

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

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED

AUGUST 31, 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

October 6, 2010

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 two months ended August 31, 2010, 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 the risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Caligaris".

John Caligaris
Acting Controller, Colorado Lottery
Colorado Department of Revenue

**COLORADO LOTTERY
STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE TWO (2) MONTHS ENDED AUGUST 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 two months ended August 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 Two Months Ended August 31,			
	2011		2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$81.26		\$82.82	
Nonoperating revenue	0.19		0.20	
TOTAL INCOME	81.45		83.02	
LESS:				
PRIZES	\$50.89	62.6% (1)	\$49.57	59.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.19	7.6% (1)	\$6.22	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.70		1.71	
Other Operating Expenses	4.07		4.76	
TOTAL ADMINISTRATIVE COSTS (Note 3)	5.77	7.1% (2)	6.47	7.8% (2)
	18.60		20.76	
NET CHANGE IN NET ASSETS	0.06		0.14	
PROCEEDS DISTRIBUTION	\$18.54	22.8% (2)	\$20.62	24.8% (2)

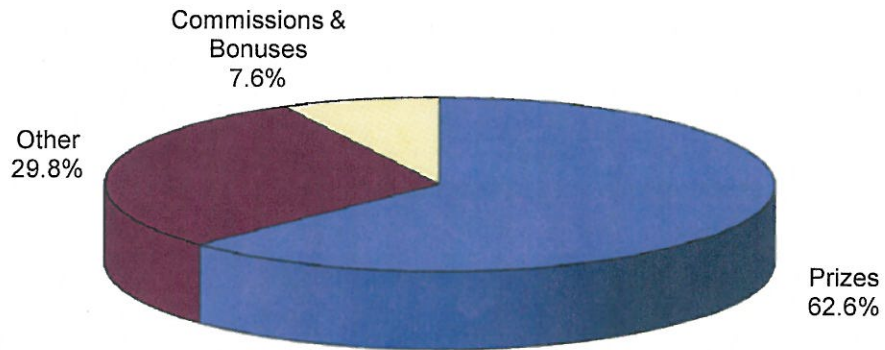
Note 1: Percent of gross ticket sales.

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.

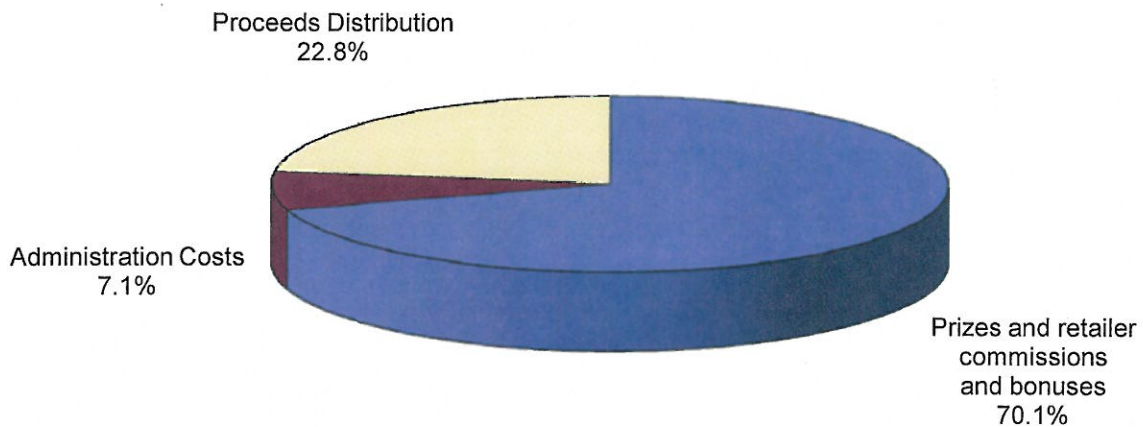
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS
ENDED AUGUST 31, 2010

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
AUGUST 31, 2010 AND 2009
(UNAUDITED)

