

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

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

(UNAUDITED)

FOR THE ELEVEN MONTHS ENDED

MAY 31, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

July 25, 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 eleven months ended May 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 cursive script 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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 Eleven Months Ended May 31,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$477.43		\$459.42	
Nonoperating revenue	<u>0.92</u>		<u>0.99</u>	
TOTAL INCOME	478.35		460.41	
LESS:				
PRIZES	\$298.85	62.6% (1)	\$284.37	61.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$36.42	7.6% (1)	\$34.99	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.06		9.82	
Other Operating Expenses	<u>26.01</u>	(3)	<u>26.40</u>	
TOTAL ADMINISTRATIVE COSTS (Note 3)	<u>36.07</u>	7.5% (2)	<u>36.22</u>	7.9% (2)
	107.01		104.83	
NET CHANGE IN NET ASSETS	<u>0.27</u>		<u>1.10</u>	
PROCEEDS DISTRIBUTION	<u>\$106.73</u>	22.3% (2)	<u>\$103.73</u>	22.5% (2)

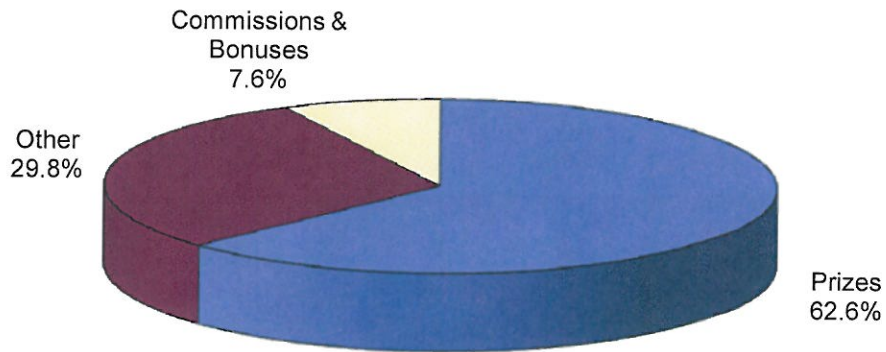
Note 1: Percent of gross ticket sales.

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.

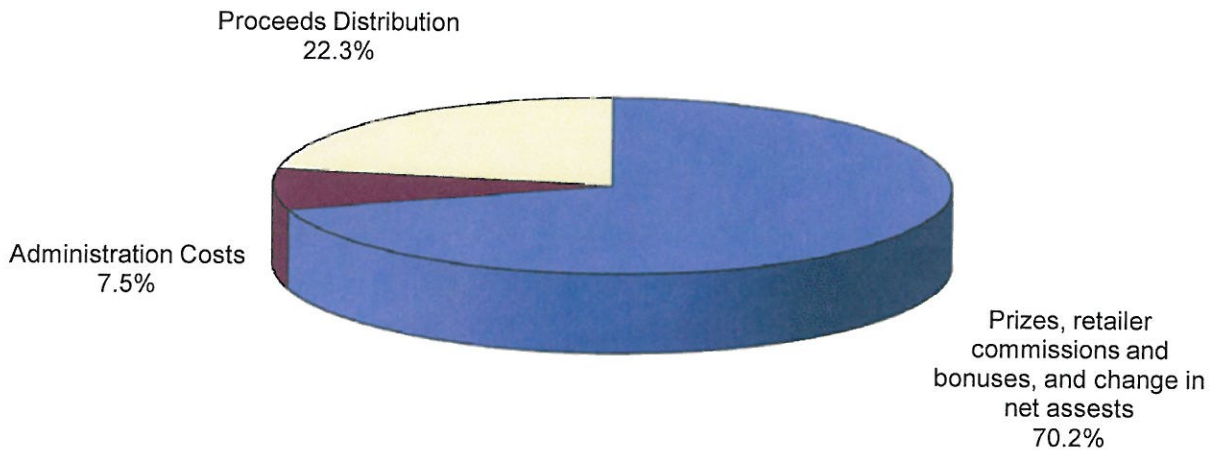
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS ENDED MAY 31, 2011

