

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FISCAL YEARS ENDED JUNE 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 the fiscal years ended June 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 Fiscal Years Ended June 30,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$501.20		\$493.36	
Nonoperating revenue	1.49		1.70	
TOTAL INCOME	502.69		495.06	
LESS:				
PRIZES	\$310.19	61.9% (1)	\$301.68	61.1% (1)
RETAILER COMMISSIONS AND BONUSES	\$38.15	7.6% (1)	\$36.48	7.4% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.72		10.52	
Other Operating Expenses	28.91		24.51	
TOTAL ADMINISTRATIVE COSTS (Note 3)	39.63	7.9% (2)	35.03	7.1% (2)
	114.72		121.87	
NET CHANGE IN NET ASSETS	1.62		2.27	
PROCEEDS DISTRIBUTION	\$113.10	22.5% (2)	\$119.60	24.2% (2)

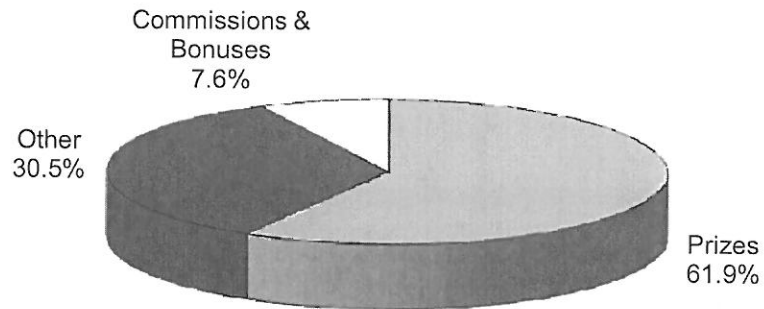
Note 1: Percent of gross ticket sales.

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.

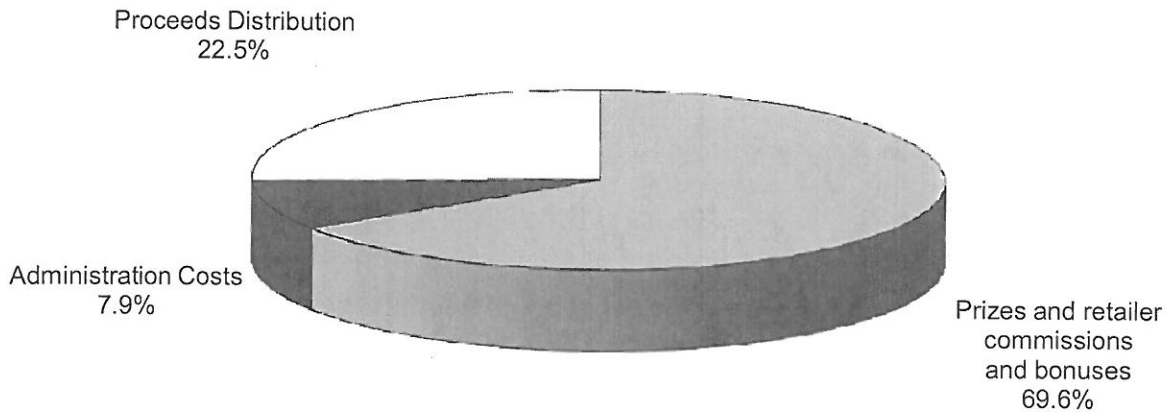
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR
ENDED JUNE 30, 2010

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
JUNE 30, 2010 AND 2009
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 40,859,238	\$ 35,337,291
Accounts Receivable, net of the allowance for doubtful accounts of \$216,501 in 2010 and \$182,993 in 2009	19,766,854	20,549,443
Consignment Inventory, at Cost	119,866	118,917
Warehouse Inventory, at Cost	1,150,213	1,389,571
Prepaid Expenses	54,591	140,032
Total Current Assets	61,950,762	57,535,254
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	370,801	388,771
Prepaid Prize Expense with MUSL	3,928,319	3,928,566
Total Reserve and Restricted Assets	5,499,120	5,417,337
Capital Assets:		
Equipment	6,724,664	3,144,554
Construction in Progress	0	2,295,614
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,894,443)	(2,680,467)
Total Capital Assets	3,830,221	2,759,701
TOTAL ASSETS	\$ 71,280,103	\$ 65,712,292
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,030,841	\$ 3,357,721
Prize Liability	29,684,061	26,950,117
Payable to MUSL	221,937	0
Wages and Benefits	753,220	722,020
Accrued Annual and Sick Leave	23,347	8,741
Retailer Bonus Liability	1,023,998	606,258
Funds Available for Distribution	30,254,285	28,090,232
Deferred Revenue	0	327,515
Total Current Liabilities	63,991,689	60,062,604
Long-Term Liabilities:		
Accrued Annual and Sick Leave	952,451	911,937
Expired Warrants Liability	74,455	83,132
Total Long-Term Liabilities	1,026,906	995,069
TOTAL LIABILITIES	65,018,595	61,057,673
NET ASSETS		
Investment in Capital Assets	3,830,221	2,759,701
Restricted-Licensed Agent Recovery Reserve	370,801	388,771
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	860,486	406,147
TOTAL NET ASSETS	6,261,508	4,654,619
TOTAL LIABILITIES AND NET ASSETS	\$ 71,280,103	\$ 65,712,292

