

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

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

(UNAUDITED)

FOR THE FISCAL YEAR ENDED

JUNE 30, 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

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

September 10, 2012

State Treasurer and Members of the Colorado Lottery Commission:

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 performance for the fiscal year ended June 30, 2012 depicts total revenues of \$545.8 million, which includes gross ticket sales of \$545.3 million. Net income before proceeds distributions is \$122.0 million with a decrease in net assets of \$1.2 million. Accordingly, a total of \$123.2 million in distributions will have been made by September 1, 2012 in the following manner; nearly \$57.1 million to the Great Outdoors Colorado Fund, \$12.3 million to the Division of Parks and Outdoor Recreation, \$49.3 million to the Conservation Trust Fund, for distribution to cities and other local government agencies and over \$4.5 million to the Public School Capital Construction Assistance Fund.

The attached financial statements for the fiscal year ended June 30, 2012 have not been audited. They 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 that 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 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 FISCAL YEARS ENDED JUNE 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 fiscal years ended June 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 Fiscal Years Ended June 30,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$545.30		\$518.92	
Nonoperating revenue	0.55		0.74	
TOTAL INCOME	545.85		519.66	
LESS:				
PRIZES	\$342.64	62.8% (1)	\$326.74	63.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$41.64	7.6% (1)	\$39.58	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	11.05		10.92	
Other Operating Expenses	28.52	(3)	29.12	
TOTAL ADMINISTRATIVE COSTS (Note 3)	39.57	7.2% (2)	40.04	7.7% (2)
	122.00		113.30	
NET CHANGE IN NET ASSETS	-1.25		-0.06	
PROCEEDS DISTRIBUTION	\$123.25	22.6% (2)	\$113.36	21.8% (2)

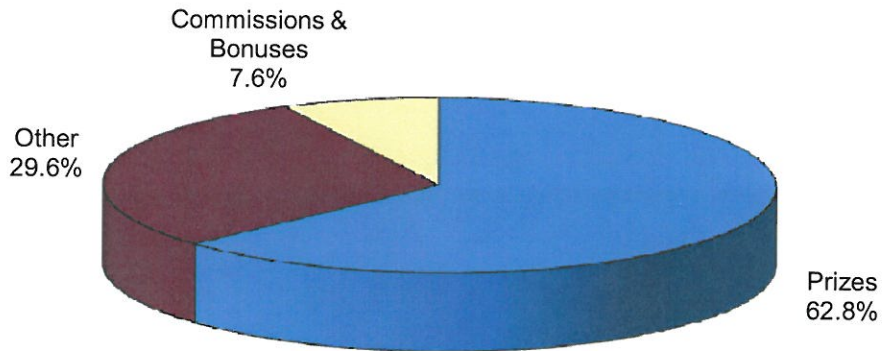
Note 1: Percent of gross ticket sales.

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.

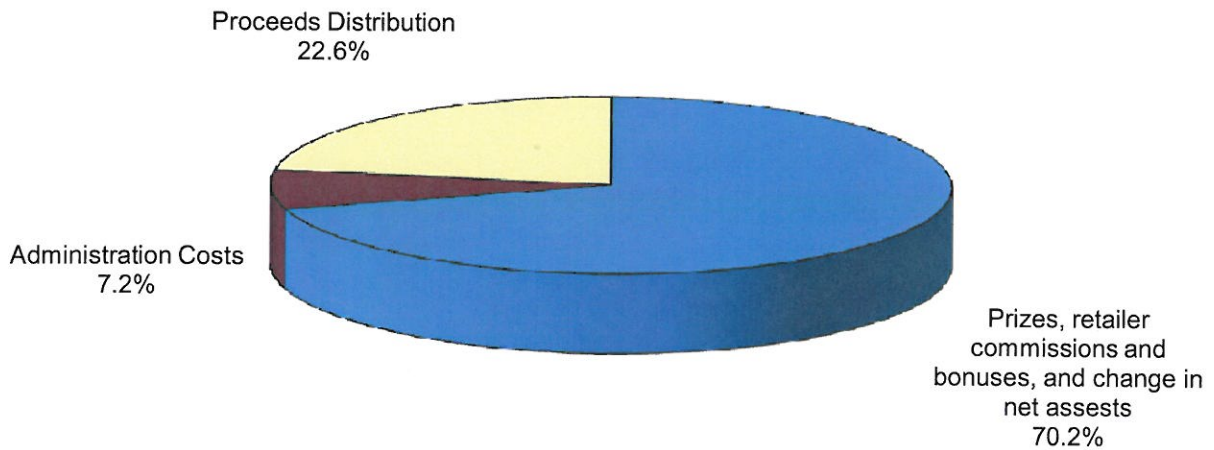
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR
ENDED JUNE 30, 2012

