

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

The table included below and the graphs included on page 16 present certain summarized operating results of the Colorado Lottery for the fiscal years ended June 30, 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 Fiscal Years Ended June 30,			
	FY 2011		FY 2010	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$518.92		\$501.20	
Nonoperating revenue	0.74		1.49	
TOTAL INCOME	519.66		502.69	
LESS:				
PRIZES	\$326.74	63.0% (1)	\$310.36	61.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$39.58	7.6% (1)	\$38.15	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	10.92		10.72	
Other Operating Expenses	29.12	(3)	28.91	
TOTAL ADMINISTRATIVE COSTS (Note 3)	40.04	7.7% (2)	39.63	7.9% (2)
	113.30		114.55	
NET CHANGE IN NET ASSETS	-0.06		1.61	
PROCEEDS DISTRIBUTION	\$113.36	21.8% (2)	\$112.94	22.5% (2)

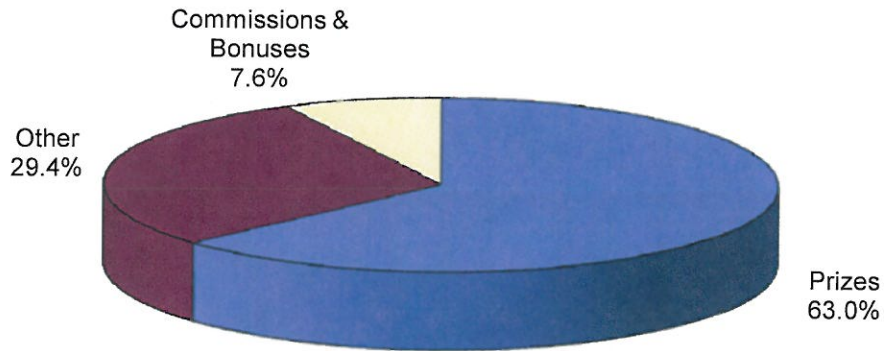
Note 1: Percent of gross ticket sales.

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.

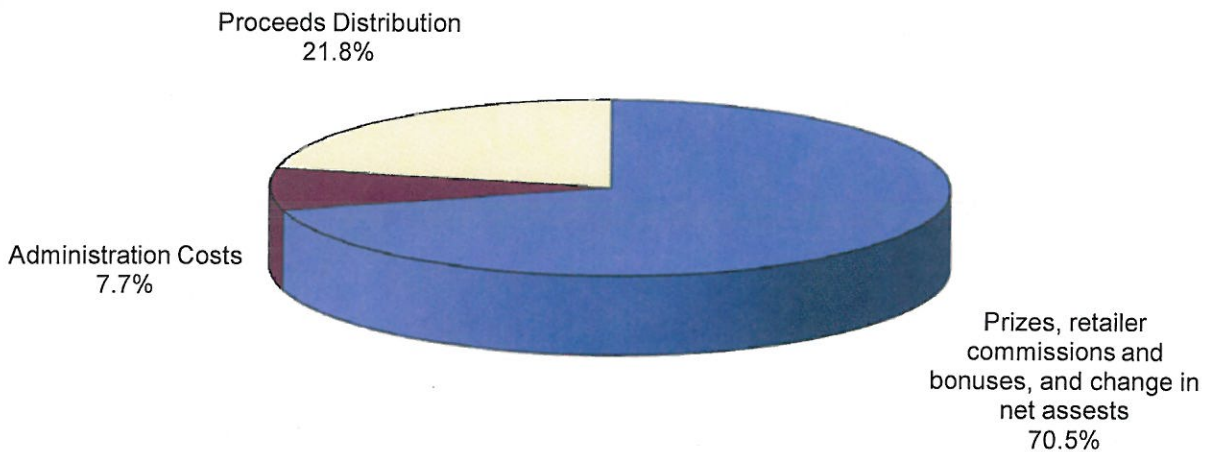
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FISCAL YEAR
ENDED JUNE 30, 2011

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
JUNE 30, 2011 AND 2010
(UNAUDITED)