ASSETS	2011	2010
Current Assets:		
Cash and Investments	\$ 53,841,848	\$ 53,789,854
Accounts Receivable, net of the allowance for doubtful accounts of \$217,172 in 2011 and \$204,973 in 2010	19,237,489	22,394,601
Consignment Inventory, at Cost	132,129	113,616
Warehouse Inventory, at Cost	854,534	1,257,730
Prepaid Expenses	135,503	200,130
Total Current Assets	74,201,503	77,755,931
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	363,614	364,597
Prepaid Prize Expense with MUSL	3,914,323	3,922,273
Total Reserve and Restricted Assets	5,477,937	5,386,870
Capital Assets:		
Equipment	6,543,765	5,694,363
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,651,889)	(2,783,509)
Total Capital Assets	3,891,876	2,910,854
TOTAL ASSETS	\$ 83,571,316	\$ 86,053,655
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,273,830	\$ 5,796,849
Prize Liability	25,379,854	25,549,789
Payable to MUSL	66,982	0
Wages and Benefits	79,456	33,333
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	542,293	547,241
Funds Available for Distribution	48,800,234	48,748,772
Total Current Liabilities	77,142,649	80,675,984
Long-Term Liabilities:		
Accrued Annual and Sick Leave	898,722	919,088
Expired Warrants Liability	74,455	83,132
Total Long-Term Liabilities	973,177	1,002,220
TOTAL LIABILITIES	78,115,826	81,678,204
NET ASSETS		
Investment in Capital Assets	3,891,876	2,910,854
Restricted-Licensed Agent Recovery Reserve	363,614	364,597
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,455,490	4,375,451
TOTAL LIABILITIES AND NET ASSETS	\$ 83,571,316	\$ 86,053,655

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2010 AND 2009
(UNAUDITED)

	2011	2010
OPERATING REVENUES		
Gross Ticket Sales	\$ 81,258,925	\$ 82,824,098
DIRECT OPERATING EXPENSES		
Prize Expense	51,211,793	48,778,710
Powerball Prize Variance	359,437	790,374
Mega Millions Prize Variance	(679,584)	0
Retailer Commissions and Bonuses	6,185,431	6,220,388
Cost of Tickets and Vendor Fees	1,706,614	1,708,494
GROSS PROFIT ON SALE OF TICKETS	22,475,234	25,326,132
OTHER OPERATING EXPENSES		
Marketing and Communications	1,746,147	2,516,094
Administration Fees Paid to MUSL	79,557	18,611
Wages and Benefits	1,369,169	1,379,174
Professional Services	26,026	24,886
State Agencies Services	72,460	72,596
Department of Revenue Services	89,625	88,855
Travel	23,903	16,217
Equipment	49,718	17,314
Depreciation	99,118	103,042
Accrued Annual and Sick Leave	(52,703)	(2,577)
Space Rental	118,451	108,519
Rents for Equipment	11,322	4,902
Motorpool Leasing	65,522	56,338
Materials and Supplies	25,517	29,216
Telephone	24,582	18,160
On-Line Telecommunications	56,587	88,154
Data Processing Supplies and Services	33,111	7,103
Equipment Maintenance	64,636	94,565
Postage	18,650	19,232
Printing	7,774	7,479
Delivery Expense	122,541	27,190
Other	16,900	40,546
Total Other Operating Expenses	4,068,613	4,735,616
OPERATING INCOME	18,406,621	20,590,516
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	5,356	27,182
Investment Income	188,440	167,821
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(18,545,949)	(20,658,540)
Total Nonoperating Revenues (Expenses)	(18,352,153)	(20,463,537)
NET INCOME (LOSS)	\$ 54,468	\$ 126,979
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	54,468	126,979
NET ASSETS, END OF PERIOD	\$ 5,455,490	\$ 4,375,451

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET ASSETS
AUGUST 31, 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	9,776,012	9,600,174
TOTAL ASSETS	\$ 10,177,012	\$ 9,986,174
 NET ASSETS		
Held in Trust for Powerball Winner	10,177,012	9,986,174
TOTAL NET ASSETS	\$ 10,177,012	\$ 9,986,174

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2010 AND 2009

(UNAUDITED)

	2011	2010
Additions		
Investment Income	\$ <u>99,400</u>	\$ <u>0</u>
Total Additions	<u>99,400</u>	<u>0</u>
Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	99,400	0
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>10,177,012</u></u>	\$ <u><u>9,986,174</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2010
(With Comparative Totals for the Two (2) Months Ended August 31, 2009)