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
JUNE 30, 2012 AND 2011
(UNAUDITED)

ASSETS	<u>FY 2012</u>	<u>FY 2011</u>
Current Assets:		
Cash and Investments	\$ 32,331,921	\$ 37,353,939
Accounts Receivable, net of the allowance for doubtful accounts of \$227,135 in 2012 and \$169,428 in 2011	19,491,886	19,236,806
Consignment Inventory, at Cost	119,406	132,308
Warehouse Inventory, at Cost	908,062	1,100,188
Prepaid Expenses	72,562	78,931
Total Current Assets	<u>52,923,837</u>	<u>57,902,172</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	351,031	402,793
Prepaid Prize Expense with MUSL	4,994,022	4,430,127
Total Reserve and Restricted Assets	<u>6,645,053</u>	<u>6,232,920</u>
Capital Assets:		
Equipment	6,079,410	6,378,722
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	<u>(3,312,253)</u>	<u>(2,660,778)</u>
Total Capital Assets	<u>2,831,868</u>	<u>3,782,655</u>
TOTAL ASSETS	<u>\$ 62,400,758</u>	<u>\$ 67,917,747</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,025,621	\$ 1,252,207
Prize Liability	22,647,331	32,042,529
Payable to MUSL	1,244,205	255,935
Wages and Benefits	842,256	843,900
Accrued Annual and Sick Leave	0	24,835
Retailer Bonus Liability	812,029	809,699
Funds Available for Distribution	28,984,076	25,612,785
Total Current Liabilities	<u>56,555,518</u>	<u>60,841,890</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	836,456	807,224
Expired Warrants Liability	60,910	68,598
Total Long-Term Liabilities	<u>897,366</u>	<u>875,822</u>
TOTAL LIABILITIES	<u>57,452,884</u>	<u>61,717,712</u>
NET ASSETS		
Investment in Capital Assets	2,831,868	3,782,655
Restricted-Licensed Agent Recovery Reserve	351,031	402,793
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	464,975	614,587
TOTAL NET ASSETS	<u>4,947,874</u>	<u>6,200,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,400,758</u>	<u>\$ 67,917,747</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 545,303,548	\$ 518,920,841
DIRECT OPERATING EXPENSES		
Prize Expense	347,536,804	326,624,241
Powerball Prize Variance	(5,672,459)	792,467
Mega Millions Prize Variance	775,906	(677,717)
Retailer Commissions and Bonuses	41,640,942	39,584,088
Cost of Tickets and Vendor Fees	11,048,025	10,920,112
	<u>149,974,330</u>	<u>141,677,650</u>
GROSS PROFIT ON SALE OF TICKETS		
OTHER OPERATING EXPENSES		
Marketing and Communications	13,388,426	14,823,254
Administration Fees Paid to MUSL	137,472	116,175
Wages and Benefits	8,950,454	8,636,669
Professional Services	409,244	614,802
State Agencies Services	128,181	129,813
Department of Revenue Services	495,367	528,542
Travel	110,638	146,229
Equipment	205,608	198,071
Depreciation	1,048,886	795,467
Accrued Annual and Sick Leave	30,116	(144,923)
Space Rental	733,444	704,995
Rents for Equipment	33,009	32,046
Motorpool Leasing	387,512	352,785
Materials and Supplies	137,755	152,417
Telephone	156,179	143,733
On-Line Telecommunications	353,216	372,579
Data Processing Supplies and Services	33,077	32,899
Equipment Maintenance	617,332	365,071
Postage	54,789	65,786
Printing	13,066	6,097
Delivery Expense	982,487	963,827
Other	116,080	86,822
Total Other Operating Expenses	<u>28,522,338</u>	<u>29,123,156</u>
OPERATING INCOME	<u>121,451,992</u>	<u>112,554,494</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	201,559	184,871
Investment Income	343,764	560,155
Funds Distributed for Current Year	(94,265,400)	(87,748,208)
Funds Available for Distribution for Current Year	(28,984,076)	(25,612,785)
Total Nonoperating Revenues (Expenses)	<u>(122,704,153)</u>	<u>(112,615,967)</u>
NET INCOME (LOSS)	<u>\$ (1,252,161)</u>	<u>\$ (61,473)</u>
NET ASSETS, BEGINNING OF YEAR	6,200,035	6,261,508
Net Change in Net Assets	<u>(1,252,161)</u>	<u>(61,473)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,947,874</u>	<u>\$ 6,200,035</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(UNAUDITED)

