

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

**(UNAUDITED)**

**FOR THE FIRST QUARTER ENDED**

**SEPTEMBER 30, 2009**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

**COLORADO LOTTERY DIVISION**  
Department of Revenue

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Bill Ritter, Jr.  
Governor

Roxy Huber  
Executive Director

Jack Boehm  
Lottery Director

November 10, 2009

State Treasurer and Members of the Colorado Lottery Commission:

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 performance for the first quarter ended September 30, 2009 depicts total revenues of \$124.8 million, gross ticket sales of \$124.6 million, net income before proceeds distributions of \$29.9 million, and a net increase in net assets of \$.2 million. Accordingly, a total of \$29.7 million in distributions will have been made by December 1, 2009 in the following manner; \$14.8 million to the Great Outdoors Colorado Fund, \$3.0 million to the Division of Parks and Outdoor Recreation, \$11.9 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 2009 have not been audited. They 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 that risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in cursive script that reads "Barb Aggson".

Barb Aggson  
Controller  
Colorado Lottery

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2009 AND 2008

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the first quarters ended September 30, 2009, and 2008 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 first quarters ended September 30,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$124.62		\$124.80	
Nonoperating revenue	0.23		0.45	
<b>TOTAL INCOME</b>	<b>124.85</b>		<b>125.25</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$75.70</b>	<b>60.7% (1)</b>	<b>\$74.31</b>	<b>59.5% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$9.40</b>	<b>7.5% (1)</b>	<b>\$9.46</b>	<b>7.6% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	2.57		2.51	
Other Operating Expenses	7.22		5.81	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>9.79</b>	<b>7.8% (2)</b>	<b>8.32</b>	<b>6.6% (2)</b>
	29.96		33.16	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.28</b>		<b>-0.23</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$29.68</b>	<b>23.8% (2)</b>	<b>\$33.39</b>	<b>26.7% (2)</b>

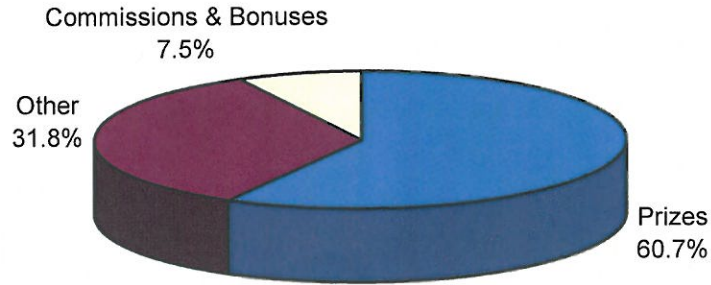
Note 1: Percent of gross ticket sales.

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.

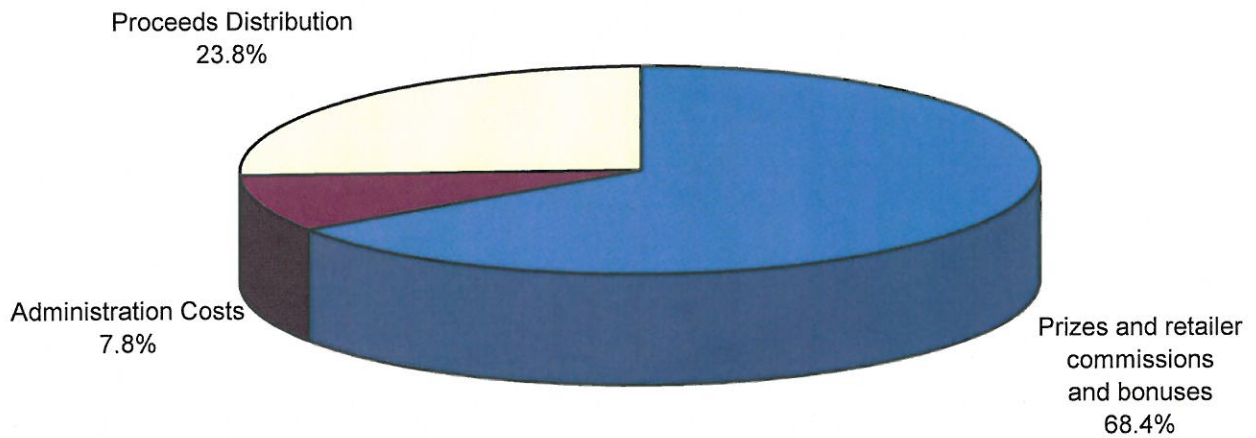
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FIRST QUARTER  
ENDED SEPTEMBER 30, 2009

