

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

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

(UNAUDITED)

FOR THE THREE QUARTERS ENDED

MARCH 31, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

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John Hickenlooper
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

April 29, 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 three quarters ended March 31, 2011 depicts total revenues of \$388.1 million, which includes gross ticket sales of \$387.4 million. Net income before proceeds distributions is \$88.2 million with an increase in net assets of \$0.4 million. Accordingly, a total of nearly \$87.8 million in distributions will have been made by June 1, 2011 in the following manner; \$43.9 million to the Great Outdoors Colorado Fund, \$8.8 million to the Division of Parks and Outdoor Recreation, \$35.1 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the three quarters ended March 31, 2011 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
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 THREE QUARTERS ENDED MARCH 31, 2011 AND 2010

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the three quarters ended March 31, 2011 and 2010 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 Three Quarters Ended March 31,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$387.37		\$369.26	
Nonoperating revenue	0.77		0.78	
TOTAL INCOME	388.14		370.04	
LESS:				
PRIZES	\$242.09	62.5% (1)	\$229.09	62.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$29.54	7.6% (1)	\$28.14	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	8.29		7.94	
Other Operating Expenses	20.03	(3)	21.23	
TOTAL ADMINISTRATIVE COSTS (Note 3)	28.32	7.3% (2)	29.17	7.9% (2)
	88.19		83.64	
NET CHANGE IN NET ASSETS	0.44		0.95	
PROCEEDS DISTRIBUTION	\$87.74	22.6% (2)	\$82.69	22.3% (2)

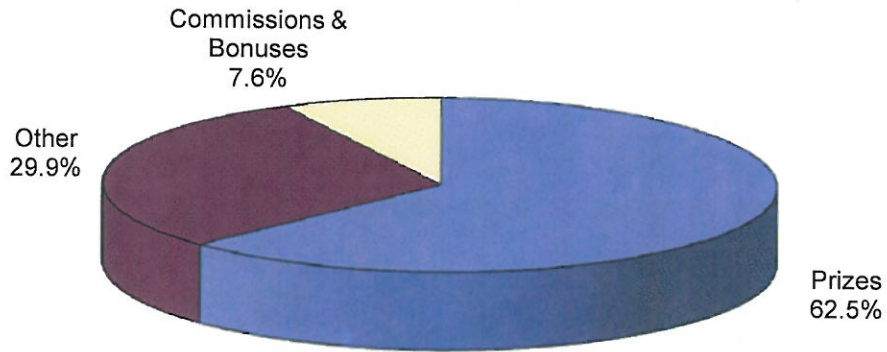
Note 1: Percent of gross ticket sales.

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.

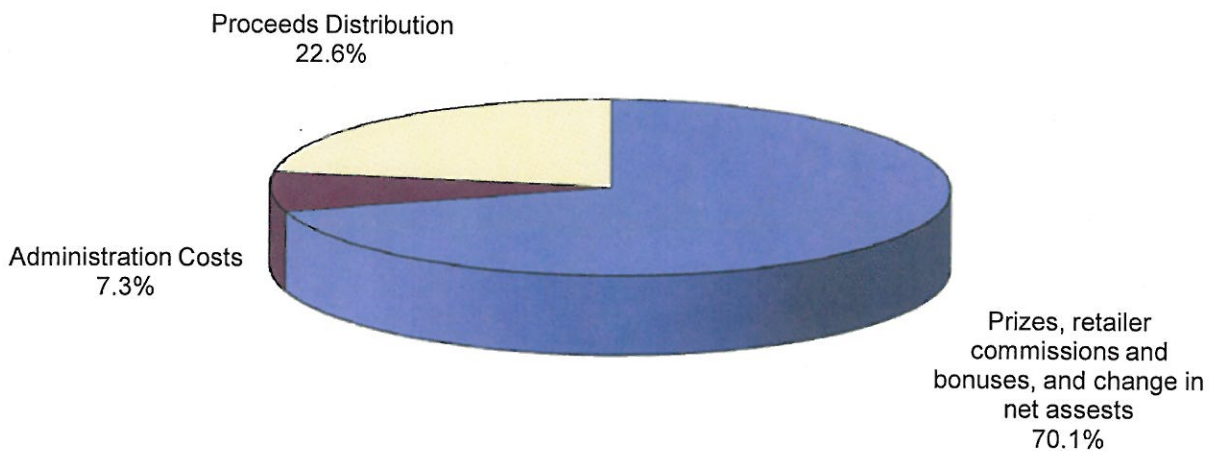
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE THREE QUARTERS
ENDED MARCH 31, 2011

