

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

(UNAUDITED)

FOR THE FOUR (4) MONTHS ENDED

OCTOBER 31, 2010

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue

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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

January 12, 2011

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 four months ended October 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
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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 four months October 31,			
	2011		2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$161.68		\$163.91	
Nonoperating revenue	0.34		0.35	
TOTAL INCOME	162.02		164.26	
LESS:				
PRIZES	\$101.62	62.9% (1)	\$100.57	61.4% (1)
RETAILER COMMISSIONS AND BONUSES	\$12.33	7.6% (1)	\$12.41	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	3.60		3.62	
Other Operating Expenses	8.51		9.68	
TOTAL ADMINISTRATIVE COSTS (Note 3)	12.11	7.5% (2)	13.30	8.1% (2)
	35.96		37.98	
NET CHANGE IN NET ASSETS	0.42		0.50	
PROCEEDS DISTRIBUTION	\$35.53	21.9% (2)	\$37.48	22.8% (2)

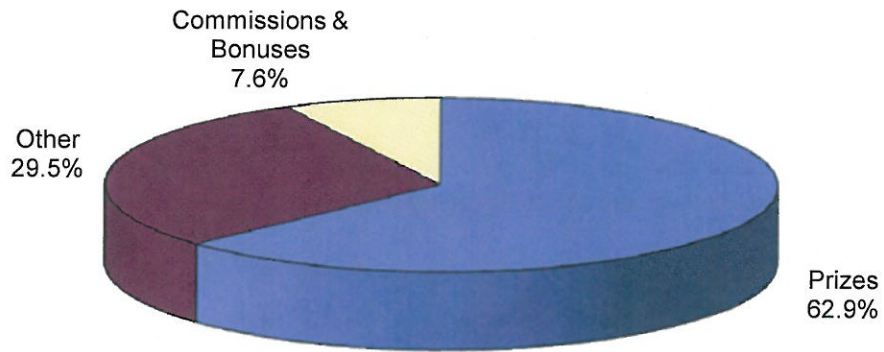
Note 1: Percent of gross ticket sales.

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.

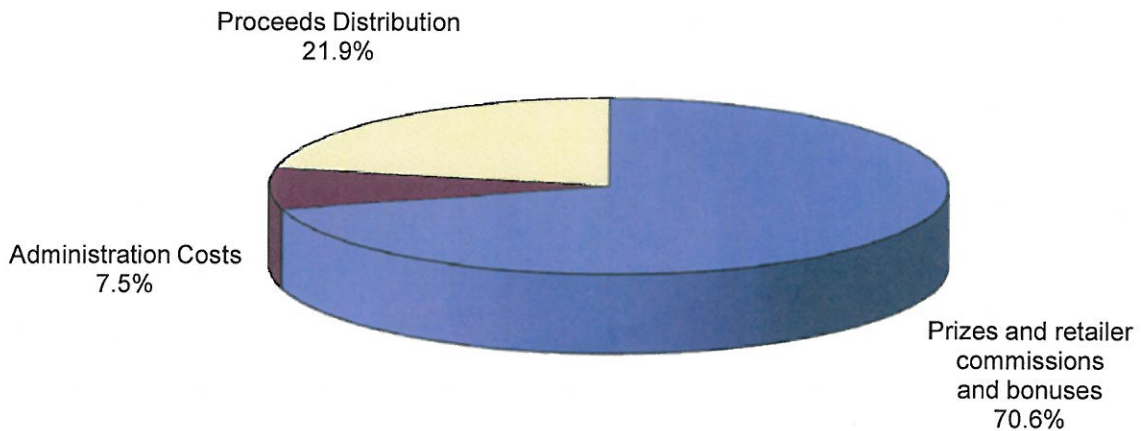
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FOUR MONTHS
ENDED OCTOBER 31, 2010

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
OCTOBER 31, 2010 AND 2009
(UNAUDITED)