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(UNAUDITED)

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 501,197,409	\$ 493,364,094
DIRECT OPERATING EXPENSES		
Prize Expense	313,724,135	301,506,498
Powerball Prize Variance	(3,525,004)	168,068
Mega Millions Prize Variance	165,279	0
Retailer Commissions and Bonuses	38,146,775	36,480,909
Cost of Tickets and Vendor Fees	<u>10,718,354</u>	<u>10,523,973</u>
GROSS PROFIT ON SALE OF TICKETS	<u>141,967,870</u>	<u>144,684,646</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	14,849,003	11,914,439
Administration Fees Paid to MUSL	103,370	98,250
Wages and Benefits	8,139,527	8,527,025
Professional Services	307,618	251,587
State Agencies Services	143,828	161,235
Department of Revenue Services	528,898	556,672
Travel	105,120	109,457
Equipment (including loss on disposition of equipment of \$40,157 and \$9,916, respectively)	1,303,569	93,528
Depreciation	621,027	136,691
Accrued Annual and Sick Leave	34,300	94,725
Space Rental	699,423	678,684
Rents for Equipment	23,935	29,933
Motorpool Leasing	310,100	391,867
Materials and Supplies	129,792	86,879
Telephone	112,923	104,912
On-Line Telecommunications	499,321	475,801
Data Processing Supplies and Services	71,844	20,040
Equipment Maintenance	453,841	316,938
Postage	51,210	67,201
Printing	6,919	7,618
Delivery Expense	289,778	237,814
Other	128,795	150,454
Total Other Operating Expenses	<u>28,914,141</u>	<u>24,511,750</u>
OPERATING INCOME	<u>113,053,729</u>	<u>120,172,896</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	177,641	267,188
Investment Income	1,317,086	1,427,948
Funds Distributed for Current Year	(82,687,282)	(91,513,623)
Funds Available for Distribution for Current Year	<u>(30,254,285)</u>	<u>(28,090,232)</u>
Total Nonoperating Revenues (Expenses)	<u>(111,446,840)</u>	<u>(117,908,719)</u>
NET INCOME (LOSS)	<u>\$ 1,606,889</u>	<u>\$ 2,264,177</u>
NET ASSETS, BEGINNING OF YEAR	4,654,619	2,390,442
Net Change in Net Assets	<u>1,606,889</u>	<u>2,264,177</u>
NET ASSETS, END OF YEAR	<u>\$ 6,261,508</u>	<u>\$ 4,654,619</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 & 2009
(UNAUDITED)