**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  
SEPTEMBER 30, 2009 AND 2008  
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 29,773,890	\$ 35,166,545
Accounts Receivable, net of the allowance for doubtful accounts of \$241,094 in 2010 and \$236,997 in 2009	26,848,058	22,643,745
Consignment Inventory, at Cost	124,226	117,112
Warehouse Inventory, at Cost	1,238,641	857,228
Prepaid Expenses	176,023	270,551
Total Current Assets	58,160,838	59,055,180
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	328,830	435,804
Prepaid Prize Expense with MUSL	3,944,710	3,944,710
Total Reserve and Restricted Assets	5,473,540	5,480,514
Capital Assets:		
Equipment	5,923,794	3,159,600
Leasehold Improvements	0	11,978
Less Accumulated Depreciation and Amortization	(2,834,903)	(2,699,879)
Total Capital Assets	3,088,891	471,699
TOTAL ASSETS	\$ 66,723,271	\$ 65,007,394
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,739,867	2,441,035
Prize Liability	26,536,839	25,012,463
Payable to MUSL	468,745	0
Wages and Benefits	50,000	105,660
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	763,061	760,317
Funds Available for Distribution	29,577,399	33,371,285
Deferred Revenue	0	343,695
Total Current Liabilities	61,135,911	62,034,456
Long-Term Liabilities:		
Accrued Annual and Sick Leave	886,507	870,950
Expired Warrants Liability	83,132	94,485
Total Long-Term Liabilities	969,639	965,435
TOTAL LIABILITIES	62,105,550	62,999,891
NET ASSETS		
Investment in Capital Assets	3,088,891	471,699
Restricted-Licensed Agent Recovery Reserve	328,830	435,804
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,617,721	2,007,503
TOTAL LIABILITIES AND NET ASSETS	\$ 66,723,271	\$ 65,007,394

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2009 AND 2008  
(UNAUDITED)

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 124,616,147	\$ 124,796,853
DIRECT OPERATING EXPENSES		
Prize Expense	76,071,688	73,515,524
Powerball Prize Variance	(366,124)	804,977
Retailer Commissions and Bonuses	9,401,988	9,460,421
Cost of Tickets and Vendor Fees	<u>2,568,407</u>	<u>2,512,787</u>
GROSS PROFIT ON SALE OF TICKETS	<u>36,940,188</u>	<u>38,503,144</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	3,963,532	2,371,157
Administration Fees Paid to MUSL	27,916	40,749
Wages and Benefits	2,026,291	2,368,804
Professional Services	30,678	24,373
State Agencies Services	76,961	47,751
Department of Revenue Services	133,282	139,168
Travel	27,760	33,162
Equipment	32,734	2,975
Depreciation	154,436	26,457
Accrued Annual and Sick Leave	(35,406)	47,011
Space Rental	170,761	178,239
Rents for Equipment	7,362	7,132
Motorpool Leasing	85,682	128,736
Materials and Supplies	34,663	31,016
Telephone	26,188	25,542
On-Line Telecommunications	130,950	66,724
Data Processing Supplies and Services	7,784	7,241
Equipment Maintenance	183,687	145,211
Postage	20,135	12,101
Printing	14,010	9,239
Delivery Expense	53,278	53,437
Other	51,978	48,370
Total Other Operating Expenses	<u>7,224,662</u>	<u>5,814,595</u>
OPERATING INCOME	<u>29,715,526</u>	<u>32,688,549</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	(744)	93,371
Investment Income	231,866	355,573
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(29,577,399)</u>	<u>(33,371,285)</u>
Total Nonoperating Revenues (Expenses)	<u>(29,346,277)</u>	<u>(32,922,341)</u>
NET INCOME(LOSS)	<u>\$ 369,249</u>	<u>\$ (233,792)</u>
NET ASSETS, BEGINNING OF YEAR	4,248,472	2,241,295
Net Change in Net Assets	<u>369,249</u>	<u>(233,792)</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,617,721</u>	<u>\$ 2,007,503</u>



COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2009 & 2008  
(UNAUDITED)

