

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

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

(UNAUDITED)

FOR THE TEN MONTHS ENDED

APRIL 30, 2012

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

June 27, 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 ten months ended April 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, 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)**

TABLE OF CONTENTS

Financial Highlights	1
Supplement to Financial Highlights	2
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Fund Net Assets	4
Statements of Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.	6
Schedule of Revenue and Costs for Completed and In-Progress Games	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE TEN (10) MONTHS ENDED APRIL 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 ten months ended April 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 Ten Months Ended April 30,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$456.30		\$432.40	
Nonoperating revenue	0.58		0.83	
TOTAL INCOME	456.88		433.23	
LESS:				
PRIZES	\$285.80	62.6% (1)	\$269.68	62.4% (1)
RETAILER COMMISSIONS AND BONUSES	\$34.84	7.6% (1)	\$32.98	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	9.36		9.18	
Other Operating Expenses	23.86	(3)	22.67	
TOTAL ADMINISTRATIVE COSTS (Note 3)	33.22	7.3% (2)	31.85	7.4% (2)
	103.02		98.72	
NET CHANGE IN NET ASSETS	-0.98		0.35	
PROCEEDS DISTRIBUTION	\$104.00	22.8% (2)	\$98.37	22.7% (2)

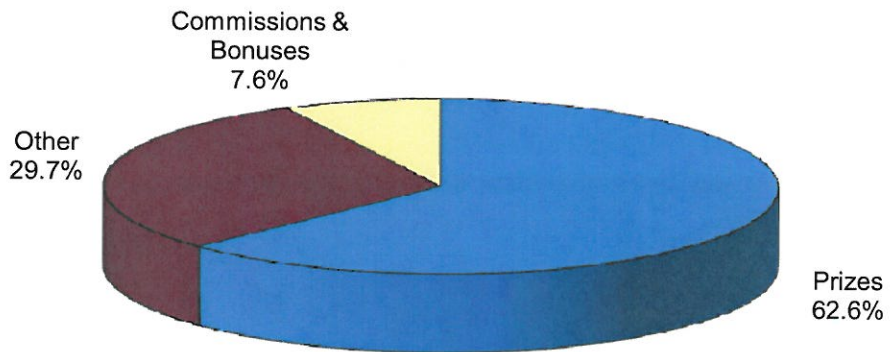
Note 1: Percent of gross ticket sales.

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.

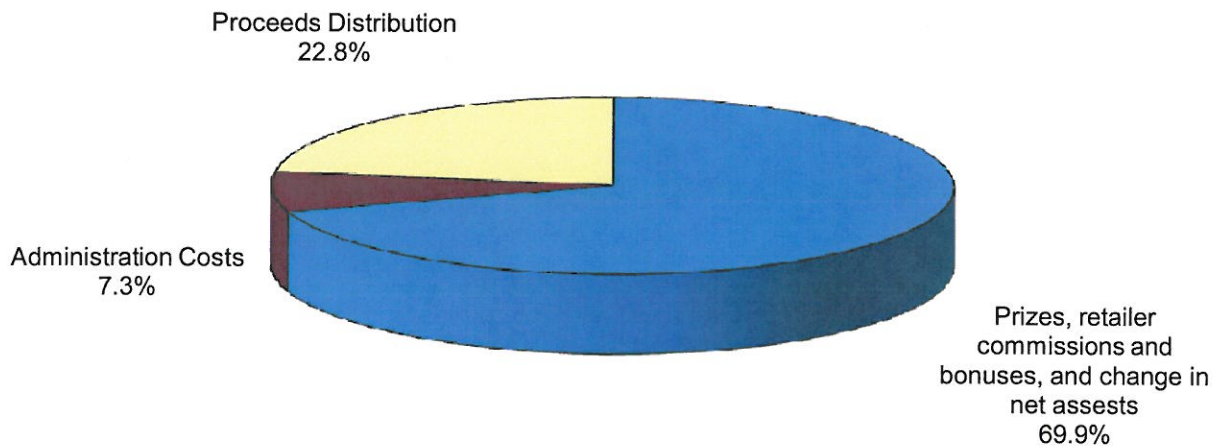
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TEN MONTHS
ENDED APRIL 30, 2012