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
MAY 31, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2011	FY 2010
Current Assets:		
Cash and Investments	\$ 56,127,919	\$ 58,221,560
Accounts Receivable, net of the allowance for doubtful accounts of \$169,428 in 2011 and \$214,876 in 2010	22,719,924	19,664,660
Consignment Inventory, at Cost	135,974	114,697
Warehouse Inventory, at Cost	1,096,768	1,249,783
Prepaid Expenses	72,125	67,168
Total Current Assets	80,152,710	79,317,868
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	397,764	369,179
Prepaid Prize Expense with MUSL	4,303,821	3,920,288
Total Reserve and Restricted Assets	6,101,585	5,489,467
Capital Assets:		
Equipment	7,010,873	6,607,679
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(3,140,263)	(2,842,284)
Total Capital Assets	3,870,610	3,765,395
TOTAL ASSETS	\$ 90,124,905	\$ 88,572,731
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,820,841	\$ 4,844,200
Prize Liability	30,924,626	27,754,762
Payable to MUSL	55,861	0
Wages and Benefits	140,041	82,447
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	612,777	828,095
Funds Available for Distribution	47,947,575	48,659,495
Total Current Liabilities	83,501,721	82,168,999
Long-Term Liabilities:		
Accrued Annual and Sick Leave	880,047	986,026
Expired Warrants Liability	74,763	83,132
Total Long-Term Liabilities	954,810	1,069,158
TOTAL LIABILITIES	84,456,531	83,238,157
NET ASSETS		
Investment in Capital Assets	3,870,610	3,765,395
Restricted-Licensed Agent Recovery Reserve	397,764	369,179
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,668,374	5,334,574
TOTAL LIABILITIES AND NET ASSETS	\$ 90,124,905	\$ 88,572,731

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2011 AND 2010
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 477,431,390	\$ 459,424,190
DIRECT OPERATING EXPENSES		
Prize Expense	299,274,710	287,245,821
Powerball Prize Variance	427,707	(2,880,970)
Mega Millions Prize Variance	(854,345)	68,023
Retailer Commissions and Bonuses	36,420,322	34,986,991
Cost of Tickets and Vendor Fees	<u>10,059,989</u>	<u>9,815,438</u>
GROSS PROFIT ON SALE OF TICKETS	<u>132,103,007</u>	<u>130,188,887</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	12,952,263	13,493,771
Administration Fees Paid to MUSL	125,667	130,010
Wages and Benefits	7,897,693	7,411,075
Professional Services	568,895	218,992
State Agencies Services	89,235	105,299
Department of Revenue Services	492,938	484,823
Travel	132,303	94,005
Equipment	119,666	1,273,941
Depreciation	706,016	568,868
Accrued Annual and Sick Leave	(72,061)	67,857
Space Rental	636,211	644,573
Rents for Equipment	29,048	28,787
Motorpool Leasing	322,990	292,587
Materials and Supplies	143,651	116,075
Telephone	131,528	99,873
On-Line Telecommunications	340,963	457,831
Data Processing Supplies and Services	31,232	36,729
Equipment Maintenance	336,984	424,574
Postage	59,452	45,570
Printing	13,008	15,761
Delivery Expense	874,007	267,944
Other	79,973	119,473
Total Other Operating Expenses	<u>26,011,662</u>	<u>26,398,418</u>
OPERATING INCOME	<u>106,091,345</u>	<u>103,790,469</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	140,410	129,228
Investment Income	774,983	857,561
Funds Distributed for Current Year	(58,791,811)	(55,031,661)
Funds Available for Distribution for Current Year	(47,947,575)	(48,659,495)
Total Nonoperating Revenues (Expenses)	<u>(105,823,993)</u>	<u>(102,704,367)</u>
NET INCOME (LOSS)	<u>\$ 267,352</u>	<u>\$ 1,086,102</u>
NET ASSETS, BEGINNING OF YEAR	5,401,022	4,248,472
Net Change in Net Assets	<u>267,352</u>	<u>1,086,102</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,668,374</u>	<u>\$ 5,334,574</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 MAY 31, 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	9,841,485	9,660,441
TOTAL ASSETS	\$ 10,258,485	\$ 10,061,441
 NET ASSETS		
Held in Trust for Powerball Winner	10,258,485	10,061,441
TOTAL NET ASSETS	\$ 10,258,485	\$ 10,061,441

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE ELEVEN MONTHS ENDED MAY 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>581,873</u>	\$ <u>461,267</u>
Total Additions	<u>581,873</u>	<u>461,267</u>
Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	180,873	75,267
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>10,258,485</u></u>	\$ <u><u>10,061,441</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE ELEVEN MONTHS ENDED MAY 31, 2011
(With Comparative Totals for the Eleven Months Ended May 31, 2010)

