

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

(UNAUDITED)

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2010

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
212 W. 3rd Street, Suite 210
Pueblo, CO 81003
(719) 546-2400
(719) 546-5208 Fax



Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

November 5, 2010

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 first quarter ended September 30, 2010 depicts total revenues of \$120.9 million, gross ticket sales of \$120.7 million, net income before proceeds distributions of \$26.9 million, and a net increase in net assets of \$0.3 million. Accordingly, a total of \$26.6 million in distributions will have been made by December 1, 2010 in the following manner; \$13.3 million to the Great Outdoors Colorado Fund, \$2.7 million to the Division of Parks and Outdoor Recreation, \$10.6 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 2010 have not been audited. They have been prepared in accordance with generally accepted accounting principles, using established accounting and internal control procedures. These procedures include, but are not limited to, documentation and accounting estimates, which 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 cursive script that reads "John Caligaris".

John Caligaris
Controller
Colorado Lottery

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for first quarters ended September 30, 2010, and 2009 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 First Quarters Ended September 30,			
	2011		2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$120.67		\$124.62	
Nonoperating revenue	0.24		0.23	
TOTAL INCOME	120.91		124.85	
LESS:				
PRIZES	\$75.79	62.8% (1)	\$75.70	60.7% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.20	7.6% (1)	\$9.40	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.66		2.57	
Other Operating Expenses	6.39		7.22	
TOTAL ADMINISTRATIVE COSTS (Note 3)	9.05	7.5% (2)	9.79	7.8% (2)
	26.87		29.96	
NET CHANGE IN NET ASSETS	0.31		0.28	
PROCEEDS DISTRIBUTION	\$26.56	22.0% (2)	\$29.68	23.8% (2)

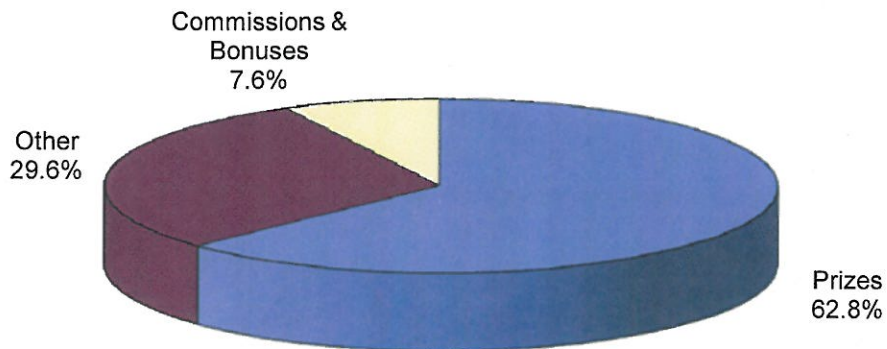
Note 1: Percent of gross ticket sales.

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.

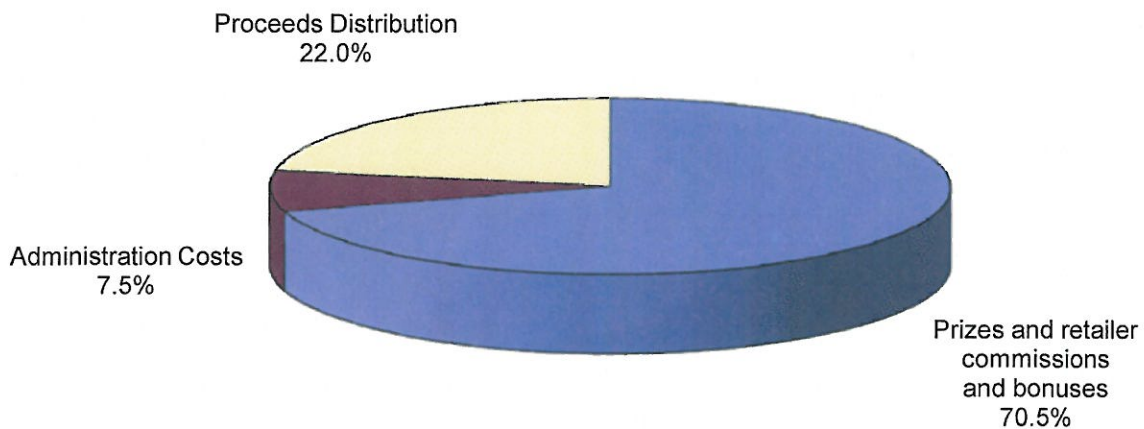
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER
ENDED SEPTEMBER 30, 2010

