

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

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

(UNAUDITED)

FOR THE SEVEN (7) MONTHS ENDED

JANUARY 31, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue

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John Hickenlooper
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

April 20, 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 seven months ended January 31, 2011, 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 blue ink that reads "John Caligaris".

John Caligaris
Controller, Colorado Lottery
Colorado Department of Revenue

**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 SEVEN (7) MONTHS ENDED JANUARY 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 seven months ended January 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 Seven Months Ended January 31,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$296.87		\$284.68	
Nonoperating revenue	0.61		0.60	
TOTAL INCOME	297.48		285.28	
LESS:				
PRIZES	\$183.42	61.8% (1)	\$176.80	62.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$22.60	7.6% (1)	\$21.70	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	6.49		6.27	
Other Operating Expenses	15.20	(3)	15.58	
TOTAL ADMINISTRATIVE COSTS (Note 3)	21.69	7.3% (2)	21.85	7.7% (2)
	69.77		64.93	
NET CHANGE IN NET ASSETS	0.50		0.70	
PROCEEDS DISTRIBUTION	\$69.26	23.3% (2)	\$64.23	22.5% (2)

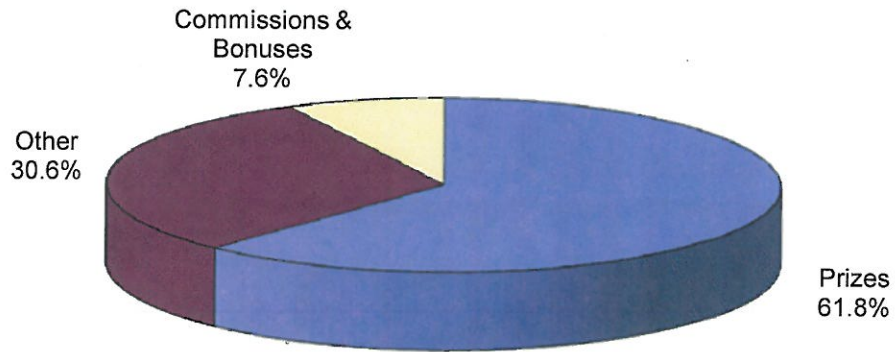
Note 1: Percent of gross ticket sales.

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.

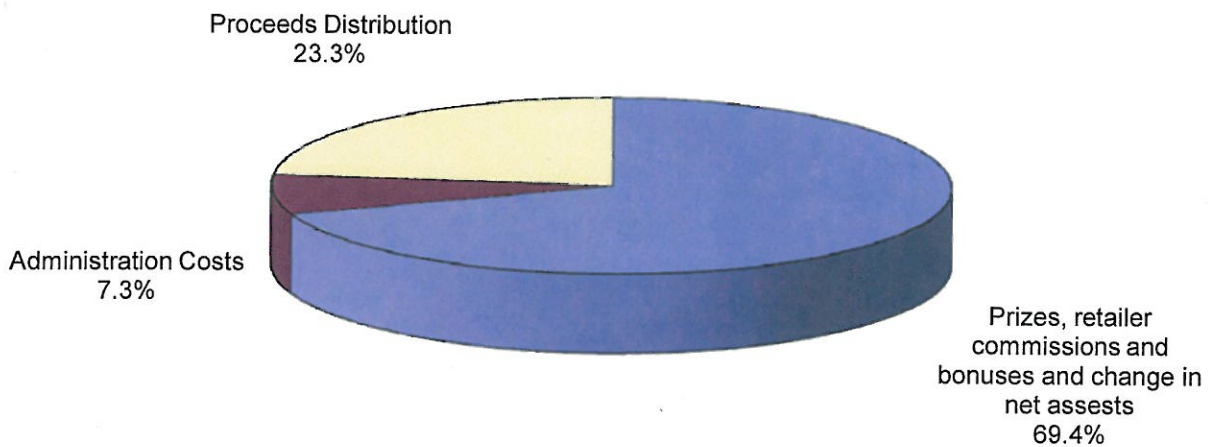
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE SEVEN MONTHS
ENDED JANUARY 31, 2011

