

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

(UNAUDITED)

FOR THE SECOND QUARTER ENDED

DECEMBER 31, 2009

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue

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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Tom Kitts
Acting Lottery Director

February 8, 2010

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 second quarter ended December 31, 2009 depicts total revenues of \$245.2 million, gross ticket sales of \$244.7 million, net income before proceeds distributions of \$55.5 million, and a net increase in net assets of \$.5 million. Accordingly, a total of \$55.0 million in distributions will have been made by March 1, 2010 in the following manner; \$27.5 million to the Great Outdoors Colorado Fund, \$5.5 million to the Division of Parks and Outdoor Recreation, \$22.0 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the second quarter ended December 31, 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 SECOND QUARTERS ENDED DECEMBER 31, 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 second quarters ended December 31, 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 Second Quarters Ended December 31,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$244.68		\$242.79	
Nonoperating revenue	0.49		0.97	
TOTAL INCOME	245.17		243.76	
LESS:				
PRIZES	\$152.02	62.1% (1)	\$146.80	60.5% (1)
RETAILER COMMISSIONS AND BONUSES	\$18.64	7.6% (1)	\$18.26	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.41		4.90	
Other Operating Expenses	13.55		11.75	
TOTAL ADMINISTRATIVE COSTS (Note 3)	18.96	7.7% (2)	16.65	6.8% (2)
	55.55		62.05	
NET CHANGE IN NET ASSETS	0.54		0.11	
PROCEEDS DISTRIBUTION	\$55.01	22.4% (2)	\$61.94	25.4% (2)

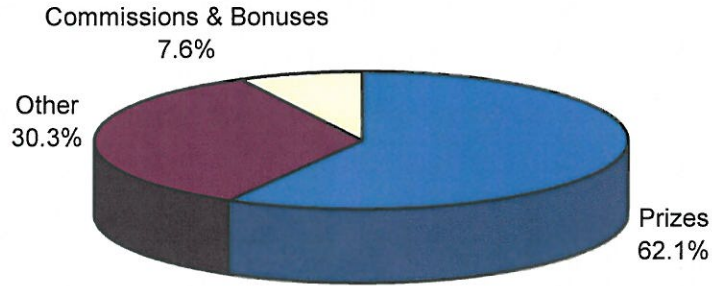
Note 1: Percent of gross ticket sales.

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.

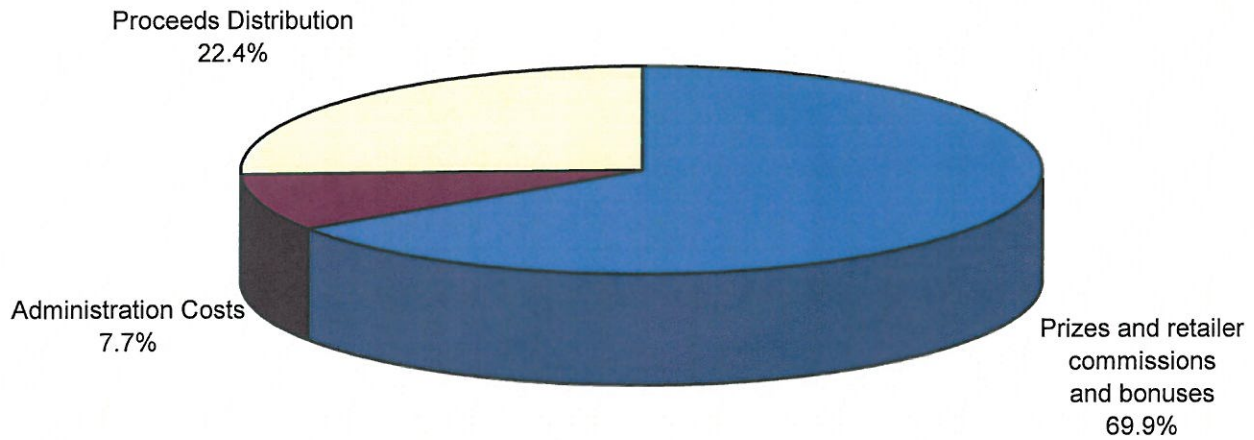
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE SECOND QUARTER
ENDED DECEMBER 31, 2009

