

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

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

(UNAUDITED)

FOR THE ELEVEN MONTHS ENDED

MAY 31, 2012

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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COLORADO LOTTERY DIVISION

Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

July 13, 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 eleven months ended May 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 blue ink 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 ELEVEN (11) MONTHS ENDED MAY 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 ten months ended May 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 Eleven Months Ended May 31,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$501.76		\$477.43	
Nonoperating revenue	0.64		0.92	
TOTAL INCOME	502.40		478.35	
LESS:				
PRIZES	\$315.25	62.8% (1)	\$298.85	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$38.33	7.6% (1)	\$36.42	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.26		10.06	
Other Operating Expenses	25.92	(3)	26.01	
TOTAL ADMINISTRATIVE COSTS (Note 3)	36.18	7.2% (2)	36.07	7.5% (2)
	112.64		107.01	
NET CHANGE IN NET ASSETS	-1.07		0.27	
PROCEEDS DISTRIBUTION	\$113.71	22.6% (2)	\$106.74	22.3% (2)

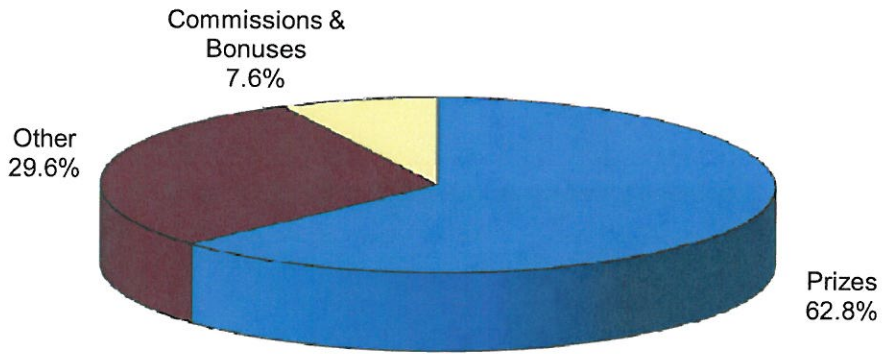
Note 1: Percent of gross ticket sales.

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.

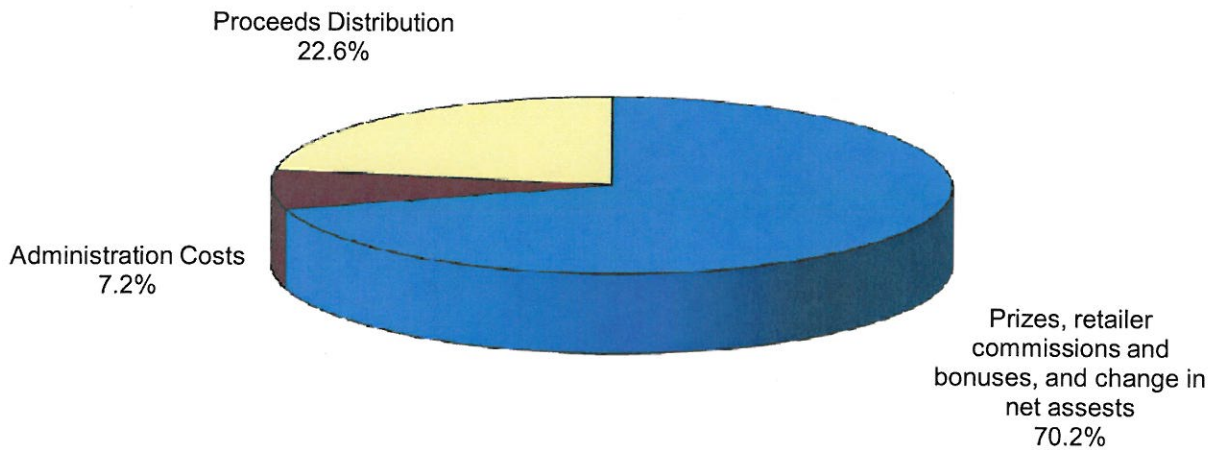
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS
ENDED MAY 31, 2012