	2010	2009
Cash flows from operating activities:		
Cash received from retailers	\$ 118,272,040	\$ 120,427,051
Cash paid in prizes	(76,172,815)	(70,970,692)
Cash payments to suppliers	(8,007,279)	(5,604,303)
Cash paid in retailer commissions	(8,253,254)	(8,282,333)
Cash payments to employees for services	(2,568,496)	(3,076,633)
Cash paid in retailer bonus	(992,339)	(1,124,990)
Cash received (used) - other	946,940	(37,130)
	23,224,797	31,330,970
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(28,090,232)	(27,155,421)
	(28,090,232)	(27,155,421)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(483,626)	0
Cash flows from investing activities:		
Interest received	231,866	355,573
	231,866	355,573
Net increase (decrease) in cash and investments	(5,117,195)	4,531,122
Cash and investments, Beginning of Year (including \$1,488,771 and \$1,743,139, respectively, in restricted accounts)	36,419,915	32,171,227
Cash and investments, End of Period, (including \$1,528,830 and \$1,535,804, respectively, in restricted accounts)	\$ 31,302,720	\$ 36,702,349
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 29,715,526	\$ 32,688,549
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	154,436	26,457
<i>Loss on disposition of equipment</i>	0	0
<i>Other revenue</i>	(744)	93,371
<i>Decrease(Increase) in Prepaid Prize Expense with MUSL</i>	(16,146)	0
<i>Change in:</i>		
<i>Accounts Receivable</i>	(6,298,615)	(3,831,669)
<i>Ticket Inventory</i>	145,621	(77,475)
<i>Other Assets</i>	(35,991)	(188,420)
<i>Liabilities(excluding funds available for distribution)</i>	(439,290)	2,620,157
	23,224,797	31,330,970
<i>Net cash provided by operating activities</i>	\$ 23,224,797	\$ 31,330,970
Statement of Net Assets Classification		
Cash and investments	\$ 29,773,890	\$ 35,166,545
Cash and investments- Licensed Agent Recovery Reserve	328,830	435,804
Cash and investments- Operating Reserve	1,200,000	1,100,000
	\$ 31,302,720	\$ 36,702,349

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF FIDUCIARY NET ASSETS  
 SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)

	2010	2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	386,000	371,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	9,657,776	9,506,566
<b>TOTAL ASSETS</b>	\$ 10,043,776	\$ 9,877,566
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	10,043,776	9,877,566
<b>TOTAL NET ASSETS</b>	\$ 10,043,776	\$ 9,877,566

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2009 AND 2008

(UNAUDITED)

	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Investment Income	\$ 57,602	\$ 73,271
Contributions from Multi-State Lottery Association	<u>0</u>	<u>0</u>
Total Additions	<u>57,602</u>	<u>73,271</u>
 <b>Deductions</b>		
Prize Payments	<u>0</u>	<u>0</u>
<b>Change in net assets</b>	57,602	73,271
 <b>Net Assets held in Trust for Powerball Winner</b>		
Beginning of Year	<u>9,986,174</u>	<u>9,804,295</u>
End of Period	\$ <u><u>10,043,776</u></u>	\$ <u><u>9,877,566</u></u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2009  
(With Comparative Totals for the First Quarter Ended September 30, 2008)

	Games in Progress				FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$80,574,159	\$9,757,669	\$29,032,919	\$5,251,400	\$124,616,147	\$124,796,853
PRIZE EXPENSE	(53,678,693)	(5,430,438)	(14,227,533)	(2,735,024)	(76,071,688)	(73,515,524)
POWERBALL PRIZE VARIANCE	N/A	N/A	366,124	N/A	366,124	(804,977)
NET REVENUE AFTER PRIZES	<u>26,895,466</u>	<u>4,327,231</u>	<u>15,171,510</u>	<u>2,516,376</u>	<u>48,910,583</u>	<u>50,476,352</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(5,630,192)	(579,637)	(1,730,301)	(313,124)	(8,253,254)	(8,282,333)
Retailer Bonus	(845,749)	(63,790)	(189,851)	(49,344)	(1,148,734)	(1,178,088)
Cost of Tickets Sold	(691,591)	N/A	N/A	N/A	(691,591)	(551,562)
Telecomm Reimbursements	119,153	14,430	42,934	7,766	184,283	184,337
On-Line Vendor Fees	<u>(1,346,426)</u>	<u>(156,806)</u>	<u>(471,644)</u>	<u>(86,223)</u>	<u>(2,061,099)</u>	<u>(2,145,562)</u>
TOTAL	<u>(8,394,805)</u>	<u>(785,803)</u>	<u>(2,348,862)</u>	<u>(440,925)</u>	<u>(11,970,395)</u>	<u>(11,973,208)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$18,500,661</u>	<u>\$3,541,428</u>	<u>\$12,822,648</u>	<u>\$2,075,451</u>	<u>\$36,940,188</u>	<u>\$38,503,144</u>
AVERAGE DAILY TICKET SALES	<u>\$875,806</u>	<u>\$106,062</u>	<u>\$315,575</u>	<u>\$57,080</u>	<u>\$1,354,523</u>	<u>\$1,356,488</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 FIRST QUARTER ENDED SEPTEMBER 30, 2009