	Games in Progress						FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$54,319,308	\$6,830,040	\$11,711,215	\$3,164,108	\$2,059,230	\$3,175,024	\$81,258,925	\$82,824,098
PRIZE EXPENSE	(35,955,155)	(4,412,966)	(5,188,325)	(1,708,847)	(1,634,753)	(2,311,747)	(51,211,793)	(48,778,710)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(359,437)	N/A	N/A	679,584	320,147	(790,374)
NET REVENUE AFTER PRIZES	18,364,153	2,417,074	6,163,453	1,455,261	424,477	1,542,861	30,367,279	33,255,014
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(3,795,045)	(409,421)	(701,941)	(189,586)	(123,202)	(191,038)	(5,410,233)	(5,478,518)
Retailer Bonus	(586,238)	(44,822)	(74,855)	(29,708)	(19,234)	(20,341)	(775,198)	(741,870)
Cost of Tickets Sold	(438,609)	N/A	N/A	N/A	N/A	N/A	(438,609)	(485,947)
Telecomm Reimbursements	87,573	11,011	18,881	5,101	3,320	5,119	131,005	126,688
On-Line Vendor Fees	(931,722)	(118,333)	(203,046)	(54,868)	(35,704)	(55,337)	(1,399,010)	(1,349,235)
TOTAL	(5,664,041)	(561,565)	(960,961)	(269,061)	(174,820)	(261,597)	(7,892,045)	(7,928,882)
GROSS PROFIT ON SALE OF TICKETS	<u>\$12,700,112</u>	<u>\$1,855,509</u>	<u>\$5,202,492</u>	<u>\$1,186,200</u>	<u>\$249,657</u>	<u>\$1,281,264</u>	<u>\$22,475,234</u>	<u>\$25,326,132</u>
AVERAGE DAILY TICKET SALES	<u>\$876,118</u>	<u>\$110,162</u>	<u>\$188,891</u>	<u>\$51,034</u>	<u>\$33,213</u>	<u>\$51,210</u>	<u>\$1,310,628</u>	<u>\$1,335,873</u>

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 (2) MONTHS ENDED AUGUST 31, 2010

	Games in Progress						Multistate Games Prize Variances	FY 11 Total
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions		
Prize Expense (/) Ticket Sales	\$35,955,155 54,319,308	\$4,412,966 6,830,040	\$5,188,325 11,711,215	\$1,708,847 3,164,108	\$1,634,753 2,059,230	\$2,311,747 3,175,024	-\$320,147 N/A	\$50,891,646 81,258,925
Prize %	66.19%	64.61%	44.30%	54.01%	79.39%	72.81%		62.63%

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2010

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$1,358,754	\$7,582,187	15.2%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	11,905	157,195	7.0%
Suppl Amortization Equalization	121,266	8,114	113,152	6.7%
Workmen's Compensation	48,548	4,046	44,502	8.3%
Health and Life	665,501	109,709	555,792	16.5%
Short Term Disability	11,283	1,931	9,352	17.1%
Operating	1,203,156	230,672	972,484	19.2%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	617,105	117,420	499,685	19.0%
Leased Space-Grand Junction	7,201	1,031	6,170	14.3%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	22,329	117,210	16.0%
Travel	113,498	23,903	89,595	21.1%
Purch. Of Services-Computer Center	2,133	4,135	(2,002)	193.9%
Marketing, Communications & Sales	14,700,000	1,722,897	12,977,103	11.7%
Communications Services	2,118	353	1,765	16.7%
Payments to MNT	230,994	55,733	175,261	24.1%
Payments to Other Agencies	239,410	67,407	172,003	28.2%
Legal Services	32,473	5,053	27,420	15.6%
Indirect Costs	537,749	89,625	448,124	16.7%
Ticket Costs-Scratch	6,284,000	561,149	5,722,851	8.9%
Research	250,000	23,250	226,750	9.3%
Vendor Fees	12,376,154	1,419,349	10,956,805	11.5%
Prize Payments	400,264,560	51,549,331	348,715,229	12.9%
Retailer Compensation	49,290,600	6,185,430	43,105,170	12.5%
Multi-State Lottery Funds	177,433	79,556	97,877	44.8%
Lottery System Migration	1,935,949	96,400	1,839,549	5.0%
Powerball Prize Variance	12,960,000	964,285	11,995,715	7.4%
TOTAL	<u><u>\$511,460,804</u></u>	<u><u>\$64,719,638</u></u>	<u><u>\$434,745,451</u></u>	<u><u>12.65%</u></u>

FY11 Staffing (FTE) 126.0 (Appropriated) 121.000 (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	51,211,793
Powerball Prize Variance	359,437
Megamillions Prize Variance	(679,584)
Commissions and Bonuses	6,185,431
Cost of Tickets & Vendor Fees	1,706,614
Operating Expenses	4,068,613
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u><u>62,852,304</u></u>
Plus: Powerball Variance classified as revenue	604,848
Megamillions Variance classified as revenue	1,017,122
Telecommunications offset classified as revenue	131,005
Less: Non-appropriated expenses and other adjustments	
Depreciation	(99,118)
Accrued Annual and Sick Leave	52,703
Loss on Disposal of Equipment classified as revenue	(37,963)
Sub-Total	<u><u>64,520,901</u></u>
Plus: Capitalized Fixed Assets	198,737
	<u><u>64,719,638</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 August 31, 2010 is 16 2/3%.

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