

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

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 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



John Hickenlooper
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

February 9, 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 five months ended November 30, 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)**

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 Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Assets-Powerball Annuity Winners Trust Fund.....	6
Schedule of Revenue and Costs for Completed and In-Progress Games.....	7
Schedule of Percent of Prize Expense to Gross Ticket Sales.....	7
Budget Status.....	8

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 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 five months ended November 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 the five months ended November 30,			
	2011		2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$202.37		\$202.69	
Nonoperating revenue	<u>0.44</u>		<u>0.46</u>	
TOTAL INCOME	202.81		203.15	
LESS:				
PRIZES	\$124.99	61.8% (1)	\$125.12	61.7% (1)
RETAILER COMMISSIONS AND BONUSSES	\$15.44	7.6% (1)	\$15.39	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	4.47		4.57	
Other Operating Expenses	<u>10.70</u>		<u>11.76</u>	
TOTAL ADMINISTRATIVE COSTS (Note 3)	<u>15.17</u>	7.5% (2)	<u>16.33</u>	8.0% (2)
	47.21		46.31	
NET CHANGE IN NET ASSETS	<u>0.46</u>		<u>0.57</u>	
PROCEEDS DISTRIBUTION	<u><u>\$46.74</u></u>	23.1% (2)	<u><u>\$45.74</u></u>	22.5% (2)

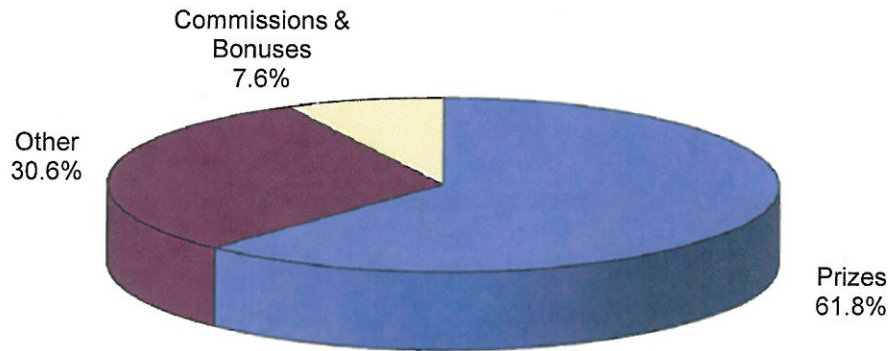
Note 1: Percent of gross ticket sales.

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.

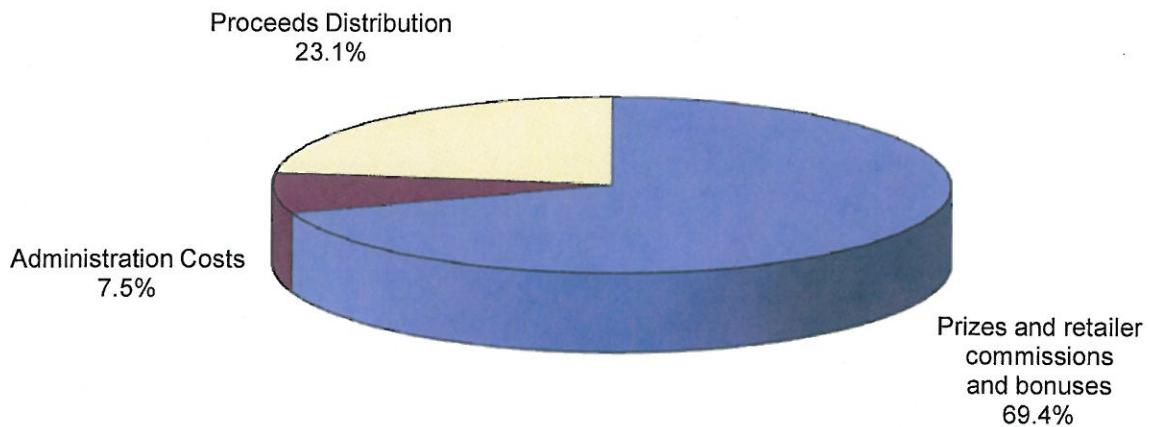
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIVE MONTHS
ENDED NOVEMBER 30, 2010

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
NOVEMBER 30, 2010 AND 2009
(UNAUDITED)

