

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

(UNAUDITED)

FOR THE TWO QUARTERS ENDED

DECEMBER 31, 2010

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Mr. Walker Stapleton	State Treasurer
Rep. Frank McNulty	Speaker of the House of Representatives
Sen. Brandon Shaffer	President of the Senate
Sen. Mike Kopp	Senate Minority Leader
Rep. Sal Pace	House Minority Leader
Mr. Dick Reeve	Chairman, Lottery Commissioner
Ms. Robin Wise	Vice-Chairman, Lottery Commissioner
Ms. Betty Martinez	Lottery Commissioner
Ms. Tracie L. Keesee	Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
Ms. Roxy Huber	Executive Director, Department of Revenue
Mr. Abel Tapia	Director, Colorado Lottery
Mr. Tom Kitts	Deputy Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Sally Symanski	State Auditor
Colorado State Publications Depository & Distribution Center	
Joint Legislative Library	

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



John Hickenlooper
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

February 11, 2011

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 two quarters ended December 31, 2010 depicts total revenues of \$253.5 million, which includes gross ticket sales of \$253.0 million. Net income before proceeds distributions is \$59.3 million with an increase in net assets of \$0.5 million. Accordingly, a total of \$58.8 million in distributions will have been made by March 1, 2010 in the following manner; \$29.4 million to the Great Outdoors Colorado Fund, \$5.9 million to the Division of Parks and Outdoor Recreation, \$23.5 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the two quarters ended December 31, 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)**

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 Cash Flows	5
Statements of Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	6
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.	7
Schedule of Revenue and Costs for Scratch and On-Line Games.....	8
Schedule of Percent of Prize Expense to Gross Ticket Sales	8
Budget Status	9

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010 AND 2009

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the two quarters ended December 31, 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 the Two Quarters Ended December 31,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$252.96		\$244.68	
Nonoperating revenue	0.52		0.49	
TOTAL INCOME	253.48		245.17	
LESS:				
PRIZES	\$156.19	61.7% (1)	\$152.02	62.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$19.27	7.6% (1)	\$18.64	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.51		5.41	
Other Operating Expenses	13.23	(3)	13.55	
TOTAL ADMINISTRATIVE COSTS (Note 3)	18.74	7.4% (2)	18.96	7.7% (2)
	59.28		55.55	
NET CHANGE IN NET ASSETS	0.49		0.54	
PROCEEDS DISTRIBUTION	\$58.79	23.2% (2)	\$55.01	22.4% (2)

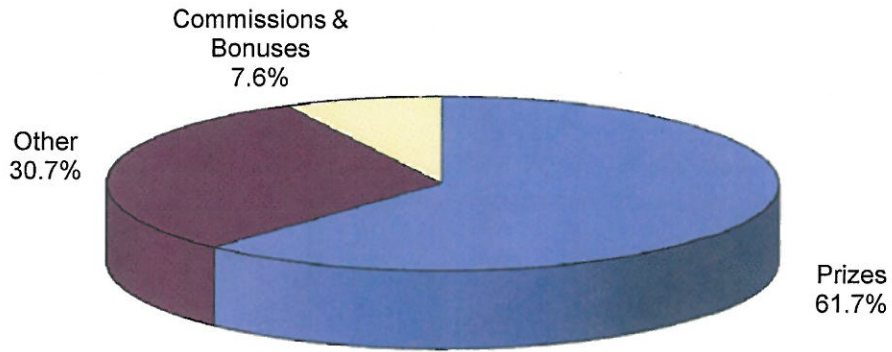
Note 1: Percent of gross ticket sales.

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.

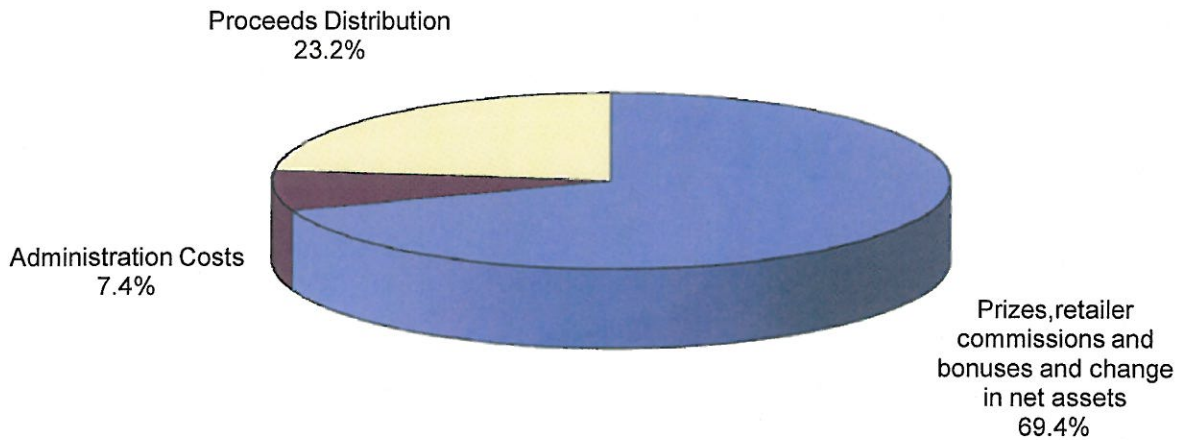
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO QUARTERS
ENDED DECEMBER 31, 2010