ASSETS	2011	2010
Current Assets:		
Cash and Investments	\$ 45,520,153	\$ 41,555,149
Accounts Receivable, net of the allowance for doubtful accounts of \$212,369 in 2011 and \$204,997 in 2010	18,401,783	21,752,208
Consignment Inventory, at Cost	106,458	105,677
Warehouse Inventory, at Cost	1,267,094	1,275,975
Prepaid Expenses	166,622	151,916
Total Current Assets	65,462,110	64,840,925
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	375,244	366,484
Prepaid Prize Expense with MUSL	3,807,596	3,944,710
Total Reserve and Restricted Assets	5,582,840	5,511,194
Capital Assets:		
Equipment	6,781,468	6,063,225
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,732,594)	(2,886,297)
Total Capital Assets	4,048,874	3,176,928
TOTAL ASSETS	\$ 75,093,824	\$ 73,529,048
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,356,452	\$ 2,299,877
Prize Liability	28,366,948	27,012,845
Payable to MUSL	0	0
Wages and Benefits	125,497	66,667
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	935,296	942,776
Funds Available for Distribution	35,526,990	37,483,155
Total Current Liabilities	68,311,183	67,805,320
Long-Term Liabilities:		
Accrued Annual and Sick Leave	884,068	897,183
Expired Warrants Liability	74,455	83,133
Total Long-Term Liabilities	958,523	980,316
TOTAL LIABILITIES	69,269,706	68,785,636
NET ASSETS		
Investment in Capital Assets	4,048,874	3,176,928
Restricted-Licensed Agent Recovery Reserve	375,244	366,484
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,824,118	4,743,412
TOTAL LIABILITIES AND NET ASSETS	\$ 75,093,824	\$ 73,529,048

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2010 AND 2009
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 161,678,814	\$ 163,909,010
DIRECT OPERATING EXPENSES		
Prize Expense	101,213,841	102,562,051
Powerball Prize Variance	1,128,504	(1,992,333)
Mega Millions Prize Variance	(717,978)	0
Retailer Commissions and Bonuses	12,330,557	12,407,343
Cost of Tickets and Vendor Fees	3,604,333	3,623,487
GROSS PROFIT ON SALE OF TICKETS	<u>44,119,557</u>	<u>47,308,462</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,979,551	5,377,898
Administration Fees Paid to MUSL	56,606	57,222
Wages and Benefits	2,804,521	2,687,644
Professional Services	47,316	49,051
State Agencies Services	60,077	80,467
Department of Revenue Services	179,250	177,709
Travel	64,997	39,733
Equipment	62,934	34,773
Depreciation	198,444	205,830
Accrued Annual and Sick Leave	(68,372)	(23,899)
Space Rental	235,062	233,365
Rents for Equipment	10,082	10,319
Motorpool Leasing	124,620	115,013
Materials and Supplies	52,319	53,201
Telephone	48,406	29,738
On-Line Telecommunications	78,706	174,600
Data Processing Supplies and Services	58,861	12,163
Equipment Maintenance	148,065	216,417
Postage	28,180	21,634
Printing	29,166	2,959
Delivery Expense	266,688	68,700
Other	41,959	57,071
Total Other Operating Expenses	<u>8,507,438</u>	<u>9,681,608</u>
OPERATING INCOME	<u>35,612,119</u>	<u>37,626,854</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	36,461	43,190
Investment Income	301,506	308,051
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(35,526,990)	(37,483,155)
Total Nonoperating Revenues (Expenses)	<u>(35,189,023)</u>	<u>(37,131,914)</u>
NET INCOME (LOSS)	<u>\$ 423,096</u>	<u>\$ 494,940</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>423,096</u>	<u>494,940</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,824,118</u>	<u>\$ 4,743,412</u>

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

(UNAUDITED)

	2011	2010
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,454,946	9,256,776
TOTAL ASSETS	\$ 9,871,946	\$ 9,657,776
 NET ASSETS		
Held in Trust for Powerball Winner	9,871,946	9,657,776
TOTAL NET ASSETS	\$ 9,871,946	\$ 9,657,776

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FOUR MONTHS ENDED OCTOBER 31, 2010 AND 2009

(UNAUDITED)