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
MARCH 31, 2011 AND 2010
(UNAUDITED)

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets:		
Cash and Investments	\$ 36,155,665	\$ 33,385,626
Accounts Receivable, net of the allowance for doubtful accounts of \$175,589 in 2011 and \$245,475 in 2010	20,118,797	20,284,314
Consignment Inventory, at Cost	136,549	121,754
Warehouse Inventory, at Cost	840,533	997,755
Prepaid Expenses	97,439	91,381
Total Current Assets	<u>57,348,983</u>	<u>54,880,830</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	399,992	351,240
Prepaid Prize Expense with MUSL	4,030,997	3,944,710
Total Reserve and Restricted Assets	<u>5,830,989</u>	<u>5,495,950</u>
Capital Assets:		
Equipment	7,101,389	6,388,462
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(3,060,477)	(2,752,614)
Total Capital Assets	<u>4,040,912</u>	<u>3,635,848</u>
 TOTAL ASSETS	 <u>\$ 67,220,884</u>	 <u>\$ 64,012,631</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,288,686	\$ 3,712,967
Prize Liability	28,049,725	25,184,549
Payable to MUSL	160,718	233,958
Wages and Benefits	171,000	92,400
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	815,429	834,081
Funds Available for Distribution	28,956,397	27,655,621
Total Current Liabilities	<u>60,441,955</u>	<u>57,713,576</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	863,262	1,028,834
Expired Warrants Liability	74,763	83,133
Total Long-Term Liabilities	<u>938,025</u>	<u>1,111,967</u>
 TOTAL LIABILITIES	 <u>61,379,980</u>	 <u>58,825,543</u>
 NET ASSETS		
Investment in Capital Assets	4,040,912	3,635,848
Restricted-Licensed Agent Recovery Reserve	399,992	351,240
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	<u>5,840,904</u>	<u>5,187,088</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 67,220,884</u>	 <u>\$ 64,012,631</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE THREE QUARTERS ENDED MARCH 31, 2011 AND 2010
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 387,368,643	\$ 369,260,275
DIRECT OPERATING EXPENSES		
Prize Expense	241,530,537	231,530,774
Powerball Prize Variance	1,508,845	(2,437,980)
Mega Millions Prize Variance	(945,258)	0
Retailer Commissions and Bonuses	29,537,253	28,144,474
Cost of Tickets and Vendor Fees	<u>8,287,958</u>	<u>7,941,361</u>
GROSS PROFIT ON SALE OF TICKETS	<u>107,449,308</u>	<u>104,081,646</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,444,948	10,471,621
Administration Fees Paid to MUSL	107,364	104,249
Wages and Benefits	6,431,988	6,101,958
Professional Services	438,335	132,033
State Agencies Services	80,884	96,511
Department of Revenue Services	403,312	399,845
Travel	107,471	79,891
Equipment	99,689	1,204,260
Depreciation	526,327	463,893
Accrued Annual and Sick Leave	(89,871)	108,866
Space Rental	527,986	528,449
Rents for Equipment	22,928	22,961
Motorpool Leasing	263,893	230,733
Materials and Supplies	112,596	105,592
Telephone	105,395	71,417
On-Line Telecommunications	279,110	376,411
Data Processing Supplies and Services	27,560	24,396
Equipment Maintenance	299,657	365,590
Postage	49,089	35,724
Printing	18,118	7,126
Delivery Expense	704,613	194,740
Other	72,755	106,056
Total Other Operating Expenses	<u>20,034,147</u>	<u>21,232,322</u>
OPERATING INCOME	<u>87,415,161</u>	<u>82,849,324</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	125,385	94,213
Investment Income	647,544	682,361
Funds Distributed for Current Year	(58,791,811)	(55,031,661)
Funds Available for Distribution for Current Year	(28,956,397)	(27,655,621)
Total Nonoperating Revenues (Expenses)	<u>(86,975,279)</u>	<u>(81,910,708)</u>
NET INCOME(LOSS)	<u>\$ 439,882</u>	<u>\$ 938,616</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>439,882</u>	<u>938,616</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,840,904</u>	<u>\$ 5,187,088</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE THREE QUARTERS ENDED MARCH 31, 2011 & 2010
(UNAUDITED)