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
SEPTEMBER 30, 2010 AND 2009
(UNAUDITED)

ASSETS	2011	2010
Current Assets:		
Cash and Investments	\$ 36,237,916	\$ 29,773,890
Accounts Receivable, net of the allowance for doubtful accounts of \$215,953 in 2011 and \$241,094 in 2010	16,095,767	26,848,058
Consignment Inventory, at Cost	117,928	124,226
Warehouse Inventory, at Cost	1,098,356	1,238,641
Prepaid Expenses	128,494	176,023
Total Current Assets	53,678,461	58,160,838
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	366,956	328,830
Prepaid Prize Expense with MUSL	3,787,163	3,944,710
Total Reserve and Restricted Assets	5,554,119	5,473,540
Capital Assets:		
Equipment	6,635,848	5,923,794
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,701,552)	(2,834,903)
Total Capital Assets	3,934,296	3,088,891
TOTAL ASSETS	\$ 63,166,875	\$ 66,723,271
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,384,841	\$ 3,739,867
Prize Liability	26,464,499	26,536,839
Payable to MUSL	226,128	468,745
Wages and Benefits	117,256	50,000
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	730,368	763,061
Funds Available for Distribution	26,560,354	29,577,399
Total Current Liabilities	56,483,446	61,135,911
Long-Term Liabilities:		
Accrued Annual and Sick Leave	907,722	886,507
Expired Warrants Liability	74,455	83,132
Total Long-Term Liabilities	982,177	969,639
TOTAL LIABILITIES	57,465,623	62,105,550
NET ASSETS		
Investment in Capital Assets	3,934,296	3,088,891
Restricted-Licensed Agent Recovery Reserve	366,956	328,830
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,701,252	4,617,721
TOTAL LIABILITIES AND NET ASSETS	\$ 63,166,875	\$ 66,723,271

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 120,667,652	\$ 124,616,147
DIRECT OPERATING EXPENSES		
Prize Expense	75,644,816	76,071,688
Powerball Prize Variance	743,245	(366,124)
Mega Millions Prize Variance	(591,516)	0
Retailer Commissions and Bonuses	9,196,751	9,401,988
Cost of Tickets and Vendor Fees	<u>2,669,868</u>	<u>2,568,407</u>
GROSS PROFIT ON SALE OF TICKETS	<u>33,004,488</u>	<u>36,940,188</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,948,515	3,963,532
Administration Fees Paid to MUSL	78,646	27,916
Wages and Benefits	2,070,144	2,026,291
Professional Services	31,332	30,678
State Agencies Services	54,921	76,961
Department of Revenue Services	134,437	133,282
Travel	61,052	27,760
Equipment	55,479	32,734
Depreciation	148,781	154,436
Accrued Annual and Sick Leave	(43,779)	(35,406)
Space Rental	176,729	170,761
Rents for Equipment	7,429	7,362
Motorpool Leasing	95,148	85,682
Materials and Supplies	46,570	34,663
Telephone	36,568	26,188
On-Line Telecommunications	59,030	130,950
Data Processing Supplies and Services	47,434	7,784
Equipment Maintenance	120,392	183,687
Postage	19,415	20,135
Printing	12,038	14,010
Delivery Expense	205,742	53,278
Other	22,037	51,978
Total Other Operating Expenses	<u>6,388,060</u>	<u>7,224,662</u>
OPERATING INCOME	<u>26,616,428</u>	<u>29,715,526</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	18,586	(744)
Investment Income	225,570	231,866
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(26,560,354)	(29,577,399)
Total Nonoperating Revenues (Expenses)	<u>(26,316,198)</u>	<u>(29,346,277)</u>
NET INCOME (LOSS)	<u>\$ 300,230</u>	<u>\$ 369,249</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>300,230</u>	<u>369,249</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,701,252</u>	<u>\$ 4,617,721</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2010 & 2009
(UNAUDITED)