ASSETS	2011	2010
Current Assets:		
Cash and Investments	\$ 53,988,758	\$ 49,730,199
Accounts Receivable, net of the allowance for doubtful accounts of \$181,074 in 2011 and \$217,432 in 2010	20,101,708	23,533,602
Consignment Inventory, at Cost	145,941	142,184
Warehouse Inventory, at Cost	1,208,623	1,079,411
Prepaid Expenses	153,969	139,809
Total Current Assets	75,598,999	74,625,205
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	376,645	350,479
Prepaid Prize Expense with MUSL	3,909,859	3,944,710
Total Reserve and Restricted Assets	5,686,504	5,495,189
Capital Assets:		
Equipment	6,871,770	6,123,648
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,782,843)	(2,862,233)
Total Capital Assets	4,088,927	3,261,415
TOTAL ASSETS	\$ 85,374,430	\$ 83,381,810
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,514,099	\$ 2,846,791
Prize Liability	28,413,214	28,283,315
Payable to MUSL	49,452	0
Wages and Benefits	163,297	79,477
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	616,246	634,450
Funds Available for Distribution	46,750,821	45,736,068
Total Current Liabilities	78,507,129	77,580,101
Long-Term Liabilities:		
Accrued Annual and Sick Leave	927,274	906,683
Expired Warrants Liability	74,455	83,132
Total Long-Term Liabilities	1,001,729	989,815
TOTAL LIABILITIES	79,508,858	78,569,916
NET ASSETS		
Investment in Capital Assets	4,088,927	3,261,415
Restricted-Licensed Agent Recovery Reserve	376,645	350,479
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,865,572	4,811,894
TOTAL LIABILITIES AND NET ASSETS	\$ 85,374,430	\$ 83,381,810

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2010 AND 2009
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 202,366,238	\$ 202,688,624
DIRECT OPERATING EXPENSES		
Prize Expense	124,069,660	126,879,928
Powerball Prize Variance	1,527,986	(1,757,708)
Mega Millions Prize Variance	(612,410)	0
Retailer Commissions and Bonuses	15,436,942	15,392,958
Cost of Tickets and Vendor Fees	<u>4,469,029</u>	<u>4,566,778</u>
GROSS PROFIT ON SALE OF TICKETS	<u>57,475,031</u>	<u>57,606,668</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	5,053,834	6,452,650
Administration Fees Paid to MUSL	65,758	66,527
Wages and Benefits	3,512,357	3,344,039
Professional Services	54,454	58,240
State Agencies Services	64,291	84,606
Department of Revenue Services	224,062	222,136
Travel	72,889	44,619
Equipment	64,135	38,187
Depreciation	248,694	257,224
Accrued Annual and Sick Leave	(26,128)	(14,321)
Space Rental	295,269	289,194
Rents for Equipment	12,238	13,009
Motorpool Leasing	152,531	144,192
Materials and Supplies	67,887	76,174
Telephone	59,907	41,232
On-Line Telecommunications	98,383	196,841
Data Processing Supplies and Services	72,872	13,662
Equipment Maintenance	180,673	248,493
Postage	28,945	22,554
Printing	4,172	5,428
Delivery Expense	345,968	94,333
Other	47,011	65,922
Total Other Operating Expenses	<u>10,700,202</u>	<u>11,764,941</u>
OPERATING INCOME	<u>46,774,829</u>	<u>45,841,727</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	48,201	57,746
Investment Income	392,341	400,017
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(46,750,821)</u>	<u>(45,736,068)</u>
Total Nonoperating Revenues (Expenses)	<u>(46,310,279)</u>	<u>(45,278,305)</u>
NET INCOME (LOSS)	<u>\$ 464,550</u>	<u>\$ 563,422</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>464,550</u>	<u>563,422</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,865,572</u>	<u>\$ 4,811,894</u>

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

(UNAUDITED)

	<u>2011</u>	<u>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>9,501,854</u>	<u>9,256,776</u>
TOTAL ASSETS	\$ <u><u>9,918,854</u></u>	\$ <u><u>9,657,776</u></u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>9,918,854</u>	<u>9,657,776</u>
TOTAL NET ASSETS	\$ <u><u>9,918,854</u></u>	\$ <u><u>9,657,776</u></u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2010 AND 2009

(UNAUDITED)