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
APRIL 30, 2012 AND 2011
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 50,413,107	\$ 46,320,692
Accounts Receivable, net of the allowance for doubtful accounts of \$247,238 in 2012 and \$180,729 in 2011	22,538,807	20,461,928
Consignment Inventory, at Cost	107,793	119,415
Warehouse Inventory, at Cost	1,089,761	995,541
Prepaid Expenses	102,299	84,788
Total Current Assets	74,251,767	67,982,364
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	364,834	392,993
Prepaid Prize Expense with MUSL	4,915,803	4,173,525
Total Reserve and Restricted Assets	6,580,637	5,966,518
Capital Assets:		
Equipment	6,322,992	7,010,873
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,451,411)	(3,050,812)
Total Capital Assets	2,936,292	3,960,061
TOTAL ASSETS	\$ 83,768,696	\$ 77,908,943
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,471,000	\$ 3,175,250
Prize Liability	27,504,118	27,332,499
Payable to MUSL	0	0
Wages and Benefits	116,719	108,200
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	393,639	1,024,153
Funds Available for Distribution	47,765,183	39,574,265
Total Current Liabilities	78,250,659	71,214,367
Long-Term Liabilities:		
Accrued Annual and Sick Leave	848,443	866,759
Expired Warrants Liability	68,468	74,763
Total Long-Term Liabilities	916,911	941,522
TOTAL LIABILITIES	79,167,570	72,155,889
NET ASSETS		
Investment in Capital Assets	2,936,292	3,960,061
Restricted-Licensed Agent Recovery Reserve	364,834	392,993
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,601,126	5,753,054
TOTAL LIABILITIES AND NET ASSETS	\$ 83,768,696	\$ 77,908,943

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TEN (10) MONTHS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 456,303,547	\$ 432,398,049
DIRECT OPERATING EXPENSES		
Prize Expense	289,482,679	269,491,303
Powerball Prize Variance	(4,136,530)	910,947
Mega Millions Prize Variance	451,793	(721,787)
Retailer Commissions and Bonuses	34,844,841	32,977,420
Cost of Tickets and Vendor Fees	<u>9,357,575</u>	<u>9,181,366</u>
GROSS PROFIT ON SALE OF TICKETS	<u>126,303,189</u>	<u>120,558,800</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	11,146,604	10,863,032
Administration Fees Paid to MUSL	93,210	116,515
Wages and Benefits	7,497,114	7,158,459
Professional Services	379,513	493,038
State Agencies Services	82,748	84,956
Department of Revenue Services	412,806	448,124
Travel	97,853	120,014
Equipment	74,972	119,062
Depreciation	880,720	616,565
Accrued Annual and Sick Leave	41,890	(85,209)
Space Rental	609,749	586,295
Rents for Equipment	27,091	25,814
Motorpool Leasing	319,387	294,353
Materials and Supplies	126,417	135,562
Telephone	131,568	119,211
On-Line Telecommunications	295,253	310,066
Data Processing Supplies and Services	21,721	29,128
Equipment Maintenance	638,082	328,605
Postage	52,951	50,297
Printing	13,619	10,352
Delivery Expense	818,250	770,541
Other	99,554	76,078
Total Other Operating Expenses	<u>23,861,072</u>	<u>22,670,858</u>
OPERATING INCOME	<u>102,442,117</u>	<u>97,887,942</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	168,450	123,565
Investment Income	409,246	706,601
Funds Distributed for Current Year	(56,238,952)	(58,791,811)
Funds Available for Distribution for Current Year	(47,765,183)	(39,574,265)
Total Nonoperating Revenues (Expenses)	<u>(103,426,439)</u>	<u>(97,535,910)</u>
NET INCOME(LOSS)	<u>\$ (984,322)</u>	<u>\$ 352,032</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(984,322)</u>	<u>352,032</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,601,126</u>	<u>\$ 5,753,054</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 APRIL 30, 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	9,919,111	9,793,642
TOTAL ASSETS	\$ 10,353,111	\$ 10,210,642
 NET ASSETS		
Held in Trust for Powerball Winner	10,353,111	10,210,642
TOTAL NET ASSETS	\$ 10,353,111	\$ 10,210,642