	2011	2010
Cash flows from operating activities:		
Cash received from retailers	\$ 124,866,007	\$ 118,272,040
Cash paid in prizes	(78,928,109)	(76,172,815)
Cash payments to suppliers	(6,924,485)	(8,007,279)
Cash paid in retailer commissions	(8,036,474)	(8,253,254)
Cash payments to employees for services	(2,687,325)	(2,568,496)
Cash paid in retailer bonus	(1,540,026)	(992,339)
Cash received (used) - other	5,266	946,940
	26,754,854	23,224,797
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(30,254,285)	(28,090,232)
	(30,254,285)	(28,090,232)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(290,820)	(483,626)
Cash flows from investing activities:		
Interest received	225,570	231,866
	225,570	231,866
Net increase (decrease) in cash and investments	(3,564,681)	(5,117,195)
Cash and investments, Beginning of Year (including \$1,570,801 and \$1,488,771, respectively, in restricted accounts)	41,569,553	36,419,915
Cash and investments, End of Period, (including \$1,766,956 and \$1,528,830, respectively, in restricted accounts)	\$ 38,004,872	\$ 31,302,720
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 26,616,428	\$ 29,715,526
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	148,781	154,436
<i>Loss on disposition of equipment</i>	37,964	0
<i>Other revenue</i>	18,586	(744)
<i>Decrease(Increase) in Prepaid Prize Expense with MUSL</i>	141,157	(16,146)
<i>Change in:</i>		
<i>Accounts Receivable</i>	3,671,087	(6,298,615)
<i>Ticket Inventory</i>	53,795	145,621
<i>Other Assets</i>	(73,903)	(35,991)
<i>Liabilities(excluding funds available for distribution)</i>	(3,859,041)	(439,290)
	\$ 26,754,854	\$ 23,224,797
<i>Net cash provided by operating activities</i>		
Statement of Net Assets Classification		
Cash and investments	\$ 36,237,916	\$ 29,773,890
Cash and investments- Licensed Agent Recovery Reserve	366,956	328,830
Cash and investments- Operating Reserve	1,400,000	1,200,000
Cash and investments, End of Period	\$ 38,004,872	\$ 31,302,720

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)

	2011	2010
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	401,000	386,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,823,477	9,657,776
TOTAL ASSETS	\$ 10,224,477	\$ 10,043,776
 NET ASSETS		
Held in Trust for Powerball Winner	10,224,477	10,043,776
TOTAL NET ASSETS	\$ 10,224,477	\$ 10,043,776

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)

	2011	2010
Additions		
Investment Income	\$ 146,865	\$ 57,602
Total Additions	146,865	57,602
Deductions		
Prize Payments	0	0
Change in net assets	146,865	57,602
Net Assets held in Trust for Powerball Winner		
Beginning of Year	10,077,612	9,986,174
End of Period	\$ 10,224,477	\$ 10,043,776

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010
(With Comparative Totals for the First Quarter Ended September 30, 2009)

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Scratch and On-Line
TICKET SALES	\$80,604,362	\$9,400,774	\$17,757,676	\$4,695,711	\$2,931,240	\$4,427,209	\$850,680	\$120,667,652	\$124,616,147
PRIZE EXPENSE	(53,809,557)	(6,178,053)	(7,591,578)	(2,584,743)	(2,061,614)	(2,987,857)	(431,414)	(75,644,816)	(76,071,688)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(743,245)	N/A	N/A	591,516	N/A	(151,729)	366,124
NET REVENUE AFTER PRIZES	26,794,805	3,222,721	9,422,853	2,110,968	869,626	2,030,868	419,266	44,871,107	48,910,583
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(5,634,653)	(563,511)	(1,064,368)	(281,347)	(175,406)	(266,299)	(50,890)	(8,036,474)	(8,253,254)
Retailer Bonus	(880,619)	(61,631)	(113,804)	(44,169)	(27,092)	(28,709)	(4,253)	(1,160,277)	(1,148,734)
Cost of Tickets Sold	(774,711)	N/A	N/A	N/A	N/A	N/A	N/A	(774,711)	(691,591)
Telecomm Reimbursements	126,470	14,750	27,862	7,368	4,599	6,946	1,335	189,330	184,283
On-Line Vendor Fees	(1,389,212)	(162,979)	(308,055)	(81,467)	(50,848)	(77,152)	(14,774)	(2,084,487)	(2,061,099)
TOTAL	(8,552,725)	(773,371)	(1,458,365)	(399,615)	(248,747)	(365,214)	(68,582)	(11,866,619)	(11,970,395)
GROSS PROFIT ON SALE OF TICKETS	\$18,242,080	\$2,449,350	\$7,964,488	\$1,711,353	\$620,879	\$1,665,654	\$350,684	\$33,004,488	\$36,940,188
AVERAGE DAILY TICKET SALES	\$876,134	\$102,182	\$193,018	\$51,040	\$31,861	\$48,122	\$9,247	\$1,311,605	\$1,354,523

