

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

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

(UNAUDITED)

FOR THE EIGHT (8) MONTHS ENDED

FEBRUARY 28, 2011

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
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John Hickenlooper
Governor

Roxy Huber
Executive Director

Abel Tapia
Lottery Director

May 11, 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 eight months ended February 28, 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 cursive script that reads "John Caligaris".

John Caligaris
Controller, Colorado Lottery
Colorado Department of Revenue

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable John Hickenlooper	Governor
Mr. Walker Stapleton	State Treasurer
Rep. Frank McNulty	Speaker of the House of Representatives
Sen. Brandon Shaffer	President of the Senate
Sen. Mike Kopp	Senate Minority Leader
Rep. Sal Pace	House Minority Leader
Mr. Dick Reeve	Chairman, Lottery Commissioner
Ms. Robin Wise	Vice-Chairman, Lottery Commissioner
Ms. Betty Martinez	Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
Ms. Roxy Huber	Executive Director, Department of Revenue
Mr. Abel Tapia	Director, Colorado Lottery
Mr. Tom Kitts	Deputy Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Sally Symanski	State Auditor
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**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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 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 eight months ended February 28, 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 Eight Months Ended February 28,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$338.03		\$324.55	
Nonoperating revenue	0.71		0.71	
TOTAL INCOME	338.74		325.26	
LESS:				
PRIZES	\$210.67	62.3% (1)	\$201.19	62.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$25.76	7.6% (1)	\$24.74	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.35		7.08	
Other Operating Expenses	17.61	(3)	17.97	
TOTAL ADMINISTRATIVE COSTS (Note 3)	24.96	7.4% (2)	25.05	7.7% (2)
	77.35		74.28	
NET CHANGE IN NET ASSETS	0.43		0.82	
PROCEEDS DISTRIBUTION	\$76.91	22.7% (2)	\$73.46	22.6% (2)

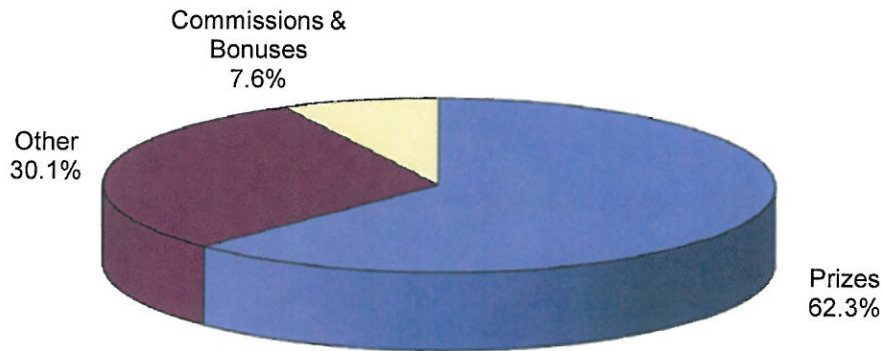
Note 1: Percent of gross ticket sales.

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.

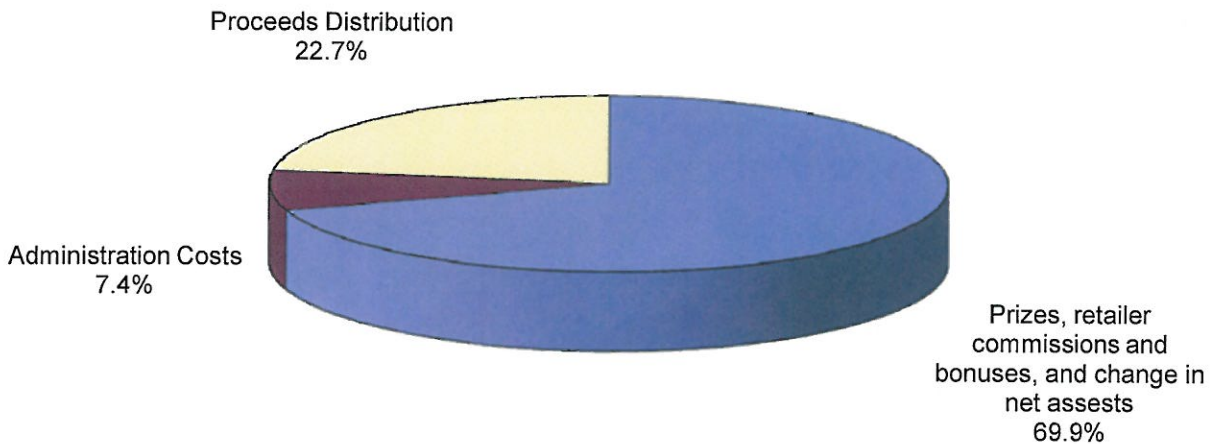
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE EIGHT MONTHS
ENDED FEBRUARY 28, 2011

