

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

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

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED

AUGUST 31, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

October 18, 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 two months ended August 31, 2011 have been prepared in accordance with generally accepted accounting principles, using established accounting and internal control procedures. These procedures 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 TWO (2) MONTHS ENDED AUGUST 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 two months ended August 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 Two Months Ended August 31,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$83.73		\$81.26	
Nonoperating revenue	<u>0.11</u>		<u>0.19</u>	
TOTAL INCOME	83.84		81.45	
LESS:				
PRIZES	\$52.71	63.0% (1)	\$50.89	62.6% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.42	7.7% (1)	\$6.19	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.71		1.70	
Other Operating Expenses	<u>4.98</u>	(3)	<u>4.07</u>	
TOTAL ADMINISTRATIVE COSTS (Note 3)	<u>6.69</u>	8.0% (2)	<u>5.77</u>	7.1% (2)
	18.02		18.60	
NET CHANGE IN NET ASSETS	<u>-0.17</u>		<u>0.06</u>	
PROCEEDS DISTRIBUTION	<u><u>\$18.18</u></u>	21.7% (2)	<u><u>\$18.54</u></u>	22.8% (2)

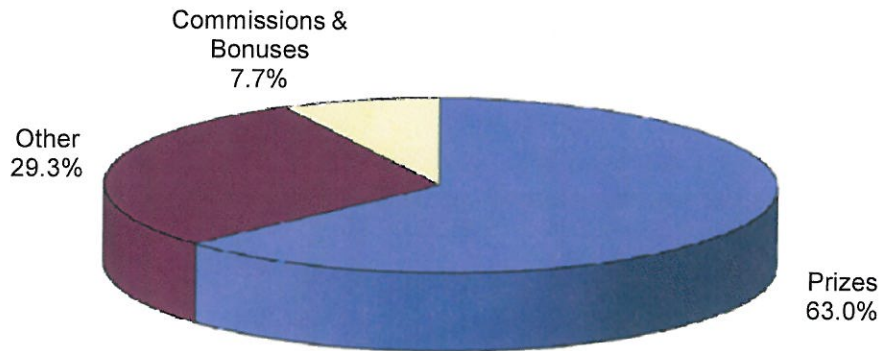
Note 1: Percent of gross ticket sales.

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.

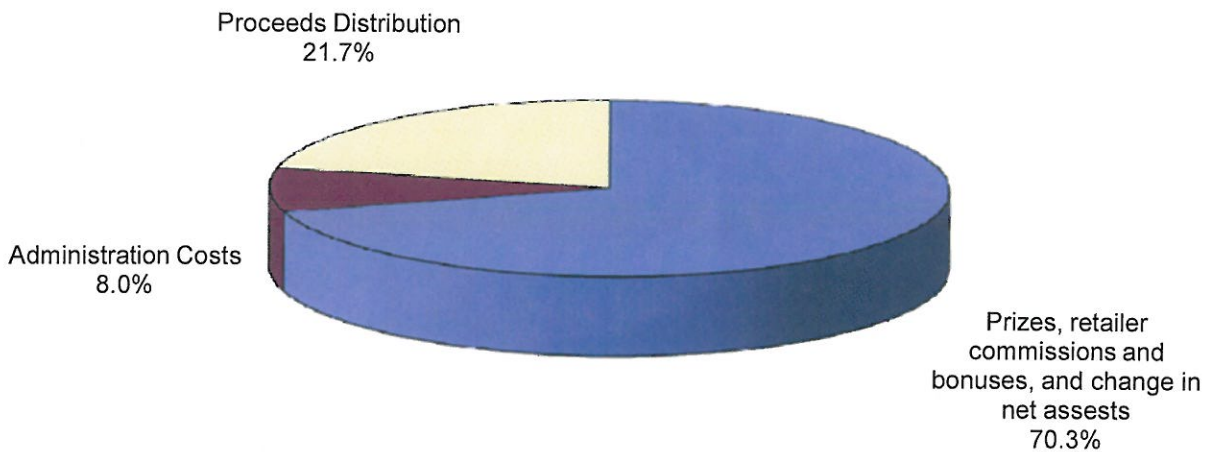
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS
ENDED AUGUST 31, 2011

