool Leasing	258,575	234,927
Materials and Supplies	120,448	89,048
Telephone	106,253	93,803
On-Line Telecommunications	238,157	247,973
Data Processing Supplies and Services	18,458	25,845
Equipment Maintenance	279,992	272,468
Postage	44,915	39,934
Printing	10,986	11,968
Delivery Expense	655,145	614,474
Other	80,007	64,366
Total Other Operating Expenses	<u>19,328,766</u>	<u>17,614,632</u>
OPERATING INCOME	<u>75,684,499</u>	<u>76,632,248</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	221,346	106,934
Investment Income	333,307	600,894
Funds Distributed for Current Year	(26,851,187)	(26,560,354)
Funds Available for Distribution for Current Year	(50,135,307)	(50,348,047)
Total Nonoperating Revenues (Expenses)	<u>(76,431,841)</u>	<u>(76,200,573)</u>
NET INCOME(LOSS)	<u>\$ (747,342)</u>	<u>\$ 431,675</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(747,342)</u>	<u>431,675</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,838,106</u>	<u>\$ 5,832,697</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 FEBRUARY 29, 2012 AND 2011

(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>9,826,232</u>	<u>9,699,499</u>
TOTAL ASSETS	\$ <u>10,260,232</u>	\$ <u>10,116,499</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,260,232</u>	<u>10,116,499</u>
TOTAL NET ASSETS	\$ <u>10,260,232</u>	\$ <u>10,116,499</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2012 AND 2011

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>372,447</u>	\$ <u>439,887</u>
Total Additions	<u>372,447</u>	<u>439,887</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	(44,553)	38,887
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>10,260,233</u></u>	\$ <u><u>10,116,499</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2012
(With Comparative Totals for the Eight (8) Months Ended February 29, 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	\$240,578,282	\$20,256,788	\$55,631,882	\$12,915,587	\$6,146,712	\$15,296,075	\$0	\$350,825,326	\$338,026,996
PRIZE EXPENSE	(165,677,291)	(12,035,831)	(28,411,462)	(6,913,557)	(3,948,030)	(6,198,416)	204,500	(222,980,087)	(209,573,261)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	2,588,792	N/A	N/A	(1,198,335)	N/A	1,390,457	(1,099,693)
NET REVENUE AFTER PRIZES	74,900,991	8,220,957	29,809,212	6,002,030	2,198,682	7,899,324	204,500	129,235,696	127,354,042
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(16,815,342)	(1,213,282)	(3,332,770)	(773,668)	(367,822)	(915,911)		(23,418,795)	(22,478,473)
Retailer Bonus	(2,717,303)	(132,017)	(351,900)	(120,901)	(57,348)	(95,191)	425	(3,474,235)	(3,277,581)
Cost of Tickets Sold	(1,967,872)	N/A	N/A	N/A	N/A	N/A	N/A	(1,967,872)	(2,165,018)
Telecomm Reimbursements	356,089	29,983	82,343	19,117	9,098	22,640		519,270	511,735
On-Line Vendor Fees	(4,036,548)	(340,344)	(928,977)	(216,950)	(103,313)	(254,667)		(5,880,799)	(5,697,825)
TOTAL	(25,180,976)	(1,655,660)	(4,531,304)	(1,092,402)	(519,385)	(1,243,129)	425	(34,222,431)	(33,107,162)
GROSS PROFIT ON SALE OF TICKETS	\$49,720,015	\$6,565,297	\$25,277,908	\$4,909,628	\$1,679,297	\$6,656,195	\$204,925	\$95,013,265	\$94,246,880
AVERAGE DAILY TICKET SALES	\$985,977	\$83,020	\$228,000	\$52,933	\$25,191	\$62,689	\$0	\$1,437,809	\$1,391,058

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 EIGHT (8) MONTHS ENDED FEBRUARY 29, 2012

	Games in Progress							FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$165,677,291	\$12,035,831	\$25,822,670	\$6,913,557	\$3,948,030	\$7,396,751	(\$204,500)	\$221,589,630	\$210,672,954
(/)/Ticket Sales	240,578,282	20,256,788	55,631,882	12,915,587	6,146,712	15,296,075	0	\$350,825,326	338,026,996
Prize %	68.87%	59.42%	46.42%	53.53%	64.23%	48.36%	N/A	63.16%	62.32%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2012

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$5,336,298	\$3,456,716	60.7%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	117,242	74,106	61.3%
Suppl Amortization Equalization	153,762	92,267	61,495	60.0%
Workmen's Compensation	62,670	41,780	20,890	66.7%
Shift Differential	6,188	4,858	1,330	78.5%
Health and Life	671,016	474,764	196,252	70.8%
Short Term Disability	12,096	7,938	4,158	65.6%
Operating	1,203,156	759,538	443,618	63.1%
Variable Vehicle	182,785	755	182,030	0.4%
Leased Space	718,145	477,416	240,729	66.5%
Leased Space-Grand Junction	6,907	3,880	3,027	56.2%
Risk Management	25,231	16,821	8,410	66.7%
Vehicle Lease Payments	138,708	85,777	52,931	61.8%
Travel	113,498	86,968	26,530	76.6%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	9,375,460	5,324,540	63.8%
Communications Services	2,193	1,537	656	70.1%
Payments to MNT	210,811	140,541	70,270	66.7%
Payments to Other Agencies	239,410	59,291	180,119	24.8%
Legal Services	16,081	14,020	2,061	87.2%
Indirect Costs	495,867	330,245	165,622	66.6%
Ticket Costs-Scratch	6,578,000	2,685,282	3,892,718	40.8%
Research	250,000	1,850	248,150	0.7%
Vendor Fees	12,571,504	5,974,999	6,596,505	47.5%
Prize Payments	424,104,016	228,585,586	195,518,430	53.9%
Retailer Compensation	52,241,350	26,893,030	25,348,320	51.5%
Multi-State Lottery Funds	177,433	81,160	96,273	45.7%
Lottery System Migration	1,014,752	310,912	703,840	30.6%
TOTAL	<u>\$524,882,544</u>	<u>\$281,960,215</u>	<u>\$242,922,329</u>	<u>53.72%</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	222,980,087
Powerball Prize Variance	(2,588,792)
Megamillions Prize Variance	1,198,335
Commissions and Bonuses	26,893,030
Cost of Tickets & Vendor Fees	7,329,401
Operating Expenses	19,328,766
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>275,140,827</u>
Plus: Powerball Variance classified as revenue	6,670,708
Megamillions Variance classified as revenue	325,248
Telecommunications offset classified as revenue	519,270
Less: Non-appropriated expenses and other adjustments	
Depreciation	(713,564)
Accrued Annual and Sick Leave	(19,530)
Loss on Disposal of Equipment classified as revenue	600
Sub-Total	<u>281,923,559</u>
Plus: Capitalized Fixed Assets	36,656
	<u>281,960,215</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 February 29, 2012 is 66 2/3%.

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