	2011	2010
Additions		
Investment Income	\$ <u>195,334</u>	\$ <u>57,602</u>
Total Additions	<u>195,334</u>	<u>57,602</u>
 Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	(205,666)	(328,398)
 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>9,871,946</u></u>	\$ <u><u>9,657,776</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2010
(With Comparative Totals for the First Quarter Ended October 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	\$107,682,528	\$12,378,293	\$23,519,974	\$6,252,926	\$3,885,042	\$6,253,351	\$1,706,700	\$161,678,814	\$163,909,010
PRIZE EXPENSE	(73,058,795)	(7,446,636)	(9,786,983)	(3,409,871)	(2,561,562)	(4,084,458)	(865,536)	(101,213,841)	(102,562,051)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,128,504)	N/A	N/A	717,978	N/A	(410,526)	1,992,333
NET REVENUE AFTER PRIZES	34,623,733	4,931,657	12,604,487	2,843,055	1,323,480	2,886,871	841,164	60,054,447	63,339,292
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(7,528,322)	(741,999)	(1,409,816)	(374,664)	(232,528)	(375,845)	(102,064)	(10,765,238)	(10,871,813)
Retailer Bonus	(1,189,193)	(80,903)	(151,189)	(58,806)	(35,850)	(40,844)	(8,534)	(1,565,319)	(1,535,530)
Cost of Tickets Sold	(1,055,809)	N/A	N/A	N/A	N/A	N/A	N/A	(1,055,809)	(1,136,285)
Telecomm Reimbursements	165,038	18,971	36,048	9,583	5,955	9,584	2,616	247,795	242,053
On-Line Vendor Fees	(1,859,224)	(214,648)	(408,047)	(108,489)	(67,400)	(108,887)	(29,624)	(2,796,319)	(2,729,255)
TOTAL	(11,467,510)	(1,018,579)	(1,933,004)	(532,376)	(329,823)	(515,992)	(137,606)	(15,934,890)	(16,030,830)
GROSS PROFIT ON SALE OF TICKETS	\$23,156,223	\$3,913,078	\$10,671,483	\$2,310,679	\$993,657	\$2,370,879	\$703,558	\$44,119,557	\$47,308,462
AVERAGE DAILY TICKET SALES	\$875,468	\$100,637	\$191,219	\$50,837	\$31,586	\$50,840	\$13,876	\$1,314,462	\$1,332,594

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 FOUR MONTHS ENDED OCTOBER 31, 2010

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$73,058,795	\$7,446,636	\$10,915,487	\$3,409,871	\$2,561,562	\$3,366,480	\$865,536	\$101,624,367	\$100,569,718
(/)/Ticket Sales	107,682,528	12,378,293	23,519,974	6,252,926	3,885,042	6,253,351	1,706,700	\$161,678,814	163,909,010
Prize %	67.85%	60.16%	46.41%	54.53%	65.93%	53.83%	50.71%	62.86%	61.36%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2010

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$2,735,077	\$6,205,864	30.6%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	48,977	120,123	29.0%
Suppl Amortization Equalization	121,266	33,394	87,872	27.5%
Workmen's Compensation	48,548	12,137	36,411	25.0%
Health and Life	665,501	219,754	445,747	33.0%
Short Term Disability	11,283	3,872	7,411	34.3%
Operating	1,203,156	424,760	778,396	35.3%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	617,105	233,000	384,105	37.8%
Leased Space-Grand Junction	7,201	2,062	5,139	28.6%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	44,555	94,984	31.9%
Travel	113,498	64,997	48,501	57.3%
Purch. Of Services-Computer Center	2,133	711	1,422	33.3%
Marketing, Communications & Sales	14,700,000	3,928,176	10,771,824	26.7%
Communications Services	2,118	706	1,412	33.3%
Payments to MNT	230,994	76,998	153,996	33.3%
Payments to Other Agencies	239,410	52,483	186,927	21.9%
Legal Services	32,473	7,594	24,879	23.4%
Indirect Costs	537,749	179,250	358,499	33.3%
Ticket Costs-Scratch	6,284,000	1,336,680	4,947,320	21.3%
Research	250,000	51,375	198,625	20.6%
Vendor Fees	12,376,154	2,840,439	9,535,715	23.0%
Prize Payments	400,264,560	101,856,605	298,407,955	25.4%
Retailer Compensation	49,290,600	12,330,557	36,960,043	25.0%
Multi-State Lottery Funds	177,433	56,606	120,827	31.9%
Lottery System Migration	1,935,949	287,118	1,648,831	14.8%
Powerball Prize Variance	12,960,000	1,773,791	11,186,209	13.7%
TOTAL	<u>\$511,460,804</u>	<u>\$128,607,545</u>	<u>\$371,667,050</u>	<u>25.15%</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	101,213,841
Powerball Prize Variance	1,128,504
Megamillions Prize Variance	(717,978)
Commissions and Bonuses	12,330,557
Cost of Tickets & Vendor Fees	3,604,333
Operating Expenses	8,507,438

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 126,066,695

Plus: Powerball Variance classified as revenue	645,287
Megamillions Variance classified as revenue	1,360,742
Telecommunications offset classified as revenue	247,795

Less: Non-appropriated expenses and other adjustments	
Depreciation	(198,444)
Accrued Annual and Sick Leave	68,372
Loss on Disposal of Equipment classified as revenue	(37,964)

Sub-Total 128,152,483

Plus: Capitalized Fixed Assets	455,062
	<u>128,607,545</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 October 31, 2010 is 33 1/3%.

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