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
AUGUST 31, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 45,808,224	\$ 53,841,848
Accounts Receivable, net of the allowance for doubtful accounts of \$169,624 in 2011 and \$217,172 in 2010	21,199,480	19,237,489
Consignment Inventory, at Cost	115,696	132,129
Warehouse Inventory, at Cost	1,272,551	854,534
Prepaid Expenses	241,725	135,503
Total Current Assets	68,637,676	74,201,503
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	413,067	363,614
Prepaid Prize Expense with MUSL	4,538,327	3,914,323
Total Reserve and Restricted Assets	6,351,394	5,477,937
Capital Assets:		
Equipment	6,378,722	6,543,765
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(2,841,749)	(2,651,889)
Total Capital Assets	3,601,684	3,891,876
TOTAL ASSETS	\$ 78,590,754	\$ 83,571,316
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,050,832	\$ 2,273,830
Prize Liability	25,032,526	25,379,854
Payable to MUSL	(219,044)	66,982
Wages and Benefits	82,400	79,456
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	558,102	542,293
Funds Available for Distribution	43,800,520	48,800,234
Total Current Liabilities	72,305,336	77,142,649
Long-Term Liabilities:		
Accrued Annual and Sick Leave	802,069	898,722
Expired Warrants Liability	68,598	74,455
Total Long-Term Liabilities	870,667	973,177
TOTAL LIABILITIES	73,176,003	78,115,826
NET ASSETS		
Investment in Capital Assets	3,601,684	3,891,876
Restricted-Licensed Agent Recovery Reserve	413,067	363,614
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,414,751	5,455,490
TOTAL LIABILITIES AND NET ASSETS	\$ 78,590,754	\$ 83,571,316

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2011 AND 2010
 (UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 83,727,253	\$ 81,258,925
DIRECT OPERATING EXPENSES		
Prize Expense	52,764,756	51,211,793
Powerball Prize Variance	(70,576)	359,437
Mega Millions Prize Variance	17,494	(679,584)
Retailer Commissions and Bonuses	6,423,921	6,185,431
Cost of Tickets and Vendor Fees	1,708,524	1,706,614
GROSS PROFIT ON SALE OF TICKETS	<u>22,883,134</u>	<u>22,475,234</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,337,255	1,746,147
Administration Fees Paid to MUSL	12,049	79,557
Wages and Benefits	1,494,471	1,369,169
Professional Services	142,946	26,026
State Agencies Services	10,381	72,460
Department of Revenue Services	82,561	89,625
Travel	31,687	23,903
Equipment	15,521	49,718
Depreciation	180,971	99,118
Accrued Annual and Sick Leave	(5,216)	(52,703)
Space Rental	118,912	118,451
Rents for Equipment	5,852	11,322
Motorpool Leasing	63,978	65,522
Materials and Supplies	42,185	25,517
Telephone	23,908	24,582
On-Line Telecommunications	60,889	56,587
Data Processing Supplies and Services	6,910	33,111
Equipment Maintenance	119,905	64,636
Postage	11,064	18,650
Printing	5,302	7,774
Delivery Expense	179,156	122,541
Other	37,907	16,900
Total Other Operating Expenses	<u>4,978,594</u>	<u>4,068,613</u>
OPERATING INCOME	<u>17,904,540</u>	<u>18,406,621</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	23,111	5,356
Investment Income	89,387	188,440
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(18,187,735)	(18,545,949)
Total Nonoperating Revenues (Expenses)	<u>(18,075,237)</u>	<u>(18,352,153)</u>
NET INCOME (LOSS)	<u>\$ (170,697)</u>	<u>\$ 54,468</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(170,697)</u>	<u>54,468</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,414,751</u>	<u>\$ 5,455,490</u>

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

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	417,000	401,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,981,929</u>	<u>9,776,012</u>
TOTAL ASSETS	\$ <u><u>10,398,929</u></u>	\$ <u><u>10,177,012</u></u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,398,929</u>	<u>10,177,012</u>
TOTAL NET ASSETS	\$ <u><u>10,398,929</u></u>	\$ <u><u>10,177,012</u></u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2011 AND 2010

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>94,143</u>	\$ <u>99,400</u>
Total Additions	<u>94,143</u>	<u>99,400</u>
 Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net assets	94,143	99,400
 Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,304,786</u>	<u>10,077,612</u>
End of Period	\$ <u><u>10,398,929</u></u>	\$ <u><u>10,177,012</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2011
(With Comparative Totals for the Two (2) Months Ended August 31, 2010)