	Games in Progress				Powerball Prize Variance	FY 10 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense	\$53,678,693	\$5,430,438	\$14,227,533	\$2,735,024	-\$366,124	\$75,705,564
(/ ) Ticket Sales	80,574,159	9,757,669	29,032,919	5,251,400	N/A	124,616,147
Prize %	<u>66.62%</u>	<u>55.65%</u>	<u>49.00%</u>	<u>52.08%</u>		<u>60.75%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2009

	FY10 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,932,034	\$1,972,223	\$6,959,811	22.1%
Amortization Equal	143,166	29,583	113,583	20.7%
Suppl Amortization Equalization	85,327	16,449	68,878	19.3%
Workmen's Compensation	51,142	12,785	38,357	25.0%
Health and Life	770,105	166,359	603,746	21.6%
Short Term Disability	10,517	2,571	7,946	24.4%
Operating	1,203,156	400,186	802,970	33.3%
Variable Vehicle	140,162	0	140,162	0.0%
Leased Space	600,351	169,223	431,128	28.2%
Leased Space-Grand Junction	7,164	1,538	5,626	21.5%
Risk Management	23,724	5,931	17,793	25.0%
Vehicle Lease Payments	141,968	25,503	116,465	18.0%
Travel	113,498	27,736	85,762	24.4%
Purch. Of Services-Computer Center	3,128	1,077	2,051	34.4%
Marketing, Communications & Sales	14,700,000	3,844,353	10,855,647	26.2%
Communications Services	2,060	680	1,380	33.0%
Payments to MNT	374,676	93,669	281,007	25.0%
Payments to Other Agencies	239,410	70,628	168,782	29.5%
Legal Services	32,473	6,333	26,140	19.5%
Indirect Costs	533,305	133,281	400,024	25.0%
Ticket Costs-Scratch	6,070,880	693,548	5,377,332	11.4%
Research	250,000	119,187	130,813	47.7%
Vendor Fees	12,677,849	2,097,100	10,580,749	16.5%
Prize Payments	392,580,940	76,071,686	316,509,254	19.4%
Retailer Compensation	48,894,160	9,401,988	39,492,172	19.2%
Multi-State Lottery Funds	177,433	28,817	148,616	16.2%
Lottery System Migration	3,281,051	409,270	2,871,781	12.5%
Powerball Prize Variance	12,708,000	2,013,102	10,694,898	15.8%
Rollforwards	13,920	13,920	0	100.0%
<b>TOTAL</b>	<u><u>\$504,761,599</u></u>	<u><u>\$97,828,726</u></u>	<u><u>\$396,237,975</u></u>	<u><u>19.38%</u></u>

FY10 Staffing (FTE) 126.0 (Appropriated) 120.000 (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	76,071,688
Powerball Prize Variance	(366,124)
Commissions and Bonuses	9,401,988
Cost of Tickets & Vendor Fees	2,568,407
Operating Expenses	7,224,662
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>94,900,621</u>
Plus: Powerball Variance classified as revenue	2,379,226
Telecommunications offset classified as revenue	184,283
Less: Non-appropriated expenses and other adjustments	
Depreciation	(154,436)
Accrued Annual and Sick Leave	35,406
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u>97,345,100</u>
Plus: Capitalized Fixed Assets	483,626
	<u><u>97,828,726</u></u>

Note 1 - FY10 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through September 30, 2009 is 25%.

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