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
MAY 31, 2012 AND 2011
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 65,029,617	\$ 56,127,919
Accounts Receivable, net of the allowance for doubtful accounts of \$204,247 in 2012 and \$169,428 in 2011	19,104,494	22,719,924
Consignment Inventory, at Cost	132,705	135,974
Warehouse Inventory, at Cost	910,133	1,096,768
Prepaid Expenses	97,422	72,125
Total Current Assets	85,274,371	80,152,710
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	368,897	397,764
Prepaid Prize Expense with MUSL	4,957,649	4,303,821
Total Reserve and Restricted Assets	6,626,546	6,101,585
Capital Assets:		
Equipment	6,322,992	7,010,873
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,535,166)	(3,140,263)
Total Capital Assets	2,852,537	3,870,610
TOTAL ASSETS	\$ 94,753,454	\$ 90,124,905
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,568,435	\$ 3,820,841
Prize Liability	28,175,095	30,924,626
Payable to MUSL	348,937	55,861
Wages and Benefits	154,344	140,041
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	616,723	612,777
Funds Available for Distribution	57,469,696	47,947,575
Total Current Liabilities	89,333,230	83,501,721
Long-Term Liabilities:		
Accrued Annual and Sick Leave	830,322	880,047
Expired Warrants Liability	68,468	74,763
Total Long-Term Liabilities	898,790	954,810
TOTAL LIABILITIES	90,232,020	84,456,531
NET ASSETS		
Investment in Capital Assets	2,852,537	3,870,610
Restricted-Licensed Agent Recovery Reserve	368,897	397,764
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,521,434	5,668,374
TOTAL LIABILITIES AND NET ASSETS	\$ 94,753,454	\$ 90,124,905

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2012 AND 2011
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 501,764,868	\$ 477,431,390
DIRECT OPERATING EXPENSES		
Prize Expense	320,078,034	299,274,710
Powerball Prize Variance	(5,374,498)	427,707
Mega Millions Prize Variance	548,751	(854,345)
Retailer Commissions and Bonuses	38,330,405	36,420,322
Cost of Tickets and Vendor Fees	<u>10,257,059</u>	<u>10,059,989</u>
GROSS PROFIT ON SALE OF TICKETS	<u>137,925,117</u>	<u>132,103,007</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	12,025,022	12,952,263
Administration Fees Paid to MUSL	99,234	125,667
Wages and Benefits	8,248,404	7,897,693
Professional Services	389,933	568,895
State Agencies Services	86,996	89,235
Department of Revenue Services	454,086	492,938
Travel	108,642	132,303
Equipment	93,109	119,666
Depreciation	964,475	706,016
Accrued Annual and Sick Leave	23,800	(72,061)
Space Rental	671,810	636,211
Rents for Equipment	29,503	29,048
Motorpool Leasing	358,608	322,990
Materials and Supplies	135,131	143,651
Telephone	144,223	131,528
On-Line Telecommunications	325,021	340,963
Data Processing Supplies and Services	22,976	31,232
Equipment Maintenance	657,228	336,984
Postage	53,218	59,452
Printing	17,716	13,008
Delivery Expense	903,740	874,007
Other	108,786	79,973
Total Other Operating Expenses	<u>25,921,661</u>	<u>26,011,662</u>
OPERATING INCOME	<u>112,003,456</u>	<u>106,091,345</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	177,664	140,410
Investment Income	463,514	774,983
Funds Distributed for Current Year	(56,238,952)	(58,791,811)
Funds Available for Distribution for Current Year	(57,469,696)	(47,947,575)
Total Nonoperating Revenues (Expenses)	<u>(113,067,470)</u>	<u>(105,823,993)</u>
NET INCOME(LOSS)	<u>\$ (1,064,014)</u>	<u>\$ 267,352</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(1,064,014)</u>	<u>267,352</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,521,434</u>	<u>\$ 5,668,374</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 MAY 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	9,966,311	9,841,485
TOTAL ASSETS	\$ 10,400,311	\$ 10,258,485
 NET ASSETS		
Held in Trust for Powerball Winner	10,400,311	10,258,485
TOTAL NET ASSETS	\$ 10,400,311	\$ 10,258,485