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
FEBRUARY 28, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2011	FY 2010
Current Assets:		
Cash and Investments	\$ 55,485,478	\$ 52,663,939
Accounts Receivable, net of the allowance for doubtful accounts of \$178,667 in 2011 and \$247,711 in 2010	21,917,494	20,785,073
Consignment Inventory, at Cost	129,091	121,922
Warehouse Inventory, at Cost	795,122	1,037,005
Prepaid Expenses	110,090	103,488
Total Current Assets	78,437,275	74,711,427
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	390,242	349,552
Prepaid Prize Expense with MUSL	3,961,931	3,944,710
Total Reserve and Restricted Assets	5,752,173	5,494,262
Capital Assets:		
Equipment	7,014,336	6,206,905
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,971,881)	(2,700,127)
Total Capital Assets	4,042,455	3,506,778
TOTAL ASSETS	\$ 88,231,903	\$ 83,712,468
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,549,548	\$ 5,132,866
Prize Liability	26,865,905	27,859,591
Payable to MUSL	0	0
Wages and Benefits	144,492	104,400
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	573,199	621,338
Funds Available for Distribution	50,348,047	43,890,242
Total Current Liabilities	81,481,191	77,608,437
Long-Term Liabilities:		
Accrued Annual and Sick Leave	843,252	964,568
Expired Warrants Liability	74,763	83,133
Total Long-Term Liabilities	918,015	1,047,701
TOTAL LIABILITIES	82,399,206	78,656,138
NET ASSETS		
Investment in Capital Assets	4,042,455	3,506,778
Restricted-Licensed Agent Recovery Reserve	390,242	349,552
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,832,697	5,056,330
TOTAL LIABILITIES AND NET ASSETS	\$ 88,231,903	\$ 83,712,468

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2011 AND 2010
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 338,026,996	\$ 324,545,168
DIRECT OPERATING EXPENSES		
Prize Expense	209,573,261	203,201,000
Powerball Prize Variance	1,348,813	(2,011,860)
Mega Millions Prize Variance	(249,120)	0
Retailer Commissions and Bonuses	25,756,054	24,737,639
Cost of Tickets and Vendor Fees	<u>7,351,108</u>	<u>7,079,982</u>
GROSS PROFIT ON SALE OF TICKETS	<u>94,246,880</u>	<u>91,538,407</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	8,325,622	9,420,477
Administration Fees Paid to MUSL	98,213	94,444
Wages and Benefits	5,711,228	5,429,722
Professional Services	338,905	111,208
State Agencies Services	76,730	92,978
Department of Revenue Services	358,499	355,418
Travel	96,294	71,249
Equipment	94,665	77,627
Depreciation	437,732	411,406
Accrued Annual and Sick Leave	(110,274)	44,015
Space Rental	471,636	469,504
Rents for Equipment	20,576	19,615
Motorpool Leasing	234,927	202,111
Materials and Supplies	89,048	95,113
Telephone	93,803	63,418
On-Line Telecommunications	157,413	333,361
Data Processing Supplies and Services	116,405	20,190
Equipment Maintenance	272,468	335,930
Postage	39,934	34,699
Printing	11,968	13,691
Delivery Expense	614,474	176,695
Other	64,366	98,800
Total Other Operating Expenses	<u>17,614,632</u>	<u>17,971,671</u>
OPERATING INCOME	<u>76,632,248</u>	<u>73,566,736</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	106,934	87,459
Investment Income	600,894	621,304
Funds Distributed for Current Year	(26,560,354)	(29,577,399)
Funds Available for Distribution for Current Year	<u>(50,348,047)</u>	<u>(43,890,242)</u>
Total Nonoperating Revenues (Expenses)	<u>(76,200,573)</u>	<u>(72,758,878)</u>
NET INCOME (LOSS)	<u>\$ 431,675</u>	<u>\$ 807,858</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>431,675</u>	<u>807,858</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,832,697</u>	<u>\$ 5,056,330</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 FEBRUARY 28, 2011 AND 2010

(UNAUDITED)

	FY 2011	FY 2010
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,699,499	9,502,205
TOTAL ASSETS	\$ 10,116,499	\$ 9,903,205
 NET ASSETS		
Held in Trust for Powerball Winner	10,116,499	9,903,205
TOTAL NET ASSETS	\$ 10,116,499	\$ 9,903,205

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2011 AND 2010

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>439,887</u>	\$ <u>303,031</u>
Total Additions	<u>439,887</u>	<u>303,031</u>
Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	38,887	(82,969)
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>10,116,499</u></u>	\$ <u><u>9,903,205</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2011
(With Comparative Totals for the Eight (8) Months Ended February 28, 2010)