	FY2012	FY2011
Operating activities		
Cash received from retailers	\$ 544,804,882	\$ 518,382,515
Cash paid in prizes	(352,131,817)	(323,877,300)
Cash paid in retailer commissions	(36,305,943)	(34,531,189)
Cash payments to suppliers	(27,563,803)	(31,051,756)
Cash payments to employees for services	(8,977,817)	(8,544,805)
Cash paid in retailer bonus	(5,332,669)	(5,267,198)
Net cash provided by operating activities	114,492,833	115,110,267
Noncapital Financing Activities		
Distribution of net proceeds	(119,878,185)	(118,002,493)
Net cash used by noncapital financing activities	(119,878,185)	(118,002,493)
Capital and related financing activities		
Acquisition of capital assets	(132,192)	(941,236)
Net cash used by capital and related financing activities	(132,192)	(941,236)
Investing activities		
Interest received	493,376	806,054
Net cash provided by investing activities	493,376	806,054
Increase in Cash and Investments	(5,024,168)	(3,027,408)
Change in Fair Market Value of Investments	(149,612)	(245,899)
Cash and investments, Beginning of Year (including \$1,802,793 and \$1,570,801, respectively, in restricted accounts)	39,156,732	42,430,039
Cash and investments, End of Period, (including \$1,651,031 and \$1,802,793, respectively, in restricted accounts)	\$ 33,982,952	\$ 39,156,732
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
<i>Operating income</i>	\$ 121,451,992	\$ 112,554,494
<i>Adj. Depreciation</i>	1,048,886	795,467
<i>Loss (gain) on disposition of equipment</i>	34,093	112,279
<i>Other revenue</i>	201,559	184,871
<i>(Increase)Decrease in Prepaid Prize Expense with MUSL</i>	(563,895)	(501,808)
<i>Change in:</i>	0	0
<i>Accounts Receivable</i>	(255,080)	530,048
<i>Ticket Inventory</i>	205,028	37,583
<i>Prepaid Expenses</i>	6,369	(24,340)
<i>Liabilities(excluding funds available for distribution)</i>	(7,636,119)	1,421,673
<i>Net cash provided by operating activities</i>	\$ 114,492,833	\$ 115,110,267
Statement of Net Assets Classification		
Cash and investments	\$ 32,331,921	\$ 37,353,939
Cash and investments- Licensed Agent Recovery Reserve	351,031	402,793
Cash and investments- Operating Reserve	1,300,000	1,400,000
	\$ 33,982,952	\$ 39,156,732

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 JUNE 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	12,240,943	9,871,210
TOTAL ASSETS	\$ 12,674,943	\$ 10,288,210
 NET ASSETS		
Held in Trust for Powerball Winner	12,674,943	10,288,210
TOTAL NET ASSETS	\$ 12,674,943	\$ 10,288,210

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>2,803,732</u>	\$ <u>10,129</u>
Total Additions	<u>2,803,732</u>	<u>10,129</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	2,386,732	(390,871)
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,288,210</u>	<u>10,679,081</u>
End of Period	\$ <u><u>12,674,942</u></u>	\$ <u><u>10,288,210</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle II	FY 12 Total	FY 11 Scratch and On-Line
TICKET SALES	\$364,244,843	\$33,276,914	\$81,865,488	\$19,520,456	\$9,273,182	\$37,122,665	\$0	\$545,303,548	\$518,920,841
PRIZE EXPENSE	(251,968,935)	(17,878,569)	(44,019,818)	(10,536,969)	(5,929,284)	(17,407,729)	204,500	(347,536,804)	(326,624,241)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	5,672,459	N/A	N/A	(775,906)	N/A	4,896,553	(114,750)
NET REVENUE AFTER PRIZES	112,275,908	15,398,345	43,518,129	8,983,487	3,343,898	18,939,030	204,500	202,663,297	192,181,850
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(25,460,000)	(1,993,193)	(4,904,904)	(1,169,269)	(554,821)	(2,223,756)		(36,305,943)	(34,531,189)
Retailer Bonus	(4,119,691)	(216,858)	(503,929)	(181,689)	(85,127)	(228,130)	425	(5,334,999)	(5,052,899)
Cost of Tickets Sold	(2,789,463)	N/A	N/A	N/A	N/A	N/A	N/A	(2,789,463)	(3,027,915)
Telecomm Reimbursements	516,272	47,166	116,034	27,668	13,144	52,618		772,902	761,170
On-Line Vendor Fees	(6,038,533)	(551,550)	(1,352,920)	(323,803)	(153,889)	(610,769)		(9,031,464)	(8,653,367)
TOTAL	(37,891,415)	(2,714,435)	(6,645,719)	(1,647,093)	(780,693)	(3,010,037)	425	(52,688,967)	(50,504,200)
GROSS PROFIT ON SALE OF TICKETS	\$74,384,493	\$12,683,910	\$36,872,410	\$7,336,394	\$2,563,205	\$15,928,993	\$204,925	\$149,974,330	\$141,677,650
AVERAGE DAILY TICKET SALES	\$995,204	\$90,921	\$223,676	\$53,335	\$25,337	\$101,428	\$0	\$1,489,900	\$1,421,701