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
JANUARY 31, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2011	FY 2010
Current Assets:		
Cash and Investments	\$ 51,211,809	\$ 40,359,747
Accounts Receivable, net of the allowance for doubtful accounts of \$177,379 in 2011 and \$245,763 in 2010	21,585,916	21,636,859
Consignment Inventory, at Cost	111,997	137,097
Warehouse Inventory, at Cost	911,363	968,909
Prepaid Expenses	122,741	115,595
Total Current Assets	73,943,826	63,218,207
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	384,295	342,199
Prepaid Prize Expense with MUSL	3,930,959	3,944,710
Total Reserve and Restricted Assets	5,715,254	5,486,909
Capital Assets:		
Equipment	7,004,953	6,064,653
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,883,146)	(2,667,536)
Total Capital Assets	4,121,807	3,397,117
TOTAL ASSETS	\$ 83,780,887	\$ 72,102,234
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,349,811	\$ 2,810,561
Prize Liability	30,742,346	28,148,072
Payable to MUSL	0	0
Wages and Benefits	111,983	83,520
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,077,505	430,880
Funds Available for Distribution	42,696,228	34,665,322
Total Current Liabilities	76,977,873	66,138,355
Long-Term Liabilities:		
Accrued Annual and Sick Leave	821,841	941,431
Expired Warrants Liability	75,071	83,132
Total Long-Term Liabilities	896,912	1,024,563
TOTAL LIABILITIES	77,874,785	67,162,918
NET ASSETS		
Investment in Capital Assets	4,121,807	3,397,117
Restricted-Licensed Agent Recovery Reserve	384,295	342,199
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,906,102	4,939,316
TOTAL LIABILITIES AND NET ASSETS	\$ 83,780,887	\$ 72,102,234

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2011 AND 2010
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 296,874,147	\$ 284,678,170
DIRECT OPERATING EXPENSES		
Prize Expense	182,636,205	179,469,485
Powerball Prize Variance	1,167,608	(2,674,804)
Mega Millions Prize Variance	(380,262)	0
Retailer Commissions and Bonuses	22,605,043	21,696,484
Cost of Tickets and Vendor Fees	<u>6,488,194</u>	<u>6,274,245</u>
GROSS PROFIT ON SALE OF TICKETS	<u>84,357,359</u>	<u>79,912,760</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,185,568	8,078,728
Administration Fees Paid to MUSL	89,060	85,138
Wages and Benefits	4,983,227	4,727,233
Professional Services	309,027	105,654
State Agencies Services	73,284	90,104
Department of Revenue Services	313,687	310,991
Travel	86,360	62,862
Equipment	85,862	75,142
Depreciation	348,997	360,012
Accrued Annual and Sick Leave	(131,994)	20,325
Space Rental	414,499	402,478
Rents for Equipment	17,861	16,914
Motorpool Leasing	208,151	184,386
Materials and Supplies	77,753	88,567
Telephone	82,616	55,838
On-Line Telecommunications	137,737	290,371
Data Processing Supplies and Services	101,652	18,752
Equipment Maintenance	197,186	305,873
Postage	38,735	32,656
Printing	9,491	11,291
Delivery Expense	518,859	162,307
Other	57,871	92,051
Total Other Operating Expenses	<u>15,205,489</u>	<u>15,577,673</u>
OPERATING INCOME	<u>69,151,870</u>	<u>64,335,087</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	84,524	68,100
Investment Income	525,268	530,378
Funds Distributed for Current Year	(26,560,354)	(29,577,399)
Funds Available for Distribution for Current Year	<u>(42,696,228)</u>	<u>(34,665,322)</u>
Total Nonoperating Revenues (Expenses)	<u>(68,646,790)</u>	<u>(63,644,243)</u>
NET INCOME (LOSS)	<u>\$ 505,080</u>	<u>\$ 690,844</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>505,080</u>	<u>690,844</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,906,102</u>	<u>\$ 4,939,316</u>

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

(UNAUDITED)