	2011	2010
Additions		
Investment Income	\$ <u>242,242</u>	\$ <u>57,602</u>
Total Additions	<u>242,242</u>	<u>57,602</u>
 Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	(158,758)	(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>9,918,854</u></u>	\$ <u><u>9,657,776</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2010
(With Comparative Totals for the Five Months Ended November 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	\$135,127,528	\$15,539,118	\$29,182,347	\$7,774,149	\$4,885,178	\$7,436,838	\$2,421,080	\$202,366,238	\$202,688,624
PRIZE EXPENSE	(90,215,547)	(8,803,720)	(11,974,843)	(4,209,342)	(3,095,412)	(4,542,969)	(1,227,827)	(124,069,660)	(126,879,928)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,527,986)	N/A	N/A	612,410	N/A	(915,576)	1,757,708
NET REVENUE AFTER PRIZES	44,911,981	6,735,398	15,679,518	3,564,807	1,789,766	3,506,279	1,193,253	77,381,002	77,566,404
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(9,446,964)	(931,477)	(1,749,223)	(465,815)	(292,351)	(446,807)	(144,743)	(13,477,380)	(13,468,808)
Retailer Bonus	(1,491,417)	(101,664)	(187,770)	(73,203)	(45,152)	(48,251)	(12,105)	(1,959,562)	(1,924,150)
Cost of Tickets Sold	(1,288,615)	N/A	N/A	N/A	N/A	N/A	N/A	(1,288,615)	(1,483,791)
Telecomm Reimbursements	214,317	24,646	46,284	12,330	7,748	11,795	3,840	320,960	314,343
On-Line Vendor Fees	(2,335,046)	(269,382)	(505,998)	(134,828)	(84,719)	(129,398)	(42,003)	(3,501,374)	(3,397,330)
TOTAL	(14,347,725)	(1,277,877)	(2,396,707)	(661,516)	(414,474)	(612,661)	(195,011)	(19,905,971)	(19,959,736)
GROSS PROFIT ON SALE OF TICKETS	\$30,564,256	\$5,457,521	\$13,282,811	\$2,903,291	\$1,375,292	\$2,893,618	\$998,242	\$57,475,031	\$57,606,668
AVERAGE DAILY TICKET SALES	\$883,186	\$101,563	\$190,734	\$50,811	\$31,929	\$48,607	\$15,824	\$1,322,655	\$1,324,762

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 FIVE MONTHS ENDED NOVEMBER 30, 2010

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$90,215,547	\$8,803,720	\$13,502,829	\$4,209,342	\$3,095,412	\$3,930,559	\$1,227,827	\$124,985,236	\$125,122,220
(/) Ticket Sales	135,127,528	15,539,118	29,182,347	7,774,149	4,885,178	7,436,838	2,421,080	\$202,366,238	202,688,624
Prize %	66.76%	56.66%	46.27%	54.15%	63.36%	52.85%	50.71%	61.76%	61.73%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2010

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$3,420,194	\$5,520,747	38.3%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	61,296	107,804	36.2%
Suppl Amortization Equalization	121,266	41,793	79,473	34.5%
Workmen's Compensation	48,548	16,183	32,365	33.3%
Health and Life	665,501	274,194	391,307	41.2%
Short Term Disability	11,283	4,838	6,445	42.9%
Operating	1,203,156	462,893	740,263	38.5%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	617,105	290,816	326,289	47.1%
Leased Space-Grand Junction	7,201	2,578	4,623	35.8%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	55,670	83,869	39.9%
Travel	113,498	72,889	40,609	64.2%
Purch. Of Services-Computer Center	2,133	889	1,244	41.7%
Marketing, Communications & Sales	14,700,000	5,040,340	9,659,660	34.3%
Communications Services	2,118	882	1,236	41.6%
Payments to MNT	230,994	96,247	134,747	41.7%
Payments to Other Agencies	239,410	56,280	183,130	23.5%
Legal Services	32,473	8,011	24,462	24.7%
Indirect Costs	537,749	224,062	313,687	41.7%
Ticket Costs-Scratch	6,284,000	1,618,928	4,665,072	25.8%
Research	250,000	51,375	198,625	20.6%
Vendor Fees	12,376,154	3,557,074	8,819,080	28.7%
Prize Payments	400,264,560	124,797,150	275,467,410	31.2%
Retailer Compensation	49,290,600	15,436,942	33,853,658	31.3%
Multi-State Lottery Funds	177,433	65,758	111,675	37.1%
Lottery System Migration	1,935,949	345,964	1,589,985	17.9%
Powerball Prize Variance	12,960,000	2,207,897	10,752,103	17.0%
TOTAL	<u>\$511,460,804</u>	<u>\$158,217,014</u>	<u>\$342,491,687</u>	<u>30.93%</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	124,069,660
Powerball Prize Variance	1,527,986
Megamillions Prize Variance	(612,410)
Commissions and Bonuses	15,436,942
Cost of Tickets & Vendor Fees	4,469,029
Operating Expenses	10,700,202

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 155,591,409

Plus: Powerball Variance classified as revenue	679,911
Megamillions Variance classified as revenue	1,339,900
Telecommunications offset classified as revenue	320,960

Less: Non-appropriated expenses and other adjustments	
Depreciation	(248,694)
Accrued Annual and Sick Leave	26,128
Loss on Disposal of Equipment classified as revenue	(37,964)

Sub-Total 157,671,650

Plus: Capitalized Fixed Assets	545,364
	<u>158,217,014</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 November 30, 2010 is 41 2/3%.

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