	FY 2011	FY 2010
Cash flows from operating activities:		
Cash received from retailers	\$ 387,942,070	\$ 373,888,282
Cash paid in prizes	(243,865,333)	(230,974,171)
Cash payments to suppliers	(21,834,885)	(26,146,116)
Cash paid in retailer commissions	(25,768,384)	(24,561,185)
Cash payments to employees for services	(6,914,080)	(6,482,479)
Cash paid in retailer bonus	(3,978,471)	(3,356,605)
Cash received (used) - other	(21,278)	(32,743)
	85,559,639	82,334,983
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(89,046,096)	(83,121,893)
	(89,046,096)	(83,121,893)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(774,983)	(1,378,500)
Cash flows from investing activities:		
Interest received	647,544	682,361
	647,544	682,361
Net increase (decrease) in cash and investments	(3,613,896)	(1,483,049)
Cash and investments, Beginning of Year (including \$1,570,801 and \$1,488,771, respectively, in restricted accounts)	41,569,553	36,419,915
	41,569,553	36,419,915
Cash and investments, End of Period, (including \$1,799,992 and \$1,551,240, respectively, in restricted accounts)	\$ 37,955,657	\$ 34,936,866
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 87,415,161	\$ 82,849,324
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	526,327	463,893
<i>Loss on disposition of equipment</i>	37,964	38,457
<i>Other revenue</i>	125,385	94,213
<i>Decrease(Increase) in Prepaid Prize Expense with MUSL</i>	(102,678)	(16,144)
<i>Change in:</i>		
<i>Accounts Receivable</i>	(351,943)	265,129
<i>Ticket Inventory</i>	292,997	388,979
<i>Other Assets</i>	(42,848)	48,651
<i>Liabilities</i>	(2,340,726)	(1,797,519)
	(2,340,726)	(1,797,519)
<i>Net cash provided by operating activities</i>	\$ 85,559,639	\$ 82,334,983
Statement of Net Assets Classification		
Cash and investments	\$ 36,155,665	\$ 33,385,626
Cash and investments- Licensed Agent Recovery Reserve	399,992	351,240
Cash and investments- Operating Reserve	1,400,000	1,200,000
	1,400,000	1,200,000
Cash and investments, End of Period	\$ 37,955,657	\$ 34,936,866

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 MARCH 31, 2011 AND 2010

(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>9,747,342</u>	<u>9,552,504</u>
TOTAL ASSETS	\$ <u>10,164,342</u>	\$ <u>9,953,504</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,164,342</u>	<u>9,953,504</u>
TOTAL NET ASSETS	\$ <u>10,164,342</u>	\$ <u>9,953,504</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE THREE QUARTERS ENDED MARCH 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>487,730</u>	\$ <u>353,330</u>
Total Additions	<u>487,730</u>	<u>353,330</u>
 Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	86,730	(32,670)
 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>10,164,342</u></u>	\$ <u><u>9,953,504</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE THREE QUARTERS ENDED MARCH 31, 2011
(With Comparative Totals for the Three Quarters Ended March 31, 2010)

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Scratch and On-Line
TICKET SALES	\$256,410,573	\$29,949,103	\$52,202,162	\$14,270,935	\$8,691,068	\$20,244,802	\$5,600,000	\$387,368,643	\$369,260,275
PRIZE EXPENSE	(175,483,707)	(15,701,561)	(22,901,115)	(7,796,805)	(5,419,159)	(11,388,190)	(2,840,000)	(241,530,537)	(231,530,774)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,508,845)	N/A	N/A	945,258	N/A	(563,587)	2,437,980
NET REVENUE AFTER PRIZES	80,926,866	14,247,542	27,792,202	6,474,130	3,271,909	9,801,870	2,760,000	145,274,519	140,167,481
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(17,920,042)	(1,795,166)	(3,128,909)	(855,053)	(520,188)	(1,214,293)	(334,733)	(25,768,384)	(24,561,185)
Retailer Bonus	(2,862,597)	(196,219)	(336,216)	(134,761)	(80,459)	(130,617)	(28,000)	(3,768,869)	(3,583,289)
Cost of Tickets Sold	(2,391,055)	N/A	N/A	N/A	N/A	N/A	N/A	(2,391,055)	(2,293,658)
Telecomm Reimbursements	377,462	44,088	76,847	21,008	12,794	29,802	8,403	570,404	560,303
On-Line Vendor Fees	(4,282,761)	(502,951)	(877,353)	(239,665)	(145,854)	(328,554)	(90,169)	(6,467,307)	(6,208,006)
TOTAL	(27,078,993)	(2,450,248)	(4,265,631)	(1,208,471)	(733,707)	(1,643,662)	(444,499)	(37,825,211)	(36,085,835)
GROSS PROFIT ON SALE OF TICKETS	\$53,847,873	\$11,797,294	\$23,526,571	\$5,265,659	\$2,538,202	\$8,158,208	\$2,315,501	\$107,449,308	\$104,081,646
AVERAGE DAILY TICKET SALES	\$935,805	\$109,303	\$190,519	\$52,084	\$31,719	\$73,886	\$20,438	\$1,413,754	\$1,347,665