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,656,285</u>	<u>9,456,773</u>
TOTAL ASSETS	\$ <u>10,073,285</u>	\$ <u>9,857,773</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,073,285</u>	<u>9,857,773</u>
TOTAL NET ASSETS	\$ <u>10,073,285</u>	\$ <u>9,857,773</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>396,673</u>	\$ <u>257,599</u>
Total Additions	<u>396,673</u>	<u>257,599</u>
 Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	(4,327)	(128,401)
 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>10,073,285</u></u>	\$ <u><u>9,857,773</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2011
(With Comparative Totals for the Seven (7) Months Ended January 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	\$194,846,085	\$24,068,478	\$39,824,053	\$10,963,049	\$7,022,760	\$14,549,722	\$5,600,000	\$296,874,147	\$284,678,170
PRIZE EXPENSE	(131,540,785)	(12,605,959)	(17,301,873)	(5,941,325)	(4,424,735)	(7,981,528)	(2,840,000)	(182,636,205)	(179,469,485)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,167,608)	N/A	N/A	380,262	N/A	(787,346)	2,674,804
NET REVENUE AFTER PRIZES	63,305,300	11,462,519	21,354,572	5,021,724	2,598,025	6,948,456	2,760,000	113,450,596	107,883,489
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(13,618,176)	(1,442,720)	(2,387,033)	(656,839)	(420,239)	(873,061)	(334,733)	(19,732,801)	(18,936,807)
Retailer Bonus	(2,168,495)	(157,677)	(255,203)	(103,463)	(64,982)	(94,422)	(28,000)	(2,872,242)	(2,759,677)
Cost of Tickets Sold	(1,926,733)	N/A	N/A	N/A	N/A	N/A	N/A	(1,926,733)	(1,908,483)
Telecomm Reimbursements	297,430	36,740	60,791	16,735	10,720	22,211	8,403	453,030	430,128
On-Line Vendor Fees	(3,293,720)	(407,781)	(678,266)	(186,398)	(118,985)	(239,172)	(90,169)	(5,014,491)	(4,795,890)
TOTAL	(20,709,694)	(1,971,438)	(3,259,711)	(929,965)	(593,486)	(1,184,444)	(444,499)	(29,093,237)	(27,970,729)
GROSS PROFIT ON SALE OF TICKETS	\$42,595,606	\$9,491,081	\$18,094,861	\$4,091,759	\$2,004,539	\$5,764,012	\$2,315,501	\$84,357,359	\$79,912,760
AVERAGE DAILY TICKET SALES	\$906,261	\$111,946	\$185,228	\$50,991	\$32,664	\$67,673	\$26,047	\$1,380,810	\$1,324,085

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 SEVEN (7) MONTHS ENDED JANUARY 31, 2011

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense * (/)/Ticket Sales	\$131,540,785 194,846,085	\$12,605,959 24,068,478	\$18,469,481 39,824,053	\$5,941,325 10,963,049	\$4,424,735 7,022,760	\$7,601,266 14,549,722	\$2,840,000 5,600,000	\$183,423,551 \$296,874,147	\$176,794,681 284,678,170
Prize %	67.51%	52.38%	46.38%	54.19%	63.01%	52.24%	50.71%	61.78%	62.10%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2011

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$4,860,642	\$4,080,299	54.4%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	88,222	80,878	52.2%
Suppl Amortization Equalization	121,266	61,373	59,893	50.6%
Workmen's Compensation	48,548	28,320	20,228	58.3%
Health and Life	665,501	378,962	286,539	56.9%
Short Term Disability	11,283	6,676	4,607	59.2%
Operating	1,203,156	607,495	595,661	50.5%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	710,689	410,890	299,799	57.8%
Leased Space-Grand Junction	7,201	3,609	3,592	50.1%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	77,871	61,668	55.8%
Travel	113,498	86,360	27,138	76.1%
Purch. Of Services-Computer Center	2,133	1,244	889	58.3%
Marketing, Communications & Sales	14,700,000	7,118,118	7,581,882	48.4%
Communications Services	2,118	1,235	883	58.3%
Payments to MNT	230,994	134,746	96,248	58.3%
Payments to Other Agencies	239,410	63,558	175,852	26.5%
Legal Services	32,473	9,726	22,747	30.0%
Indirect Costs	537,749	313,687	224,062	58.3%
Ticket Costs-Scratch	6,284,000	2,462,792	3,821,208	39.2%
Research	250,000	67,450	182,550	27.0%
Vendor Fees	12,376,154	5,093,531	7,282,623	41.2%
Prize Payments	400,264,560	183,758,731	216,505,829	45.9%
Retailer Compensation	49,290,600	22,605,043	26,685,557	45.9%
Multi-State Lottery Funds	177,433	89,063	88,370	50.2%
Lottery System Migration	1,935,949	598,852	1,337,097	30.9%
Powerball Prize Variance	12,960,000	3,087,100	9,872,900	23.8%
TOTAL	<u>\$511,554,388</u>	<u>\$232,021,167</u>	<u>\$269,660,321</u>	<u>45.36%</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	182,636,205
Powerball Prize Variance	1,167,608
Megamillions Prize Variance	(380,262)
Commissions and Bonuses	22,605,043
Cost of Tickets & Vendor Fees	6,488,194
Operating Expenses	15,205,489

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 227,722,277

Plus: Powerball Variance classified as revenue	1,919,492
Megamillions Variance classified as revenue	1,502,788
Telecommunications offset classified as revenue	453,030

Less: Non-appropriated expenses and other adjustments	
Depreciation	(348,997)
Accrued Annual and Sick Leave	131,994
Loss on Disposal of Equipment classified as revenue	(37,964)

Sub-Total 231,342,620

Plus: Capitalized Fixed Assets	678,547
	<u>232,021,167</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 January 31, 2011 is 58 1/3%.

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