	2010	2009
Operating activities		
Cash received from retailers	\$ 505,681,172	\$ 490,961,741
Cash paid in prizes	(311,074,905)	(296,077,156)
Cash paid in retailer commissions	(33,293,526)	(32,844,563)
Cash payments to suppliers	(32,312,856)	(25,841,745)
Cash payments to employees for services	(7,766,818)	(8,538,590)
Cash paid in retailer bonus	(4,436,959)	(3,721,928)
	116,796,108	123,937,759
Noncapital Financing Activities		
Distribution of net proceeds	(110,777,514)	(118,669,044)
Capital and related financing activities		
Acquisition of capital assets	(1,731,703)	(2,190,975)
	(1,731,703)	(2,190,975)
Investing activities		
Interest received	862,747	1,170,948
Increase in Cash and Investments	5,149,638	4,248,688
Change in Fair Market Value of Investments	454,339	257,000
Cash and investments, Beginning of Year (including \$1,488,771 and \$1,743,139, respectively, in restricted accounts)	36,826,062	32,320,374
Cash and investments, End of Year, (including \$1,570,801 and \$1,488,771, respectively, in restricted accounts)	\$ 42,430,039	\$ 36,826,062
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
<i>Operating income</i>	\$ 113,053,729	\$ 120,172,896
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
<i>Depreciation</i>	621,027	136,691
<i>Loss on disposition of equipment</i>	40,156	9,916
<i>Other revenue</i>	177,641	267,188
<i>(Increase)Decrease in Prepaid Prize Expense with MUSL</i>	247	16,144
<i>Change in:</i>		
<i>Accounts Receivable</i>	782,589	(1,737,367)
<i>Ticket Inventory</i>	238,409	(611,623)
<i>Prepaid Expenses</i>	85,441	(57,901)
<i>Liabilities(excluding funds available for distribution)</i>	1,796,869	5,741,815
	116,796,108	123,937,759
Net cash provided by operating activities	\$ 116,796,108	\$ 123,937,759
Statement of Net Assets Classification		
Cash and investments	\$ 35,337,291	\$ 35,337,291
Cash and investments- Licensed Agent Recovery Reserve	388,771	388,771
Cash and investments- Operating Reserve	1,100,000	1,100,000
	\$ 36,826,062	\$ 36,826,062

See Notes to Financial Statements

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

(UNAUDITED)

	2010	2009
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	401,000	386,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,278,081	9,507,414
TOTAL ASSETS	\$ 10,679,081	\$ 9,893,414
 NET ASSETS		
Held in Trust for Powerball Winner	10,679,081	9,893,414
TOTAL NET ASSETS	\$ 10,679,081	\$ 9,893,414

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)

	2010	2009
Additions		
Investment Income	\$ <u>1,171,667</u>	\$ <u>514,152</u>
Total Additions	<u>1,171,667</u>	<u>514,152</u>
 Deductions		
Prize Payments	<u>386,000</u>	<u>371,000</u>
Change in net assets	785,667	143,152
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>9,893,414</u>	<u>9,750,262</u>
End of Year	\$ <u><u>10,679,081</u></u>	\$ <u><u>9,893,414</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Comparative Totals for the Fiscal Year Ended June 30, 2009)

	Games in Progress						FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$328,108,741	\$41,620,408	\$101,568,085	\$21,309,593	\$6,187,366	\$2,403,216	\$501,197,409	\$493,364,094
PRIZE EXPENSE	(224,567,596)	(21,843,486)	(51,883,925)	(11,081,335)	(3,238,067)	(1,109,726)	(313,724,135)	(301,506,498)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	3,525,004	N/A	N/A	(165,279)	3,359,725	(168,068)
NET REVENUE AFTER PRIZES	<u>103,541,145</u>	<u>19,776,922</u>	<u>53,209,164</u>	<u>10,228,258</u>	<u>2,949,299</u>	<u>1,128,211</u>	<u>190,832,999</u>	<u>191,689,528</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(22,934,831)	(2,489,638)	(6,077,125)	(1,275,085)	(371,237)	(145,610)	(33,293,526)	(32,844,563)
Retailer Bonus	(3,652,698)	(272,537)	(656,382)	(197,496)	(58,691)	(15,445)	(4,853,249)	(3,636,346)
Cost of Tickets Sold	(3,064,963)	N/A	N/A	N/A	N/A	N/A	(3,064,963)	(2,698,617)
Telecomm Reimbursements	490,172	62,178	151,735	31,835	9,243	3,590	748,753	735,307
On-Line Vendor Fees	(5,525,328)	(693,591)	(1,683,201)	(357,023)	(102,770)	(40,231)	(8,402,144)	(8,560,663)
TOTAL	<u>(34,687,648)</u>	<u>(3,393,588)</u>	<u>(8,264,973)</u>	<u>(1,797,769)</u>	<u>(523,455)</u>	<u>(197,696)</u>	<u>(48,865,129)</u>	<u>(47,004,882)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$68,853,497</u>	<u>\$16,383,334</u>	<u>\$44,944,191</u>	<u>\$8,430,489</u>	<u>\$2,425,844</u>	<u>\$930,515</u>	<u>\$141,967,870</u>	<u>\$144,684,645</u>
AVERAGE DAILY TICKET SALES	<u>\$899,928</u>	<u>\$114,029</u>	<u>\$278,269</u>	<u>\$58,382</u>	<u>\$47,595</u>	<u>\$52,244</u>	<u>\$1,373,144</u>	<u>\$1,351,682</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 FISCAL YEAR ENDED JUNE 30, 2010