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
DECEMBER 31, 2010 AND 2009
(UNAUDITED)

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets:		
Cash and Investments	\$ 43,372,012	\$ 26,619,503
Accounts Receivable, net of the allowance for doubtful accounts of \$180,944 in 2011 and \$255,113 in 2010	22,128,182	26,639,054
Consignment Inventory, at Cost	108,565	109,296
Warehouse Inventory, at Cost	1,094,293	1,082,778
Prepaid Expenses	<u>137,273</u>	<u>127,702</u>
Total Current Assets	<u>66,840,325</u>	<u>54,578,333</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	381,661	327,719
Prepaid Prize Expense with MUSL	3,969,594	3,944,710
Total Reserve and Restricted Assets	<u>5,751,255</u>	<u>5,472,429</u>
Capital Assets:		
Equipment	6,939,203	6,097,859
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	<u>(2,832,995)</u>	<u>(2,845,119)</u>
Total Capital Assets	<u>4,106,208</u>	<u>3,252,740</u>
TOTAL ASSETS	<u>\$ 76,697,788</u>	<u>\$ 63,303,502</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,711,428	\$ 1,839,321
Prize Liability	33,280,244	29,088,318
Payable to MUSL	585,954	241,799
Wages and Benefits	207,097	62,640
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	875,278	859,109
Funds Available for Distribution	<u>32,231,457</u>	<u>25,454,262</u>
Total Current Liabilities	<u>69,891,458</u>	<u>57,545,449</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	844,006	894,462
Expired Warrants Liability	<u>74,455</u>	<u>83,132</u>
Total Long-Term Liabilities	<u>918,461</u>	<u>977,594</u>
TOTAL LIABILITIES	<u>70,809,919</u>	<u>58,523,043</u>
NET ASSETS		
Investment in Capital Assets	4,106,208	3,252,740
Restricted-Licensed Agent Recovery Reserve	381,661	327,719
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	<u>0</u>	<u>0</u>
TOTAL NET ASSETS	<u>5,887,869</u>	<u>4,780,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 76,697,788</u>	<u>\$ 63,303,502</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010 AND 2009
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 252,964,099	\$ 244,678,650
DIRECT OPERATING EXPENSES		
Prize Expense	156,003,306	155,345,583
Powerball Prize Variance	611,132	(3,326,686)
Mega Millions Prize Variance	(428,504)	0
Retailer Commissions and Bonuses	19,275,726	18,637,948
Cost of Tickets and Vendor Fees	<u>5,510,823</u>	<u>5,406,075</u>
GROSS PROFIT ON SALE OF TICKETS	<u>71,991,616</u>	<u>68,615,730</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	6,342,662	7,201,322
Administration Fees Paid to MUSL	74,909	75,833
Wages and Benefits	4,291,312	4,039,089
Professional Services	151,467	64,721
State Agencies Services	107,094	88,102
Department of Revenue Services	268,874	266,564
Travel	82,182	54,133
Equipment	85,008	45,799
Depreciation	298,845	308,618
Accrued Annual and Sick Leave	(109,371)	(25,890)
Space Rental	354,397	345,448
Rents for Equipment	14,363	15,524
Motorpool Leasing	178,887	170,613
Materials and Supplies	72,750	79,895
Telephone	71,226	48,823
On-Line Telecommunications	118,060	247,680
Data Processing Supplies and Services	88,805	16,813