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
DECEMBER 31, 2009 AND 2008
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 26,619,503	\$ 26,114,721
Accounts Receivable, net of the allowance for doubtful accounts of \$255,113 in 2010 and \$235,895 in 2009	26,639,054	23,785,372
Consignment Inventory, at Cost	109,296	85,110
Warehouse Inventory, at Cost	1,082,778	1,136,127
Prepaid Expenses	127,702	325,281
Total Current Assets	54,578,333	51,446,611
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	327,719	429,763
Prepaid Prize Expense with MUSL	3,944,710	3,857,143
Total Reserve and Restricted Assets	5,472,429	5,386,906
Capital Assets:		
Equipment	6,097,859	3,539,275
Leasehold Improvements	0	11,978
Less Accumulated Depreciation and Amortization	(2,845,119)	(2,725,777)
Total Capital Assets	3,252,740	825,476
TOTAL ASSETS	\$ 63,303,502	\$ 57,658,993
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,839,321	1,633,510
Prize Liability	29,088,318	22,816,134
Payable to MUSL	241,799	325,783
Wages and Benefits	62,640	160,004
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	859,109	749,649
Funds Available for Distribution	25,454,262	28,554,000
Deferred Revenue	0	96,253
Total Current Liabilities	57,545,449	54,335,333
Long-Term Liabilities:		
Accrued Annual and Sick Leave	894,462	874,107
Expired Warrants Liability	83,132	94,313
Total Long-Term Liabilities	977,594	968,420
TOTAL LIABILITIES	58,523,043	55,303,753
NET ASSETS		
Investment in Capital Assets	3,252,740	825,476
Restricted-Licensed Agent Recovery Reserve	327,719	429,763
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,780,459	2,355,239
TOTAL LIABILITIES AND NET ASSETS	\$ 63,303,502	\$ 57,658,993

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE SECOND QUARTERS ENDED DECEMBER 31, 2009 AND 2008
(UNAUDITED)

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 244,678,650	\$ 242,785,124
DIRECT OPERATING EXPENSES		
Prize Expense	155,345,583	148,257,735
Powerball Prize Variance	(3,326,686)	(1,451,770)
Retailer Commissions and Bonuses	18,637,948	18,257,579
Cost of Tickets and Vendor Fees	<u>5,406,075</u>	<u>4,902,606</u>
GROSS PROFIT ON SALE OF TICKETS	<u>68,615,730</u>	<u>72,818,974</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	7,201,322	5,176,404
Administration Fees Paid to MUSL	75,833	61,498
Wages and Benefits	4,039,089	4,610,420
Professional Services	64,721	112,908
State Agencies Services	88,102	66,894
Department of Revenue Services	266,564	278,336
Travel	54,133	62,140
Equipment	45,799	8,441
Depreciation	308,618	52,355
Accrued Annual and Sick Leave	(25,890)	49,589
Space Rental	345,448	355,147
Rents for Equipment	15,524	12,872
Motorpool Leasing	170,613	228,535
Materials and Supplies	79,895	38,823
Telephone	48,823	52,399
On-Line Telecommunications	247,680	157,448
Data Processing Supplies and Services	16,813	11,370
Equipment Maintenance	254,366	175,543
Postage	23,713	22,910
Printing	11,810	8,714
Delivery Expense	127,297	121,267
Other	85,033	87,337
Total Other Operating Expenses	<u>13,545,306</u>	<u>11,751,350</u>
OPERATING INCOME	<u>55,070,424</u>	<u>61,067,624</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	36,610	161,514
Investment Income	456,614	810,091
Funds Distributed for Current Year	(29,577,399)	(33,371,285)
Funds Available for Distribution for Current Year	<u>(25,454,262)</u>	<u>(28,554,000)</u>
Total Nonoperating Revenues (Expenses)	<u>(54,538,437)</u>	<u>(60,953,680)</u>
NET INCOME (LOSS)	<u>\$ 531,987</u>	<u>\$ 113,944</u>
NET ASSETS, BEGINNING OF YEAR	4,248,472	2,241,295
Net Change in Net Assets	<u>531,987</u>	<u>113,944</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,780,459</u>	<u>\$ 2,355,239</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE SECOND QUARTERS ENDED DECEMBER 31, 2009 & 2008
(UNAUDITED)