ASSETS	<u>FY 2011</u>	<u>FY 2010</u>
Current Assets:		
Cash and Investments	\$ 37,353,939	\$ 40,859,238
Accounts Receivable, net of the allowance for doubtful accounts of \$169,428 in 2011 and \$216,501 in 2010	19,236,806	19,766,854
Consignment Inventory, at Cost	132,308	119,866
Warehouse Inventory, at Cost	1,100,188	1,150,213
Prepaid Expenses	78,931	54,591
Total Current Assets	<u>57,902,172</u>	<u>61,950,762</u>
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,400,000	1,200,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	402,793	370,801
Prepaid Prize Expense with MUSL	4,430,127	3,928,319
Total Reserve and Restricted Assets	<u>6,232,920</u>	<u>5,499,120</u>
Capital Assets:		
Equipment	6,378,722	6,724,664
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(2,660,778)	(2,894,443)
Total Capital Assets	<u>3,782,655</u>	<u>3,830,221</u>
 TOTAL ASSETS	 <u>\$ 67,917,747</u>	 <u>\$ 71,280,103</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,252,207	\$ 2,030,841
Prize Liability	32,042,529	29,684,061
Payable to MUSL	255,935	221,937
Wages and Benefits	843,900	753,220
Accrued Annual and Sick Leave	24,835	23,347
Retailer Bonus Liability	809,699	1,023,998
Funds Available for Distribution	25,612,785	30,254,285
Total Current Liabilities	<u>60,841,890</u>	<u>63,991,689</u>
Long-Term Liabilities:		
Accrued Annual and Sick Leave	807,224	952,451
Expired Warrants Liability	68,598	74,455
Total Long-Term Liabilities	<u>875,822</u>	<u>1,026,906</u>
 TOTAL LIABILITIES	 <u>61,717,712</u>	 <u>65,018,595</u>
 NET ASSETS		
Investment in Capital Assets	3,782,655	3,830,221
Restricted-Licensed Agent Recovery Reserve	402,793	370,801
Restricted-Operating Reserve	1,400,000	1,200,000
Unrestricted-Other	614,587	860,486
TOTAL NET ASSETS	<u>6,200,035</u>	<u>6,261,508</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 67,917,747</u>	 <u>\$ 71,280,103</u>

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010
(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 518,920,841	\$ 501,197,409
DIRECT OPERATING EXPENSES		
Prize Expense	326,624,241	313,724,135
Powerball Prize Variance	792,467	(3,525,004)
Mega Millions Prize Variance	(677,717)	165,279
Retailer Commissions and Bonuses	39,584,088	38,146,775
Cost of Tickets and Vendor Fees	10,920,112	10,718,354
	<u>141,677,650</u>	<u>141,967,870</u>
GROSS PROFIT ON SALE OF TICKETS		
	<u>141,677,650</u>	<u>141,967,870</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	14,823,254	14,849,003
Administration Fees Paid to MUSL	116,175	103,370
Wages and Benefits	8,636,669	8,139,527
Professional Services	614,802	307,618
State Agencies Services	129,813	143,828
Department of Revenue Services	528,542	528,898
Travel	146,229	105,120
Equipment	198,071	1,303,569
Depreciation	795,467	621,027
Accrued Annual and Sick Leave	(144,923)	34,300
Space Rental	704,995	699,423
Rents for Equipment	32,046	23,935
Motorpool Leasing	352,785	310,100
Materials and Supplies	152,417	129,792
Telephone	143,733	112,923
On-Line Telecommunications	372,579	499,321
Data Processing Supplies and Services	32,899	71,844
Equipment Maintenance	365,071	453,841
Postage	65,786	51,210
Printing	6,097	6,919
Delivery Expense	963,827	289,778
Other	86,822	128,795
Total Other Operating Expenses	<u>29,123,156</u>	<u>28,914,141</u>
OPERATING INCOME	<u>112,554,494</u>	<u>113,053,729</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	184,871	177,641
Investment Income	560,155	1,317,086
Funds Distributed for Current Year	(87,748,208)	(82,687,282)
Funds Available for Distribution for Current Year	(25,612,785)	(30,254,285)
Total Nonoperating Revenues (Expenses)	<u>(112,615,967)</u>	<u>(111,446,840)</u>
NET INCOME (LOSS)	<u>\$ (61,473)</u>	<u>\$ 1,606,889</u>
NET ASSETS, BEGINNING OF YEAR	6,261,508	4,654,619
Net Change in Net Assets	<u>(61,473)</u>	<u>1,606,889</u>
NET ASSETS, END OF PERIOD	<u>\$ 6,200,035</u>	<u>\$ 6,261,508</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 & 2010
(UNAUDITED)