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2012 AND 2011

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>512,525</u>	\$ <u>581,873</u>
Total Additions	<u>512,525</u>	<u>581,873</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	95,525	180,873
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>10,400,311</u></u>	\$ <u><u>10,258,485</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2012
(With Comparative Totals for the Eleven Months Ended May 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	\$335,324,715	\$29,791,417	\$74,944,043	\$17,929,438	\$8,547,678	\$35,227,577	\$0	\$501,764,868	\$477,431,390
PRIZE EXPENSE	(231,958,510)	(15,992,281)	(40,399,554)	(9,638,003)	(5,537,281)	(16,756,905)	204,500	(320,078,034)	(299,274,710)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	5,374,498	N/A	N/A	(548,751)	N/A	4,825,747	426,638
NET REVENUE AFTER PRIZES	103,366,205	13,799,136	39,918,987	8,291,435	3,010,397	17,921,921	204,500	186,512,581	178,583,318
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(23,439,743)	(1,784,406)	(4,490,136)	(1,073,960)	(511,476)	(2,110,251)		(33,409,972)	(31,768,094)
Retailer Bonus	(3,793,084)	(194,775)	(464,384)	(168,220)	(79,711)	(220,684)	425	(4,920,433)	(4,652,228)
Cost of Tickets Sold	(2,598,047)	N/A	N/A	N/A	N/A	N/A	N/A	(2,598,047)	(2,822,644)
Telecomm Reimbursements	476,638	42,346	106,527	25,485	12,150	50,074		713,220	702,415
On-Line Vendor Fees	(5,600,785)	(497,665)	(1,247,633)	(299,678)	(142,929)	(583,542)		(8,372,232)	(7,939,760)
TOTAL	(34,955,021)	(2,434,500)	(6,095,626)	(1,516,373)	(721,966)	(2,864,403)	425	(48,587,464)	(46,480,311)
GROSS PROFIT ON SALE OF TICKETS	\$68,411,184	\$11,364,636	\$33,823,361	\$6,775,062	\$2,288,431	\$15,057,518	\$204,925	\$137,925,117	\$132,103,007
AVERAGE DAILY TICKET SALES	\$997,990	\$88,665	\$223,048	\$53,361	\$25,440	\$104,844	\$0	\$1,493,348	\$1,425,168

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 ELEVEN MONTHS ENDED MAY 31, 2012

	Games in Progress							FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense * (/)/Ticket Sales	\$231,958,510 335,324,715	\$15,992,281 29,791,417	\$35,025,056 74,944,043	\$9,638,003 17,929,438	\$5,537,281 8,547,678	\$17,305,656 35,227,577	(\$204,500) 0	\$315,252,287 \$501,764,868	\$298,848,072 477,431,390
Prize %	69.17%	53.68%	46.73%	53.76%	64.78%	49.13%	N/A	62.83%	62.59%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2012

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$7,412,573	\$1,380,441	84.3%
DOR Postage	0	0	0	N/A
Amortization Equal	200,348	166,457	33,891	83.1%
Suppl Amortization Equalization	150,562	133,280	17,282	88.5%
Workmen's Compensation	62,670	57,448	5,222	91.7%
Shift Differential	6,188	6,839	(651)	110.5%
Health and Life	699,816	658,183	41,633	94.1%
Short Term Disability	12,096	10,950	1,146	90.5%
Operating	1,203,156	830,628	372,528	69.0%
Variable Vehicle	182,785	177,104	5,681	96.9%
Leased Space	739,145	666,475	72,670	90.2%
Leased Space-Grand Junction	6,907	5,335	1,572	77.2%
Risk Management	25,231	23,128	2,103	91.7%
Vehicle Lease Payments	134,335	120,255	14,080	89.5%
Travel	113,498	108,643	4,855	95.7%
Purch. Of Services-Computer Center	2,193	0	2,193	0.0%
Marketing, Communications & Sales	14,700,000	11,971,422	2,728,578	81.4%
Communications Services	2,306	2,114	192	91.7%
Payments to MNT	210,811	193,243	17,568	91.7%
Payments to Other Agencies	239,410	67,788	171,622	28.3%
Legal Services	19,431	19,208	223	98.9%
Indirect Costs	495,867	454,086	41,781	91.6%
Ticket Costs-Scratch	6,578,000	3,568,154	3,009,846	54.2%
Research	250,000	53,600	196,400	21.4%
Vendor Fees	12,571,504	8,499,312	4,072,192	67.6%
Prize Payments	424,104,016	328,344,517	95,759,499	77.4%
Retailer Compensation	52,241,350	38,330,406	13,910,944	73.4%
Multi-State Lottery Funds	177,433	99,234	78,199	55.9%
Lottery System Migration	1,014,752	633,162	381,590	62.4%
TOTAL	<u>\$524,936,824</u>	<u>\$402,613,544</u>	<u>\$122,323,280</u>	<u>76.70%</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	320,078,034
Powerball Prize Variance	(5,374,498)
Megamillions Prize Variance	548,751
Commissions and Bonuses	38,330,405
Cost of Tickets & Vendor Fees	10,257,059
Operating Expenses	25,921,661
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>389,761,412</u>
Plus: Powerball Variance classified as revenue	11,420,160
Megamillions Variance classified as revenue	1,672,071
Telecommunications offset classified as revenue	713,220
Less: Non-appropriated expenses and other adjustments	
Depreciation	(964,475)
Accrued Annual and Sick Leave	(23,800)
Loss on Disposal of Equipment classified as revenue	(8,069)
Sub-Total	402,570,519
Plus: Capitalized Fixed Assets	43,025
	<u>402,613,544</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 May 31, 2012 is 91.7%.

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