	Games in Progress								FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Raffle II	Total	Scratch and On-Line
TICKET SALES	\$316,823,057	\$36,778,212	\$64,859,407	\$17,586,119	\$10,510,724	\$23,479,191	\$5,600,000	\$1,794,680	\$477,431,390	\$459,424,190
PRIZE EXPENSE	(217,536,665)	(19,204,717)	(29,875,181)	(9,580,604)	(6,405,656)	(12,851,334)	(2,840,000)	(980,553)	(299,274,710)	(287,245,821)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(427,707)	N/A	N/A	854,345	N/A	N/A	426,638	2,812,947
NET REVENUE AFTER PRIZES	99,286,392	17,573,495	34,556,519	8,005,515	4,105,068	11,482,202	2,760,000	814,127	178,583,318	174,991,316
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(22,143,414)	(2,204,427)	(3,887,593)	(1,053,734)	(629,038)	(1,408,117)	(334,733)	(107,038)	(31,768,094)	(30,526,387)
Retailer Bonus	(3,542,896)	(241,161)	(416,548)	(165,965)	(97,415)	(150,629)	(28,000)	(9,614)	(4,652,228)	(4,460,604)
Cost of Tickets Sold	(2,822,644)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2,822,644)	(2,824,782)
Telecomm Reimbursements	466,011	54,097	95,401	25,867	15,460	34,535	8,403	2,641	702,415	690,668
On-Line Vendor Fees	(5,270,720)	(614,746)	(1,083,289)	(293,894)	(175,662)	(381,529)	(90,169)	(29,751)	(7,939,760)	(7,681,324)
TOTAL	(33,313,663)	(3,006,237)	(5,292,029)	(1,487,726)	(886,655)	(1,905,740)	(444,499)	(143,762)	(46,480,311)	(44,802,429)
GROSS PROFIT ON SALE OF TICKETS	\$65,972,729	\$14,567,258	\$29,264,490	\$6,517,789	\$3,218,413	\$9,576,462	\$2,315,501	\$670,365	\$132,103,007	\$130,188,887
AVERAGE DAILY TICKET SALES	\$945,740	\$109,786	\$193,610	\$52,496	\$31,375	\$70,087	\$139	\$5,357	\$1,425,168	\$1,371,415

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 ELEVEN MONTHS ENDED MAY 31, 2011

	Games in Progress								FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Raffle	Total	Total
Prize Expense * (/)/Ticket Sales	\$217,536,665 316,823,057	\$19,204,717 36,778,212	\$30,302,888 64,859,407	\$9,580,604 17,586,119	\$6,405,656 10,510,724	\$11,996,989 23,479,191	\$2,840,000 5,600,000	\$980,553 1,794,680	\$298,848,072 \$477,431,390	\$284,432,874 459,424,190
Prize %	68.66%	52.22%	46.72%	54.48%	60.94%	51.10%	50.71%	54.64%	62.59%	61.91%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2011

	FY11 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,940,941	\$7,538,263	\$1,402,678	84.3%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	169,100	144,429	24,671	86.3%
Suppl Amortization Equalization	121,266	104,661	16,605	86.4%
Workmen's Compensation	48,548	44,502	4,046	91.7%
Health and Life	674,296	599,857	74,439	89.0%
Short Term Disability	11,283	10,428	855	92.4%
Operating	1,203,156	901,002	302,154	74.9%
Variable Vehicle	129,168	129,168	0	100.0%
Leased Space	710,689	630,539	80,150	88.7%
Leased Space-Grand Junction	7,201	5,672	1,529	78.8%
Risk Management	5,871	5,871	0	100.0%
Vehicle Lease Payments	139,539	122,046	17,493	87.5%
Travel	113,498	112,303	1,195	98.9%
Purch. Of Services-Computer Center	2,133	1,955	178	91.7%
Marketing, Communications & Sales	14,700,000	12,817,447	1,882,553	87.2%
Communications Services	2,118	1,942	176	91.7%
Payments to MNT	230,994	211,744	19,250	91.7%
Payments to Other Agencies	239,410	78,044	161,366	32.6%
Legal Services	32,473	11,191	21,282	34.5%
Indirect Costs	537,749	492,938	44,811	91.7%
Ticket Costs-Scratch	6,588,085	3,737,229	2,850,856	56.7%
Research	250,000	134,898	115,102	54.0%
Vendor Fees	12,571,504	8,064,280	4,507,224	64.1%
Prize Payments	424,104,016	301,193,363	122,910,653	71.0%
Retailer Compensation	52,241,350	36,420,322	15,821,028	69.7%
Multi-State Lottery Funds	177,433	125,667	51,766	70.8%
Lottery System Migration	1,935,949	862,240	1,073,709	44.5%
Powerball Prize Variance	17,397,000	4,954,174	12,442,826	28.5%
TOTAL	<u><u>\$543,289,824</u></u>	<u><u>\$379,456,175</u></u>	<u><u>\$151,390,823</u></u>	<u><u>69.84%</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	299,274,710
Powerball Prize Variance	427,707
Megamillions Prize Variance	(854,345)
Commissions and Bonuses	36,420,322
Cost of Tickets & Vendor Fees	10,059,989
Operating Expenses	26,011,662
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>371,340,045</u>
Plus: Powerball Variance classified as revenue	4,526,467
Megamillions Variance classified as revenue	2,772,997
Telecommunications offset classified as revenue	702,415
Less: Non-appropriated expenses and other adjustments	
Depreciation	(706,016)
Accrued Annual and Sick Leave	72,061
Loss on Disposal of Equipment classified as revenue	(47,264)
Sub-Total	<u>378,660,705</u>
Plus: Capitalized Fixed Assets	795,470
	<u><u>379,456,175</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 May 31, 2011 is 91 2/3%.

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