	Games in Progress						FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$57,511,909	\$5,405,934	\$12,909,847	\$3,217,545	\$1,559,664	\$3,122,354	\$83,727,253	\$81,258,925
PRIZE EXPENSE	(39,409,563)	(2,925,509)	(6,096,188)	(1,880,535)	(950,317)	(1,502,644)	(52,764,756)	(51,211,793)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	70,576	N/A	N/A	(17,494)	53,082	320,147
NET REVENUE AFTER PRIZES	<u>18,102,346</u>	<u>2,480,425</u>	<u>6,884,235</u>	<u>1,337,010</u>	<u>609,347</u>	<u>1,602,216</u>	<u>31,015,579</u>	<u>30,367,279</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(4,021,769)	(323,931)	(773,680)	(192,779)	(93,333)	(186,973)	(5,592,465)	(5,410,233)
Retailer Bonus	(650,447)	(35,170)	(81,897)	(30,493)	(14,530)	(18,919)	(831,456)	(775,198)
Cost of Tickets Sold	(406,624)	N/A	N/A	N/A	N/A	N/A	(406,624)	(438,609)
Telecomm Reimbursements	91,034	8,557	20,435	5,093	2,469	4,942	132,530	131,005
On-Line Vendor Fees	(986,389)	(92,747)	(220,122)	(55,131)	(26,702)	(53,339)	(1,434,430)	(1,399,010)
TOTAL	<u>(5,974,195)</u>	<u>(443,291)</u>	<u>(1,055,264)</u>	<u>(273,310)</u>	<u>(132,096)</u>	<u>(254,289)</u>	<u>(8,132,445)</u>	<u>(7,892,045)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$12,128,151</u>	<u>\$2,037,134</u>	<u>\$5,828,971</u>	<u>\$1,063,700</u>	<u>\$477,251</u>	<u>\$1,347,927</u>	<u>\$22,883,134</u>	<u>\$22,475,234</u>
AVERAGE DAILY TICKET SALES	<u>\$927,611</u>	<u>\$87,192</u>	<u>\$208,223</u>	<u>\$51,896</u>	<u>\$25,156</u>	<u>\$50,361</u>	<u>\$1,350,440</u>	<u>\$1,310,628</u>

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 TWO (2) MONTHS ENDED AUGUST 31, 2011

	Games in Progress						FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Total
Prize Expense *	\$39,409,563	\$2,925,509	\$6,025,612	\$1,880,535	\$950,317	\$1,520,138	\$52,711,674	\$50,891,646
(/) Ticket Sales	57,511,909	5,405,934	12,909,847	3,217,545	1,559,664	3,122,354	\$83,727,253	81,258,925
Prize %	<u>68.52%</u>	<u>54.12%</u>	<u>46.67%</u>	<u>58.45%</u>	<u>60.93%</u>	<u>48.69%</u>	<u>62.96%</u>	<u>62.63%</u>

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2011

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$1,326,642	\$7,466,372	15.1%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	28,074	163,274	14.7%
Suppl Amortization Equalization	153,762	21,595	132,167	14.0%
Workmen's Compensation	62,670	10,445	52,225	16.7%
Shift Differential	6,188	806	5,382	13.0%
Health and Life	671,016	117,945	553,071	17.6%
Short Term Disability	12,096	1,985	10,111	16.4%
Operating	1,203,156	274,056	929,100	22.8%
Variable Vehicle	192,785	390	192,395	0.2%
Leased Space	703,845	117,942	585,903	16.8%
Leased Space-Grand Junction	6,907	970	5,937	14.0%
Risk Management	25,231	4,205	21,026	16.7%
Vehicle Lease Payments	138,708	21,714	116,994	15.7%
Travel	113,498	31,687	81,811	27.9%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	2,335,515	12,364,485	15.9%
Communications Services	2,193	384	1,809	17.5%
Payments to MNT	210,811	35,135	175,676	16.7%
Payments to Other Agencies	239,410	5,622	233,788	2.3%
Legal Services	16,081	4,759	11,322	29.6%
Indirect Costs	495,867	82,561	413,306	16.6%
Ticket Costs-Scratch	6,578,000	581,251	5,996,749	8.8%
Research	250,000	1,350	248,650	0.5%
Vendor Fees	12,571,504	1,459,330	11,112,174	11.6%
Prize Payments	424,104,016	54,169,052	369,934,964	12.8%
Retailer Compensation	52,241,350	6,423,921	45,817,429	12.3%
Multi-State Lottery Funds	177,433	12,050	165,383	6.8%
Lottery System Migration	1,014,752	168,080	846,672	16.6%
TOTAL	<u>\$524,878,244</u>	<u>\$67,237,466</u>	<u>\$457,640,778</u>	<u>12.81%</u>

FY11 Staffing (FTE) 117 (Appropriated) 117.000 (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	52,764,756
Powerball Prize Variance	(70,576)
Megamillions Prize Variance	17,494
Commissions and Bonuses	6,423,921
Cost of Tickets & Vendor Fees	1,708,524
Operating Expenses	4,978,594
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>65,822,713</u>
Plus: Powerball Variance classified as revenue	1,178,748
Megamillions Variance classified as revenue	278,630
Telecommunications offset classified as revenue	132,530
Less: Non-appropriated expenses and other adjustments	
Depreciation	(180,971)
Accrued Annual and Sick Leave	5,216
Loss on Disposal of Equipment classified as revenue	600
Sub-Total	67,237,466
Plus: Capitalized Fixed Assets	0
	<u><u>67,237,466</u></u>

Note 1 - FY12 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through August 31, 2011 is 16 2/3%.

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