	2011	2010
Operating activities		
Cash received from retailers	\$ 518,380,715	\$ 505,681,172
Cash paid in prizes	(323,877,300)	(311,074,905)
Cash paid in retailer commissions	(34,531,189)	(33,293,526)
Cash payments to suppliers	(31,132,812)	(31,890,345)
Cash payments to employees for services	(8,544,805)	(8,053,207)
Cash paid in retailer bonus	(5,267,198)	(4,436,959)
Net cash provided by operating activities	115,027,411	116,932,230
Noncapital Financing Activities		
Distribution of net proceeds	(118,002,493)	(110,777,514)
Capital and related financing activities		
Acquisition of capital assets	(858,380)	(1,867,825)
Net cash used by financing activities	(858,380)	(1,867,825)
Investing activities		
Interest received	806,054	862,747
Net cash provided by investing activities	806,054	862,747
Increase in Cash and Investments	(3,027,408)	5,149,638
Change in Fair Market Value of Investments	(245,899)	454,339
Cash and investments, Beginning of Year (including \$1,570,801 and \$1,488,771, respectively, in restricted accounts)	42,430,039	36,826,062
Cash and investments, End of Year, (including \$1,802,793 and \$1,570,801, respectively, in restricted accounts)	\$ 39,156,732	\$ 42,430,039
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
<i>Operating income</i>	\$ 112,554,494	\$ 113,053,729
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
<i>Depreciation</i>	795,467	621,027
<i>Loss on disposition of equipment</i>	110,479	40,157
<i>Other revenue</i>	184,871	177,641
<i>(Increase)Decrease in Prepaid Prize Expense with MUSL</i>	(501,808)	247
<i>Change in:</i>		
<i>Accounts Receivable</i>	530,048	782,589
<i>Ticket Inventory</i>	37,583	238,409
<i>Prepaid Expenses</i>	(24,340)	85,441
<i>Liabilities(excluding funds available for distribution)</i>	1,340,617	1,932,990
<i>Net cash provided by operating activities</i>	\$ 115,027,411	\$ 116,932,230
Statement of Net Assets Classification		
Cash and investments	\$ 37,353,939	\$ 40,859,238
Cash and investments- Licensed Agent Recovery Reserve	402,793	370,801
Cash and investments- Operating Reserve	1,400,000	1,200,000
	\$ 39,156,732	\$ 42,430,039

See Notes to Financial Statements

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 JUNE 30, 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	9,871,210	10,278,081
TOTAL ASSETS	\$ 10,288,210	\$ 10,679,081
 NET ASSETS		
Held in Trust for Powerball Winner	10,288,210	10,679,081
TOTAL NET ASSETS	\$ 10,288,210	\$ 10,679,081

See Notes to Financial Statements

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

(UNAUDITED)

	<u>FY 2011</u>	<u>FY 2010</u>
Additions		
Investment Income	\$ <u>10,129</u>	\$ <u>1,171,667</u>
Total Additions	<u>10,129</u>	<u>1,171,667</u>
Deductions		
Prize Payments	<u>401,000</u>	<u>386,000</u>
Change in net assets	(390,871)	785,667
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,679,081</u>	<u>9,893,414</u>
End of Period	\$ <u><u>10,288,210</u></u>	\$ <u><u>10,679,081</u></u>

See Notes to Financial Statements

SUPPLEMENTARY INFORMATION

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 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	\$344,945,609	\$39,257,377	\$70,046,464	\$19,153,751	\$11,418,378	\$25,126,942	\$5,600,000	\$3,372,320	\$518,920,841	\$501,197,409
PRIZE EXPENSE	(237,372,938)	(20,768,717)	(31,901,845)	(10,483,126)	(6,967,421)	(13,432,194)	(2,808,000)	(2,890,000)	(326,624,241)	(313,724,135)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(792,467)	N/A	N/A	677,717	N/A	N/A	(114,750)	3,359,725
NET REVENUE AFTER PRIZES	107,572,671	18,488,660	37,352,152	8,670,625	4,450,957	12,372,465	2,792,000	482,320	192,181,850	190,832,999
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(24,106,444)	(2,352,910)	(4,198,424)	(1,147,653)	(683,354)	(1,506,826)	(334,733)	(200,845)	(34,531,189)	(33,293,526)
Retailer Bonus	(3,860,442)	(255,686)	(449,095)	(179,515)	(104,228)	(157,071)	(28,000)	(18,862)	(5,052,899)	(4,853,249)
Cost of Tickets Sold	(3,027,915)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(3,027,915)	(3,064,963)
Telecomm Reimbursements	505,850	57,569	102,721	28,088	16,745	36,848	8,403	4,946	761,170	748,753
On-Line Vendor Fees	(5,754,648)	(657,420)	(1,172,407)	(320,851)	(191,293)	(409,861)	(90,169)	(56,718)	(8,653,367)	(8,402,144)
TOTAL	(36,243,599)	(3,208,447)	(5,717,205)	(1,619,931)	(962,130)	(2,036,910)	(444,499)	(271,479)	(50,504,200)	(48,865,129)
GROSS PROFIT ON SALE OF TICKETS	\$71,329,072	\$15,280,213	\$31,634,947	\$7,050,694	\$3,488,827	\$10,335,555	\$2,347,501	\$210,841	\$141,677,650	\$141,967,870
AVERAGE DAILY TICKET SALES	\$945,056	\$107,554	\$191,908	\$52,476	\$31,283	\$68,841	\$139	\$9,239	\$1,421,701	\$1,373,144