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 THREE QUARTERS ENDED MARCH 31, 2011

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense * (/)Ticket Sales	\$175,483,707 256,410,573	\$15,701,561 29,949,103	\$24,409,960 52,202,162	\$7,796,805 14,270,935	\$5,419,159 8,691,068	\$10,442,932 20,244,802	\$2,840,000 5,600,000	\$242,094,124 \$387,368,643	\$229,092,794 369,260,275
Prize %	68.44%	52.43%	46.76%	54.63%	62.35%	51.58%	50.71%	62.50%	62.04%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE THREE QUARTERS ENDED MARCH 31, 2011

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$6,212,433	\$2,728,508	69.5%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	116,063	53,037	68.6%
Suppl Amortization Equalization	121,266	82,789	38,477	68.3%
Workmen's Compensation	48,548	36,411	12,137	75.0%
Health and Life	674,296	488,549	185,747	72.5%
Short Term Disability	11,283	8,540	2,743	75.7%
Operating	1,203,156	853,237	349,919	70.9%
Variable Vehicle	129,168	220	128,948	0.2%
Leased Space	710,689	523,346	187,343	73.6%
Leased Space-Grand Junction	7,201	4,640	2,561	64.4%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	99,959	39,580	71.6%
Travel	113,498	107,471	6,027	94.7%
Purch. Of Services-Computer Center	2,133	1,600	533	75.0%
Marketing, Communications & Sales	14,700,000	9,346,699	5,353,301	63.6%
Communications Services	2,118	1,588	530	75.0%
Payments to MNT	230,994	173,245	57,749	75.0%
Payments to Other Agencies	239,410	70,412	168,998	29.4%
Legal Services	32,473	10,471	22,002	32.2%
Indirect Costs	537,749	403,312	134,437	75.0%
Ticket Costs-Scratch	6,588,085	3,126,951	3,461,134	47.5%
Research	250,000	98,250	151,750	39.3%
Vendor Fees	12,571,504	6,569,329	6,002,175	52.3%
Prize Payments	424,104,016	243,074,479	181,029,537	57.3%
Retailer Compensation	52,241,350	29,537,253	22,704,097	56.5%
Multi-State Lottery Funds	177,433	107,364	70,069	60.5%
Lottery System Migration	1,935,949	744,323	1,191,626	38.4%
Powerball Prize Variance	17,397,000	3,927,004	13,469,996	22.6%
TOTAL	<u><u>\$543,289,824</u></u>	<u><u>\$305,731,809</u></u>	<u><u>\$224,088,019</u></u>	<u><u>56.27%</u></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	241,530,537
Powerball Prize Variance	1,508,845
Megamillions Prize Variance	(945,258)
Commissions and Bonuses	29,537,253
Cost of Tickets & Vendor Fees	8,287,958
Operating Expenses	20,034,147
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>299,953,482</u>
Plus: Powerball Variance classified as revenue	2,415,160
Megamillions Variance classified as revenue	2,492,199
Telecommunications offset classified as revenue	570,405
Less: Non-appropriated expenses and other adjustments	
Depreciation	(526,327)
Accrued Annual and Sick Leave	89,871
Loss on Disposal of Equipment classified as revenue	(37,964)
Sub-Total	<u>304,956,826</u>
Plus: Capitalized Fixed Assets	774,983
	<u><u>305,731,809</u></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 March 31, 2011 is 75%.

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