	Games in Progress						MutiState Games	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Prize Variances	Total
Prize Expense	\$224,567,596	\$21,843,486	\$51,883,925	\$11,081,335	\$3,238,067	\$1,109,726	-	\$310,364,410
(/) Ticket Sales	<u>328,108,741</u>	<u>41,620,408</u>	<u>101,568,085</u>	<u>21,309,593</u>	<u>6,187,366</u>	<u>2,403,216</u>	<u>-3,359,725</u>	<u>501,197,409</u>
Prize %	<u>68.44%</u>	<u>52.48%</u>	<u>51.08%</u>	<u>52.00%</u>	<u>52.33%</u>	<u>46.18%</u>		<u>61.92%</u>

COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Fiscal Year 2010 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2010 Final Budget	Fiscal Year 2010 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$8,924,932	(\$23,934)	\$8,900,998	\$8,099,385	\$801,613	9.01%
Amortization Equalization	0	139,163	139,163	131,004	8,159	5.86%
Supplemental Amort. Equal.	0	82,825	82,825	82,093	732	0.88%
Workmen's Compensation	0	47,158	47,158	47,158	0	0.00%
Health and Life	0	656,615	656,615	656,615	0	0.00%
Short Term Disability	0	10,207	10,207	10,207	0	0.00%
Operating	1,203,156	0	1,203,156	1,000,098	203,058	16.88%
DOR Postage Allocation	0	5,054	5,054	4,711	343	6.79%
Variable Vehicle	0	192,785	192,785	192,785	0	0.00%
Leased Space	0	702,351	702,351	692,427	9,924	1.41%
Grand Junction - Leased Space	0	7,019	7,019	6,996	23	0.33%
Risk Management	0	22,390	22,390	22,390	0	0.00%
Vehicle Lease Payments	0	117,305	117,305	116,063	1,242	1.06%
Travel	113,498	0	113,498	105,120	8,378	7.38%
Purch. Serv. Comp. Center	0	3,052	3,052	3,052	0	0.00%
Marketing, Communications & Sales	14,700,000	0	14,700,000	14,599,002	100,998	0.69%
Communications Services	0	2,060	2,060	2,060	0	0.00%
Payments to MNT	0	374,676	374,676	374,676	0	0.00%
Payments to Other Agencies	239,410	0	239,410	130,188	109,222	45.62%
Legal Services	0	13,640	13,640	13,640	0	0.00%
Indirect Costs	533,305	0	533,305	528,898	4,407	0.83%
Ticket Costs-Scratch	6,070,880	213,120	6,284,000	3,262,844	3,021,156	48.08%
Research	250,000	0	250,000	250,000	0	0.00%
Vendor Fees	12,677,849	(301,695)	12,376,154	9,623,664	2,752,490	22.24%
Prize Payments	392,580,940	7,683,620	400,264,560	313,919,655	86,344,905	21.57%
Retailer Compensation	48,894,160	396,440	49,290,600	38,146,774	11,143,826	22.61%
Multi-State Lottery Fund	177,433	0	177,433	103,370	74,063	41.74%
Powerball Prize Variance	12,708,000	252,000	12,960,000	7,575,512	5,384,488	41.55%
Lottery Systems Migration	3,281,051	0	3,281,051	1,345,103	1,935,948	59.00%
Rollforwards	13,920	0	13,920	13,920	0	0.00%
TOTAL	\$502,368,534	\$10,595,851	\$512,964,385	\$401,059,410	\$111,904,975	21.82%

FY10 Staffing (FTE) 126.0 (Appropriated) 113.5 (Actual)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Net Assets" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Net Assets

Prize Expense	313,724,135
Powerball Prize Variance	(3,525,004)
Mega Millions Prize Variance	165,279
Commissions and Bonuses	38,146,775
Cost of Tickets & Vendor Fees	10,718,354
Operating Expenses	<u>28,914,141</u>
Total Expenses per Statement of Revenues, Expenses and Changes in Net Assets	388,143,680
Plus: Powerball Prize Variance classified as revenue	11,100,516
Mega Millions Prize Variance classified as revenue	30,241
Telecommunications offset classified as revenue	748,753
Less: Non-appropriated expenses	
Depreciation	(621,027)
Accrued Annual and Sick Leave	(34,300)
Book Value of Assets Written Off	<u>(40,157)</u>
Sub-Total	399,327,706
Plus: Capitalized purchases	1,115,883
Capitalized wages	<u>615,821</u>
	<u><u>401,059,410</u></u>