	2010	2009
Cash flows from operating activities:		
Cash received from retailers	\$ 240,232,663	\$ 235,974,764
Cash paid in prizes	(150,073,702)	(145,577,495)
Cash payments to suppliers	(17,509,240)	(11,156,034)
Cash paid in retailer commissions	(16,270,467)	(16,139,042)
Cash payments to employees for services	(4,513,847)	(5,280,747)
Cash paid in retailer bonus	(2,110,120)	(2,078,400)
Cash received (used) - other	(4,381)	(173,500)
Net cash provided by operating activities	49,750,906	55,569,546
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(57,667,631)	(60,526,706)
Net cash used by noncapital financing activities	(57,667,631)	(60,526,706)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(812,582)	(379,674)
Cash flows from investing activities:		
Interest received	456,614	810,091
	456,614	810,091
Net increase (decrease) in cash and investments	(8,272,693)	(4,526,743)
Cash and investments, Beginning of Year (including \$1,743,139 and \$1,926,058, respectively, in restricted accounts)	36,419,915	32,171,227
Cash and investments, End of Period, (including \$1,527,719 and \$1,529,763 respectively, in restricted accounts)	\$ 28,147,222	\$ 27,644,484
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 55,070,424	\$ 61,067,624
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	308,618	52,355
<i>Loss on disposition of equipment</i>	10,925	0
<i>Other revenue</i>	36,610	161,514
<i>(Increase) Decrease in Prepaid Prize Expense with MUSL</i>	(16,144)	87,567
<i>Change in:</i>		
<i>Accounts Receivable</i>	(6,089,611)	(4,973,296)
<i>Ticket Inventory</i>	316,414	(324,372)
<i>Other Assets</i>	12,330	(243,150)
<i>Liabilities</i>	101,340	(258,696)
Net cash provided by operating activities	\$ 49,750,906	\$ 55,569,546

The accompanying notes are an integral part of these financial statements.

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2009 AND 2008

(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	9,430,774	9,378,405
TOTAL ASSETS	\$ 9,831,774	\$ 9,764,405
 NET ASSETS		
Held in Trust for Powerball Winner	9,831,774	9,764,405
TOTAL NET ASSETS	\$ 9,831,774	\$ 9,764,405

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE SECOND QUARTERS ENDED DECEMBER 31, 2009 AND 2008

(UNAUDITED)

	2010	2009
Additions		
Investment Income	\$ 231,600	\$ 331,110
Contributions from Multi-State Lottery Association	0	0
Total Additions	231,600	331,110
 Deductions		
Prize Payments	386,000	371,000
Change in net assets	(154,400)	-39,890
 Net Assets held in Trust for Powerball Winner		
Beginning of Year	9,986,174	9,804,295
End of Period	\$ 9,831,774	\$ 9,764,405

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009
(With Comparative Totals for the Second Quarter Ended December 31, 2008)

	Games in Progress				FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$163,101,032	\$19,266,032	\$51,538,411	\$10,773,175	\$244,678,650	\$242,785,124
PRIZE EXPENSE	(110,655,868)	(11,085,063)	(27,857,457)	(5,747,195)	(155,345,583)	(148,257,735)
POWERBALL PRIZE VARIANCE	N/A	N/A	3,326,686	N/A	3,326,686	1,451,770
NET REVENUE AFTER PRIZES	52,445,164	8,180,969	27,007,640	5,025,980	92,659,753	95,979,159
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(11,397,599)	(1,149,613)	(3,079,406)	(643,849)	(16,270,467)	(16,139,042)
Retailer Bonus	(1,803,805)	(126,663)	(335,326)	(101,687)	(2,367,481)	(2,118,537)
Cost of Tickets Sold	(1,669,486)	N/A	N/A	N/A	(1,669,486)	(1,103,197)
Telecomm Reimbursements	248,105	29,307	78,398	16,388	372,198	369,282
On-Line Vendor Fees	(2,755,510)	(319,038)	(853,637)	(180,602)	(4,108,787)	(4,168,691)
TOTAL	(17,378,295)	(1,566,007)	(4,189,971)	(909,750)	(24,044,023)	(23,160,185)
GROSS PROFIT ON SALE OF TICKETS	\$35,066,869	\$6,614,962	\$22,817,669	\$4,116,230	\$68,615,730	\$72,818,974
AVERAGE DAILY TICKET SALES	\$886,419	\$104,707	\$280,100	\$58,550	\$1,329,775	\$1,319,484