Equipment Maintenance	209,039	254,366
Postage	37,970	23,713
Printing	5,851	11,810
Delivery Expense	429,152	127,297
Other	52,243	85,033
Total Other Operating Expenses	<u>13,225,725</u>	<u>13,545,306</u>
OPERATING INCOME	<u>58,765,891</u>	<u>55,070,424</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	58,711	36,610
Investment Income	454,056	456,614
Funds Distributed for Current Year	(26,560,354)	(29,577,399)
Funds Available for Distribution for Current Year	<u>(32,231,457)</u>	<u>(25,454,262)</u>
Total Nonoperating Revenues (Expenses)	<u>(58,279,044)</u>	<u>(54,538,437)</u>
NET INCOME (LOSS)	<u>\$ 486,847</u>	<u>\$ 531,987</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>486,847</u>	<u>531,987</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,887,869</u>	<u>\$ 4,780,459</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010 & 2009
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Cash flows from operating activities:		
Cash received from retailers	\$ 252,164,580	\$ 240,232,663
Cash paid in prizes	(152,624,561)	(150,073,702)
Cash payments to suppliers	(14,757,200)	(17,509,240)
Cash paid in retailer commissions	(16,828,354)	(16,270,467)
Cash payments to employees for services	(4,792,551)	(4,513,847)
Cash paid in retailer bonus	(2,596,748)	(2,110,120)
Cash received (used) - other	(7,666)	(4,381)
	<u>60,557,500</u>	<u>49,750,906</u>
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(56,814,639)	(57,667,631)
	<u>(56,814,639)</u>	<u>(57,667,631)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(612,797)	(812,582)
Cash flows from investing activities:		
Interest received	454,056	456,614
	<u>454,056</u>	<u>456,614</u>
Net increase (decrease) in cash and investments	3,584,120	(8,272,693)
Cash and investments, Beginning of Year (including \$1,570,801 and \$1,488,771, respectively, in restricted accounts)	<u>41,569,553</u>	<u>36,419,915</u>
Cash and investments, End of Period, (including \$1,781,661 and \$1,527,719, respectively, in restricted accounts)	<u>\$ 45,153,673</u>	<u>\$ 28,147,222</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 58,765,891	\$ 55,070,424
Adjustments to reconcile operating income to net cash		
Depreciation	298,845	308,618
Loss on disposition of equipment	37,964	10,925
Other revenue	58,711	36,610
Decrease(Increase) in Prepaid Prize Expense with MUSL	(41,274)	(16,144)
Change in:		
Accounts Receivable	(2,361,328)	(6,089,611)
Ticket Inventory	67,221	316,414
Other Assets	(82,682)	12,330
Liabilities(excluding funds available for distribution)	3,814,152	101,340
	<u>60,557,500</u>	<u>49,750,906</u>
Net cash provided by operating activities	<u>\$ 60,557,500</u>	<u>\$ 49,750,906</u>
Statement of Net Assets Classification		
Cash and investments	\$ 43,372,012	\$ 26,619,503
Cash and investments- Licensed Agent Recovery Reserve	381,661	327,719
Cash and investments- Operating Reserve	<u>1,400,000</u>	<u>1,200,000</u>
Cash and investments, End of Period	<u>\$ 45,153,673</u>	<u>\$ 28,147,222</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2010 AND 2009