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

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>465,325</u>	\$ <u>534,030</u>
Total Additions	<u>465,325</u>	<u>534,030</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	48,325	133,030
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>10,353,111</u></u>	\$ <u><u>10,210,642</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TEN MONTHS ENDED APRIL 30, 2012
(With Comparative Totals for the Ten Months Ended April 30, 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	\$304,131,511	\$26,171,783	\$68,694,359	\$16,295,362	\$7,859,456	\$33,151,076	\$0	\$456,303,547	\$432,398,049
PRIZE EXPENSE	(209,470,921)	(14,445,796)	(36,180,898)	(8,771,085)	(4,969,797)	(15,848,682)	204,500	(289,482,679)	(269,491,303)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	4,136,530	N/A	N/A	(451,793)	N/A	3,684,737	(189,160)
NET REVENUE AFTER PRIZES	94,660,590	11,725,987	36,649,991	7,524,277	2,889,659	16,850,601	204,500	170,505,605	162,717,586
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(21,259,799)	(1,567,575)	(4,115,602)	(976,078)	(470,293)	(1,985,867)		(30,375,214)	(28,770,680)
Retailer Bonus	(3,437,168)	(171,107)	(428,052)	(152,973)	(73,327)	(207,425)	425	(4,469,627)	(4,206,740)
Cost of Tickets Sold	(2,389,419)	N/A	N/A	N/A	N/A	N/A	N/A	(2,389,419)	(2,613,452)
Telecomm Reimbursements	425,671	36,631	96,147	22,807	11,000	46,399		638,655	629,055
On-Line Vendor Fees	(5,075,775)	(437,084)	(1,142,264)	(272,182)	(131,315)	(548,191)		(7,606,811)	(7,196,969)
TOTAL	(31,736,490)	(2,139,135)	(5,589,771)	(1,378,426)	(663,935)	(2,695,084)	425	(44,202,416)	(42,158,786)
GROSS PROFIT ON SALE OF TICKETS	\$62,924,100	\$9,586,852	\$31,060,220	\$6,145,851	\$2,225,724	\$14,155,517	\$204,925	\$126,303,189	\$120,558,800
AVERAGE DAILY TICKET SALES	\$997,152	\$85,809	\$225,227	\$53,427	\$25,769	\$108,692	\$0	\$1,496,077	\$1,422,362

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 TEN MONTHS ENDED APRIL 30, 2012

	Games in Progress							FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense * (/)/Ticket Sales	\$209,470,921 304,131,511	\$14,445,796 26,171,783	\$32,044,368 68,694,359	\$8,771,085 16,295,362	\$4,969,797 7,859,456	\$16,300,475 33,151,076	(\$204,500) 0	\$285,797,942 \$456,303,547	\$269,680,463 432,398,049
Prize %	68.88%	55.20%	46.65%	53.83%	63.23%	49.17%	N/A	62.63%	62.37%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE TEN (10) MONTHS ENDED APRIL 30, 2012

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$6,748,849	\$2,044,165	76.8%
DOR Postage	0	0	0	N/A
Amortization Equal	200,348	150,111	50,237	74.9%
Suppl Amortization Equalization	150,562	119,658	30,904	79.5%
Workmen's Compensation	62,670	52,225	10,445	83.3%
Shift Differential	6,188	5,991	197	96.8%
Health and Life	699,816	597,695	102,121	85.4%
Short Term Disability	12,096	9,955	2,141	82.3%
Operating	1,203,156	736,046	467,110	61.2%
Variable Vehicle	182,785	172,708	10,077	94.5%
Leased Space	739,145	604,899	134,246	81.8%
Leased Space-Grand Junction	6,907	4,850	2,057	70.2%
Risk Management	25,231	21,026	4,205	83.3%
Vehicle Lease Payments	134,335	108,303	26,032	80.6%
Travel	113,498	97,854	15,644	86.2%
Purch. Of Services-Computer Center	2,193	0	2,193	0.0%
Marketing, Communications & Sales	14,700,000	11,093,003	3,606,997	75.5%
Communications Services	2,306	1,922	384	83.3%
Payments to MNT	210,811	175,676	35,135	83.3%
Payments to Other Agencies	239,410	65,168	174,242	27.2%
Legal Services	19,431	17,580	1,851	90.5%
Indirect Costs	495,867	412,806	83,061	83.2%
Ticket Costs-Scratch	6,578,000	3,270,384	3,307,616	49.7%
Research	250,000	53,600	196,400	21.4%
Vendor Fees	12,571,504	7,737,920	4,833,584	61.6%
Prize Payments	424,104,016	296,911,191	127,192,825	70.0%
Retailer Compensation	52,241,350	34,844,838	17,396,512	66.7%
Multi-State Lottery Funds	177,433	93,209	84,224	52.5%
Lottery System Migration	1,014,752	633,162	381,590	62.4%
TOTAL	<u><u>\$524,936,824</u></u>	<u><u>\$364,740,629</u></u>	<u><u>\$160,196,195</u></u>	<u><u>69.48%</u></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	289,482,679
Powerball Prize Variance	(4,136,530)
Megamillions Prize Variance	451,793
Commissions and Bonuses	34,844,841
Cost of Tickets & Vendor Fees	9,357,575
Operating Expenses	23,861,072
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>353,861,430</u>
Plus: Powerball Variance classified as revenue	9,485,423
Megamillions Variance classified as revenue	1,627,824
Telecommunications offset classified as revenue	653,605
Less: Non-appropriated expenses and other adjustments	
Depreciation	(880,720)
Accrued Annual and Sick Leave	(41,890)
Loss on Disposal of Equipment classified as revenue	(8,068)
Sub-Total	<u>364,697,604</u>
Plus: Capitalized Fixed Assets	43,025
	<u><u>364,740,629</u></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 April 30, 2012 is 83.3%.

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