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 SECOND QUARTER ENDED DECEMBER 31, 2009

	Games in Progress				Powerball Prize Variance	FY 10 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense (/) Ticket Sales	\$110,655,868 / 163,101,032	\$11,085,063 / 19,266,032	\$27,857,457 / 51,538,411	\$5,747,195 / 10,773,175	-\$3,326,686 / N/A	\$152,018,897 / 244,678,650
Prize %	67.84%	57.54%	54.05%	53.35%		62.13%

COLORADO LOTTERY
BUDGET STATUS
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2009

	FY10 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,902,298	\$3,928,019	\$4,974,279	44.1%
Amortization Equal	143,166	58,492	84,674	40.9%
Suppl Amortization Equalization	85,327	32,537	52,790	38.1%
Workmen's Compensation	47,158	25,571	21,587	54.2%
Health and Life	770,105	329,997	440,108	42.9%
Short Term Disability	10,517	5,113	5,404	48.6%
Operating	1,203,156	658,253	544,903	54.7%
Variable Vehicle	140,162	0	140,162	0.0%
Leased Space	678,351	342,371	335,980	50.5%
Leased Space-Grand Junction	7,019	3,077	3,942	43.8%
Risk Management	22,390	11,862	10,528	53.0%
Vehicle Lease Payments	139,226	54,359	84,867	39.0%
Travel	113,498	54,132	59,366	47.7%
Purch. Of Services-Computer Center	3,052	1,632	1,420	53.5%
Marketing, Communications & Sales	14,700,000	7,053,579	7,646,421	48.0%
Communications Services	2,060	1,017	1,043	49.4%
Payments to MNT	374,676	187,338	187,338	50.0%
Payments to Other Agencies	239,410	79,697	159,713	33.3%
Legal Services	32,473	8,405	24,068	25.9%
Indirect Costs	533,305	266,564	266,741	50.0%
Ticket Costs-Scratch	6,284,000	1,692,089	4,591,911	26.9%
Research	250,000	147,742	102,258	59.1%
Vendor Fees	12,376,154	4,168,567	8,207,587	33.7%
Prize Payments	400,264,560	155,345,583	244,918,977	38.8%
Retailer Compensation	49,290,600	18,637,948	30,652,652	37.8%
Multi-State Lottery Funds	177,433	75,833	101,600	42.7%
Lottery System Migration	3,281,051	642,342	2,638,709	19.6%
Powerball Prize Variance	12,960,000	3,446,199	9,513,801	26.6%
Rollforwards	13,920	13,920	0	100.0%
TOTAL	<u>\$513,045,067</u>	<u>\$197,272,238</u>	<u>\$306,259,028</u>	<u>38.45%</u>

FY10 Staffing (FTE) 126.0 (Appropriated) 116.168 (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	155,345,583
Powerball Prize Variance	(3,326,686)
Commissions and Bonuses	18,637,948
Cost of Tickets & Vendor Fees	5,406,075
Operating Expenses	13,545,306
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>189,608,226</u>
Plus: Powerball Variance classified as revenue	6,772,885
Telecommunications offset classified as revenue	372,198
Less: Non-appropriated expenses and other adjustments	
Depreciation	(308,618)
Accrued Annual and Sick Leave	25,890
Loss on Disposal of Equipment classified as revenue	(10,926)
Sub-Total	<u>196,459,655</u>
Plus: Capitalized Fixed Assets	812,583
	<u>197,272,238</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 December 31, 2009 is 50%.

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