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, 2011

	Games in Progress								FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Raffle	Raffle	Total	Total
Prize Expense * (/)/Ticket Sales	\$237,372,938 344,945,609	\$20,768,717 39,257,377	\$32,694,312 70,046,464	\$10,483,126 19,153,751	\$6,967,421 11,418,378	\$12,754,477 25,126,942	\$2,808,000 5,600,000	\$2,890,000 3,372,320	\$326,738,991 \$518,920,841	\$310,364,410 501,197,409
Prize %	68.81%	52.90%	46.68%	54.73%	61.02%	50.76%	50.14%	85.70%	62.97%	61.92%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGETARY COMPARISON
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Fiscal Year 2011 Original Budget	Supplementals Allocations & Internal Transfers	Fiscal Year 2011 Final Budget	Fiscal Year 2011 Actual Expenditures	Under Expended	Percent Under Expended
Personal Services	\$8,940,941	(9,749)	\$8,931,192	\$8,185,856	\$745,336	8.35%
Amortization Equalization	169,100	0	169,100	159,441	9,659	5.71%
Supplemental Amort. Equal.	121,266	0	121,266	116,157	5,109	4.21%
Workmen's Compensation	48,548	0	48,548	48,548	0	0.00%
Shift Differential	0	9,749	9,749	9,460	289	N/A
Health and Life	665,501	8,795	674,296	657,110	17,186	2.55%
Short Term Disability	11,283	0	11,283	11,283	0	0.00%
Operating	1,203,156	0	1,203,156	1,046,128	157,028	13.05%
DOR Postage	5,054	(174)	\$4,880	\$4,881	(\$1)	-0.02%
Variable Vehicle	129,168	0	129,168	129,168	0	0.00%
Leased Space	617,105	93,584	710,689	697,795	12,894	1.81%
Grand Junction - Leased Space	7,201	0	7,201	7,200	1	0.01%
Risk Management	5,871	0	5,871	5,871	0	0.00%
Vehicle Lease Payments	139,539	(3,780)	135,759	133,307	2,452	1.81%
Travel	113,498	0	113,498	113,498	0	0.00%
Purch. Serv. Comp. Center	2,133	0	2,133	2,133	0	0.00%
Marketing, Communications & Sales	14,700,000	0	14,700,000	14,615,981	84,019	0.57%
Communications Services	2,118	0	2,118	2,118	0	0.00%
Payments to MNT	230,994	0	230,994	230,994	0	0.00%
Payments to Other Agencies	239,410	0	239,410	118,198	121,212	50.63%
Legal Services	32,473	(20,857)	11,616	11,615	1	0.01%
Indirect Costs	537,749	0	537,749	528,542	9,207	1.71%
Ticket Costs-Scratch	6,284,000	294,000	6,578,000	4,033,841	2,544,159	38.68%
Research	250,000	0	250,000	207,273	42,727	17.09%
Vendor Fees	12,376,154	195,350	12,571,504	8,789,827	3,781,677	30.08%
Prize Payments	400,264,560	23,839,456	424,104,016	328,719,521	95,384,495	22.49%
Retailer Compensation	49,290,600	2,950,750	52,241,350	39,584,088	12,657,262	24.23%
Multi-State Lottery Fund	177,433	0	177,433	116,174	61,259	34.53%
Lottery Systems Migration	1,935,949	0	1,935,949	921,197	1,014,752	52.42%
Powerball Prize Variance	12,960,000	(4,437,000)	8,523,000	5,384,038	3,138,962	36.83%
Rollforwards	0	0	0	0	0	N/A
TOTAL	\$511,460,804	\$22,920,124	\$534,380,928	\$414,591,243	\$119,789,685	22.42%

FY10 Staffing (FTE) 126.0 (Appropriated) 113.1 (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	326,624,241
Powerball Prize Variance	792,467
Mega Millions Prize Variance	(677,717)
Commissions and Bonuses	39,584,088
Cost of Tickets & Vendor Fees	10,920,112
Operating Expenses	<u>29,123,156</u>

Total Expenses per Statement of Revenues, Expenses and Changes in Net Assets 406,366,347

Plus: Powerball Prize Variance classified as revenue	4,591,571
Mega Millions Prize Variance classified as revenue	2,772,997
Telecommunications offset classified as revenue	761,170

Less: Non-appropriated expenses	
Depreciation	(795,467)
Accrued Annual and Sick Leave	144,923
Book Value of Assets Written Off	<u>(110,479)</u>

Sub-Total 413,731,062

Plus: Capitalized purchases	554,597
Capitalized wages	<u>305,584</u>

414,591,243