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,626,670</u>	<u>9,430,774</u>
TOTAL ASSETS	\$ <u>10,043,670</u>	\$ <u>9,831,774</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,043,670</u>	<u>9,831,774</u>
TOTAL NET ASSETS	\$ <u>10,043,670</u>	\$ <u>9,831,774</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010 AND 2009

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>367,058</u>	\$ <u>231,600</u>
Total Additions	<u>367,058</u>	<u>231,600</u>
 Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	(33,942)	(154,400)
 Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,077,612</u>	<u>9,986,174</u>
End of Period	\$ <u><u>10,043,670</u></u>	\$ <u><u>9,831,774</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010
(With Comparative Totals for the Two Quarters Ended December 31, 2009)

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Scratch and On-Line
TICKET SALES	\$167,758,480	\$19,348,392	\$34,299,376	\$9,338,904	\$6,009,962	\$10,608,985	\$5,600,000	\$252,964,099	\$244,678,650
PRIZE EXPENSE	(112,714,487)	(10,496,623)	(15,238,770)	(5,083,009)	(3,690,494)	(5,939,923)	(2,840,000)	(156,003,306)	(155,345,583)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(611,132)	N/A	N/A	428,504	N/A	(182,628)	3,326,686
NET REVENUE AFTER PRIZES	55,043,993	8,851,769	18,449,474	4,255,895	2,319,468	5,097,566	2,760,000	96,778,165	92,659,753
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(11,721,614)	(1,159,815)	(2,055,946)	(559,587)	(359,670)	(636,989)	(334,733)	(16,828,354)	(16,270,467)
Retailer Bonus	(1,860,352)	(126,503)	(220,315)	(87,966)	(55,492)	(68,744)	(28,000)	(2,447,372)	(2,367,481)
Cost of Tickets Sold	(1,607,373)	N/A	N/A	N/A	N/A	N/A	N/A	(1,607,373)	(1,669,486)
Telecomm Reimbursements	251,753	29,036	51,473	14,015	9,019	15,921	8,403	379,620	372,198
On-Line Vendor Fees	(2,839,742)	(328,666)	(585,729)	(159,205)	(102,193)	(177,366)	(90,169)	(4,283,070)	(4,108,787)
TOTAL	(17,777,328)	(1,585,948)	(2,810,517)	(792,743)	(508,336)	(867,178)	(444,499)	(24,786,549)	(24,044,023)
GROSS PROFIT ON SALE OF TICKETS	\$37,266,665	\$7,265,821	\$15,638,957	\$3,463,152	\$1,811,132	\$4,230,388	\$2,315,501	\$71,991,616	\$68,615,730
AVERAGE DAILY TICKET SALES	\$911,731	\$105,154	\$186,410	\$50,755	\$32,663	\$57,658	\$30,435	\$1,374,805	\$1,329,775

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 TWO QUARTERS ENDED DECEMBER 31, 2010

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense * (/)Ticket Sales	\$112,714,487 167,758,480	\$10,496,623 19,348,392	\$15,849,902 34,299,376	\$5,083,009 9,338,904	\$3,690,494 6,009,962	\$5,511,419 10,608,985	\$2,840,000 5,600,000	\$156,185,934 \$252,964,099	\$152,018,897 244,678,650
Prize %	67.19%	54.25%	46.21%	54.43%	61.41%	51.95%	50.71%	61.74%	62.13%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO QUARTERS ENDED DECEMBER 31, 2010

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$4,260,411	\$4,680,530	47.7%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	74,257	94,843	43.9%
Suppl Amortization Equalization	121,266	50,631	70,635	41.8%
Workmen's Compensation	48,548	24,274	24,274	50.0%
Health and Life	665,501	326,244	339,257	49.0%
Short Term Disability	11,283	5,758	5,525	51.0%
Operating	1,203,156	548,460	654,696	45.6%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	710,689	351,303	359,386	49.4%
Leased Space-Grand Junction	7,201	3,094	4,107	43.0%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	66,784	72,755	47.9%
Travel	113,498	82,153	31,345	72.4%
Purch. Of Services-Computer Center	2,133	1,066	1,067	50.0%
Marketing, Communications & Sales	14,700,000	6,273,408	8,426,592	42.7%
Communications Services	2,118	1,059	1,059	50.0%
Payments to MNT	230,994	115,497	115,497	50.0%
Payments to Other Agencies	239,410	97,883	141,527	40.9%
Legal Services	32,473	9,211	23,262	28.4%
Indirect Costs	537,749	268,874	268,875	50.0%
Ticket Costs-Scratch	6,284,000	2,053,729	4,230,271	32.7%
Research	250,000	67,450	182,550	27.0%
Vendor Fees	12,376,154	4,350,350	8,025,804	35.2%
Prize Payments	400,264,560	156,944,535	243,320,025	39.2%
Retailer Compensation	49,290,600	19,275,726	30,014,874	39.1%
Multi-State Lottery Funds	177,433	74,909	102,524	42.2%
Lottery System Migration	1,935,949	388,851	1,547,098	20.1%
Powerball Prize Variance	12,960,000	2,487,544	10,472,456	19.2%
TOTAL	<u>\$511,554,388</u>	<u>\$198,209,332</u>	<u>\$302,872,600</u>	<u>38.75%</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	156,003,306
Powerball Prize Variance	611,132
Megamillions Prize Variance	(428,504)
Commissions and Bonuses	19,275,726
Cost of Tickets & Vendor Fees	5,510,823
Operating Expenses	13,225,725
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>194,198,208</u>
Plus: Powerball Variance classified as revenue	1,876,412
Megamillions Variance classified as revenue	1,369,732
Telecommunications offset classified as revenue	379,620
Less: Non-appropriated expenses and other adjustments	
Depreciation	(298,845)
Accrued Annual and Sick Leave	109,371
Loss on Disposal of Equipment classified as revenue	(37,964)
Sub-Total	197,596,534
Plus: Capitalized Fixed Assets	612,798
	<u>198,209,332</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 December 31, 2010 is 50%.

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