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 FISCAL YEAR ENDED JUNE 30, 2012

	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	FY 12 Total	FY 11 Total
Prize Expense *	\$251,968,935	\$17,878,569	\$38,347,359	\$10,536,969	\$5,929,284	\$18,183,635	(\$204,500)	\$342,640,251	\$326,738,991
(/)/Ticket Sales	364,244,843	33,276,914	81,865,488	19,520,456	9,273,182	37,122,665	0	\$545,303,548	518,920,841
Prize %	69.18%	53.73%	46.84%	53.98%	63.94%	48.98%	N/A	62.83%	62.97%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Fiscal Year 2012 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2012 Final Budget	Fiscal Year 2012 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$8,961,156	(168,142)	\$8,793,014	\$8,062,627	\$730,387	8.31%
Amortization Equalization	191,348	9,000	200,348	182,795	17,553	8.76%
Supplemental Amort. Equal.	153,762	(3,200)	150,562	146,895	3,667	2.44%
Workmen's Compensation	62,670	0	62,670	62,670	0	0.00%
Health and Life	671,016	28,800	699,816	699,816	0	0.00%
Short Term Disability	12,096	0	12,096	11,949	147	1.22%
Operating	1,203,156	0	1,203,156	1,013,624	189,532	15.75%
DOR Postage	0	0	\$0	\$0	\$0	N/A
Variable Vehicle	192,785	(10,000)	182,785	182,785	0	0.00%
Leased Space	718,145	21,000	739,145	726,545	12,600	1.70%
Grand Junction - Leased Space	6,907	0	6,907	6,899	8	0.12%
Risk Management	25,231	0	25,231	25,231	0	0.00%
Vehicle Lease Payments	138,708	(4,373)	134,335	132,441	1,894	1.41%
Travel	113,498	0	113,498	110,638	2,860	2.52%
Purch. Serv. Comp. Center	2,193	0	2,193	0	2,193	100.00%
Marketing, Communications & Sales	14,700,000	0	14,700,000	13,282,526	1,417,474	9.64%
Communications Services	2,306	0	2,306	2,306	0	0.00%
Payments to MNT	210,811	0	210,811	210,811	0	0.00%
Payments to Other Agencies	239,410	0	239,410	107,348	132,062	55.16%
Legal Services	16,081	4,752	20,833	20,832	1	0.00%
Indirect Costs	503,032	(7,165)	495,867	495,367	500	0.10%
Ticket Costs-Scratch	6,578,000	0	6,578,000	3,834,164	2,743,836	41.71%
Research	250,000	0	250,000	105,900	144,100	57.64%
Vendor Fees	12,571,504	0	12,571,504	9,228,154	3,343,350	26.59%
Prize Payments	424,104,016	0	424,104,016	356,679,293	67,424,723	15.90%
Retailer Compensation	52,241,350	0	52,241,350	41,640,942	10,600,408	20.29%
Multi-State Lottery Fund	177,433	0	177,433	137,472	39,961	22.52%
Lottery Systems Migration	1,014,752	0	1,014,752	573,162	441,590	43.52%
Rollforwards	0	0	0	0	0	N/A
TOTAL	\$525,061,366	(\$129,328)	\$524,932,038	\$437,683,192	\$87,248,846	16.62%

FY12 Staffing (FTE) 117.0 (Appropriated) 117.5 (Actual)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Net Assets" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Net Assets

Prize Expense	347,536,804
Powerball Prize Variance	(5,672,459)
Mega Millions Prize Variance	775,906
Commissions and Bonuses	41,640,942
Cost of Tickets & Vendor Fees	11,048,025
Operating Expenses	28,522,338

Total Expenses per Statement of Revenues, Expenses and Changes in Net Assets 423,851,556

Plus: Powerball Prize Variance classified as revenue	12,366,532
Mega Millions Prize Variance classified as revenue	1,672,507
Telecommunications offset classified as revenue	772,900

Less: Non-appropriated expenses	
Depreciation	(1,048,886)
Accrued Annual and Sick Leave	(30,116)
Book Value of Assets Written Off	(34,093)

Sub-Total 437,550,400

Plus: Capitalized purchases	132,792
Capitalized wages	0

437,683,192