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 FIRST QUARTER ENDED SEPTEMBER 30, 2010

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$53,809,557	\$6,178,053	\$8,334,823	\$2,584,743	\$2,061,614	\$2,396,341	\$431,414	\$75,796,545	\$75,705,564
(/) Ticket Sales	80,604,362	9,400,774	17,757,676	4,695,711	2,931,240	4,427,209	850,680	\$120,667,652	124,616,147
Prize %	66.76%	65.72%	46.94%	55.04%	70.33%	54.13%	50.71%	62.81%	60.75%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$2,016,401	\$6,924,540	22.6%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	36,382	132,718	21.5%
Suppl Amortization Equalization	121,266	24,803	96,463	20.5%
Workmen's Compensation	48,548	8,091	40,457	16.7%
Health and Life	665,501	165,076	500,425	24.8%
Short Term Disability	11,283	2,908	8,375	25.8%
Operating	1,203,156	300,745	902,411	25.0%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	617,105	175,182	441,923	28.4%
Leased Space-Grand Junction	7,201	1,547	5,654	21.5%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	33,440	106,099	24.0%
Travel	113,498	61,051	52,447	53.8%
Purch. Of Services-Computer Center	2,133	533	1,600	25.0%
Marketing, Communications & Sales	14,700,000	2,915,715	11,784,285	19.8%
Communications Services	2,118	530	1,588	25.0%
Payments to MNT	230,994	57,749	173,245	25.0%
Payments to Other Agencies	239,410	49,055	190,355	20.5%
Legal Services	32,473	5,866	26,607	18.1%
Indirect Costs	537,749	134,437	403,312	25.0%
Ticket Costs-Scratch	6,284,000	994,635	5,289,365	15.8%
Research	250,000	32,800	217,200	13.1%
Vendor Fees	12,376,154	2,117,686	10,258,468	17.1%
Prize Payments	400,264,560	76,094,063	324,170,497	19.0%
Retailer Compensation	49,290,600	9,196,751	40,093,849	18.7%
Multi-State Lottery Funds	177,433	78,646	98,787	44.3%
Lottery System Migration	1,935,949	175,964	1,759,985	9.1%
Powerball Prize Variance	12,960,000	1,388,531	11,571,469	10.7%
TOTAL	<u>\$511,460,804</u>	<u>\$96,074,458</u>	<u>\$403,814,877</u>	<u>18.78%</u>

FY11 Staffing (FTE) 126.0 (Appropriated) 119.200 (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	75,644,816
Powerball Prize Variance	743,245
Megamillions Prize Variance	(591,516)
Commissions and Bonuses	9,196,751
Cost of Tickets & Vendor Fees	2,669,868
Operating Expenses	6,388,060

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 94,051,224

Plus: Powerball Variance classified as revenue	645,287
Megamillions Variance classified as revenue	1,040,763
Telecommunications offset classified as revenue	189,330

Less: Non-appropriated expenses and other adjustments	
Depreciation	(148,781)
Accrued Annual and Sick Leave	43,779
Loss on Disposal of Equipment classified as revenue	(37,964)

Sub-Total 95,783,638

Plus: Capitalized Fixed Assets	290,820
	<u>96,074,458</u>

Note 1 - FY11 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through September 30, 2010 is 25%.

Note 3 - Amount expended includes expenditures for both capitalized and non-capitalized equipment.