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Scratch and On-Line
TICKET SALES	\$222,964,589	\$26,963,282	\$46,080,154	\$12,522,408	\$7,811,850	\$16,084,713	\$5,600,000	\$338,026,996	\$324,545,168
PRIZE EXPENSE	(151,844,482)	(14,373,305)	(20,140,916)	(6,921,033)	(4,854,931)	(8,598,594)	(2,840,000)	(209,573,261)	(203,201,000)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(1,348,813)	N/A	N/A	249,120	N/A	(1,099,693)	2,011,860
NET REVENUE AFTER PRIZES	71,120,107	12,589,977	24,590,425	5,601,375	2,956,919	7,735,239	2,760,000	127,354,042	123,356,028
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)									
Retailer Commission	(15,582,708)	(1,616,236)	(2,762,000)	(750,284)	(467,492)	(965,020)	(334,733)	(22,478,473)	(21,594,483)
Retailer Bonus	(2,481,216)	(176,542)	(297,117)	(118,257)	(72,329)	(104,120)	(28,000)	(3,277,581)	(3,143,156)
Cost of Tickets Sold	(2,165,018)	N/A	N/A	N/A	N/A	N/A	N/A	(2,165,018)	(2,097,877)
Telecomm Reimbursements	337,593	40,826	69,770	18,961	11,828	24,354	8,403	511,735	488,018
On-Line Vendor Fees	(3,760,920)	(456,255)	(781,371)	(212,336)	(132,100)	(264,674)	(90,169)	(5,697,825)	(5,470,123)
TOTAL	(23,652,269)	(2,208,207)	(3,770,718)	(1,061,916)	(660,093)	(1,309,460)	(444,499)	(33,107,162)	(31,817,621)
GROSS PROFIT ON SALE OF TICKETS	\$47,467,838	\$10,381,770	\$20,819,707	\$4,539,459	\$2,296,826	\$6,425,779	\$2,315,501	\$94,246,880	\$91,538,407
AVERAGE DAILY TICKET SALES	\$917,550	\$110,960	\$189,630	\$51,533	\$32,148	\$66,192	\$23,045	\$1,391,058	\$1,335,577

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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2011

	Games in Progress							FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Total	Total
Prize Expense *	\$151,844,482	\$14,373,305	\$21,489,729	\$6,921,033	\$4,854,931	\$8,349,474	\$2,840,000	\$210,672,954	\$201,189,140
(/)Ticket Sales	222,964,589	26,963,282	46,080,154	12,522,408	7,811,850	16,084,713	5,600,000	\$338,026,996	324,545,168
Prize %	68.10%	53.31%	46.64%	55.27%	62.15%	51.91%	50.71%	62.32%	61.99%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2011

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$5,539,766	\$3,401,175	62.0%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	88,318	80,782	52.2%
Suppl Amortization Equalization	121,266	61,447	59,819	50.7%
Workmen's Compensation	48,548	32,365	16,183	66.7%
Health and Life	674,296	433,880	240,416	64.3%
Short Term Disability	11,283	7,610	3,673	67.4%
Operating	1,203,156	683,543	519,613	56.8%
Variable Vehicle	129,168	0	129,168	0.0%
Leased Space	710,689	467,512	243,177	65.8%
Leased Space-Grand Junction	7,201	4,125	3,076	57.3%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	88,915	50,624	63.7%
Travel	113,498	96,295	17,203	84.8%
Purch. Of Services-Computer Center	2,133	1,422	711	66.7%
Marketing, Communications & Sales	14,700,000	8,258,172	6,441,828	56.2%
Communications Services	2,118	1,412	706	66.7%
Payments to MNT	230,994	153,996	76,998	66.7%
Payments to Other Agencies	239,410	66,616	172,794	27.8%
Legal Services	32,473	10,114	22,359	31.1%
Indirect Costs	537,749	358,499	179,250	66.7%
Ticket Costs-Scratch	6,588,085	2,800,693	3,787,392	42.5%
Research	250,000	67,450	182,550	27.0%
Vendor Fees	12,571,504	5,788,385	6,783,119	46.0%
Prize Payments	424,104,016	210,845,050	213,258,966	49.7%
Retailer Compensation	52,241,350	25,756,054	26,485,296	49.3%
Multi-State Lottery Funds	177,433	98,212	79,221	55.4%
Lottery System Migration	1,935,949	685,365	1,250,584	35.4%
Powerball Prize Variance	17,397,000	3,399,717	13,997,283	19.5%
TOTAL	<u><u>\$543,289,824</u></u>	<u><u>\$265,800,804</u></u>	<u><u>\$263,491,737</u></u>	<u><u>48.92%</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	209,573,261
Powerball Prize Variance	1,348,813
Megamillions Prize Variance	(249,120)
Commissions and Bonuses	25,756,054
Cost of Tickets & Vendor Fees	7,351,108
Operating Expenses	17,614,632
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>261,394,748</u>
Plus: Powerball Variance classified as revenue	2,050,904
Megamillions Variance classified as revenue	1,520,909
Telecommunications offset classified as revenue	511,735
Less: Non-appropriated expenses and other adjustments	
Depreciation	(437,732)
Accrued Annual and Sick Leave	110,274
Loss on Disposal of Equipment classified as revenue	(37,964)
Sub-Total	<u>265,112,874</u>
Plus: Capitalized Fixed Assets	687,930
	<u><u>265,800,804</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 February 28, 2011 is 66 2/3%.

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