

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

(UNAUDITED)

FOR THE THIRD QUARTER ENDED

MARCH 31, 2010

**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

April 30, 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 third quarter ended March 31, 2010 depicts total revenues of \$370.0 million, gross ticket sales of \$369.3 million, net income before proceeds distributions of \$83.6 million, and a net increase in net assets of \$.9 million. Accordingly, a total of \$82.7 million in distributions will have been made by June 1, 2010 in the following manner; \$41.3 million to the Great Outdoors Colorado Fund, \$8.3 million to the Division of Parks and Outdoor Recreation, \$33.1 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the third quarter ended March 31, 2010 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 THIRD QUARTERS ENDED MARCH 31, 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 third quarters ended March 31, 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 Third Quarters Ended March 31,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$369.26		\$371.29	
Nonoperating revenue	0.78		1.30	
TOTAL INCOME	370.04		372.59	
LESS:				
PRIZES	\$229.09	62.0% (1)	\$226.67	61.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$28.14	7.6% (1)	\$27.68	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.94		7.77	
Other Operating Expenses	21.23		17.79	
TOTAL ADMINISTRATIVE COSTS (Note 3)	29.17	7.9% (2)	25.56	6.9% (2)
	83.64		92.68	
NET CHANGE IN NET ASSETS	0.95		1.16	
PROCEEDS DISTRIBUTION	\$82.69	22.3% (2)	\$91.52	24.6% (2)

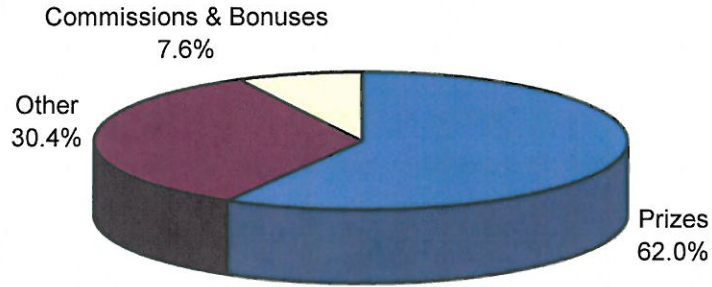
Note 1: Percent of gross ticket sales.

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.

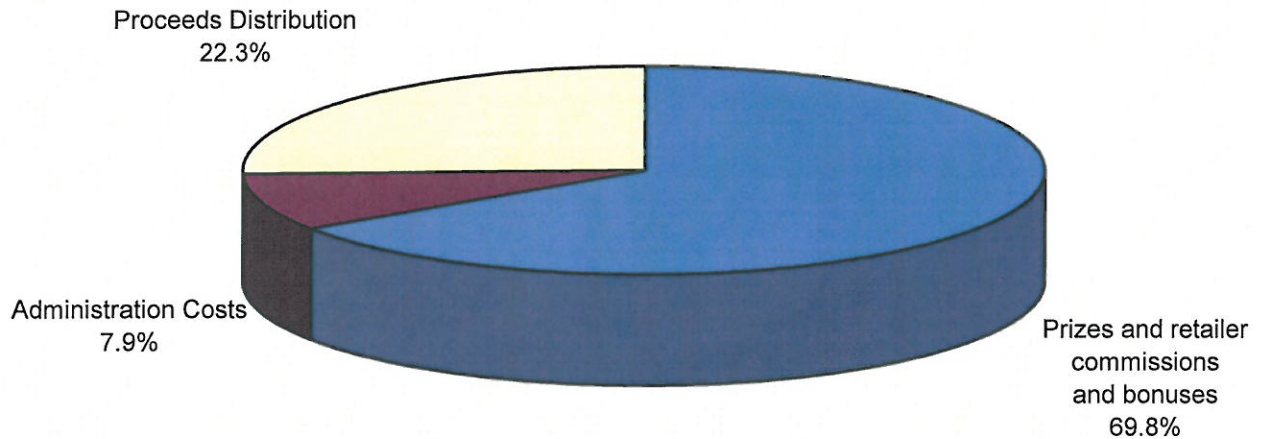
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE THIRD QUARTER
ENDED MARCH 31, 2010

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
MARCH 31, 2010 AND 2009
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 33,385,626	\$ 34,265,454
Accounts Receivable, net of the allowance for doubtful accounts of \$245,475 in 2010 and \$182,804 in 2009	20,284,314	21,804,084
Consignment Inventory, at Cost	121,754	107,166
Warehouse Inventory, at Cost	997,755	1,095,793
Prepaid Expenses	91,381	257,767
Total Current Assets	54,880,830	57,530,264
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	351,240	380,423
Prepaid Prize Expense with MUSL	3,944,710	3,944,710
Total Reserve and Restricted Assets	5,495,950	5,425,133
Capital Assets:		
Equipment	6,388,462	4,660,618
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,752,614)	(2,738,041)
Total Capital Assets	3,635,848	1,922,577
TOTAL ASSETS	\$ 64,012,631	\$ 64,877,975
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,712,967	\$ 3,553,024
Prize Liability	25,184,549	26,144,527
Payable to MUSL	233,958	0
Wages and Benefits	92,400	15,600
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	834,081	802,370
Funds Available for Distribution	27,655,621	29,588,338
Deferred Revenue	0	322,134
Total Current Liabilities	57,713,576	60,425,993
Long-Term Liabilities:		
Accrued Annual and Sick Leave	1,028,834	954,668
Expired Warrants Liability	83,133	94,314
Total Long-Term Liabilities	1,111,967	1,048,982
TOTAL LIABILITIES	58,825,543	61,474,975
NET ASSETS		
Investment in Capital Assets	3,635,848	1,922,577
Restricted-Licensed Agent Recovery Reserve	351,240	380,423
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,187,088	3,403,000
TOTAL LIABILITIES AND NET ASSETS	\$ 64,012,631	\$ 64,877,975

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE THIRD QUARTERS ENDED MARCH 31, 2010 AND 2009
(UNAUDITED)

	2010	2009
OPERATING REVENUES		
Gross Ticket Sales	\$ 369,260,275	\$ 371,285,507
DIRECT OPERATING EXPENSES		
Prize Expense	231,530,774	226,851,643
Powerball Prize Variance	(2,437,980)	(180,794)
Retailer Commissions and Bonuses	28,144,474	27,675,535
Cost of Tickets and Vendor Fees	7,941,361	7,770,056
GROSS PROFIT ON SALE OF TICKETS	104,081,646	109,169,067
OTHER OPERATING EXPENSES		
Marketing and Communications	10,471,621	8,406,052
Administration Fees Paid to MUSL	104,249	82,246
Wages and Benefits	6,101,958	6,483,161
Professional Services	132,033	209,105
State Agencies Services	96,511	91,374
Department of Revenue Services	399,845	417,504
Travel	79,891	85,747
Equipment	1,204,260	20,944
Depreciation	463,893	91,476
Accrued Annual and Sick Leave	108,866	130,053
Space Rental	528,449	511,543
Rents for Equipment	22,961	20,793
Motorpool Leasing	230,733	312,547
Materials and Supplies	105,592	51,858
Telephone	71,417	78,628
On-Line Telecommunications	376,411	248,174
Data Processing Supplies and Services	24,396	15,870
Equipment Maintenance	365,590	201,389
Postage	35,724	43,317
Printing	7,126	6,251
Delivery Expense	194,740	174,249
Other	106,056	112,124
Total Other Operating Expenses	21,232,322	17,794,405
OPERATING INCOME	82,849,324	91,374,662
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	94,213	143,465
Investment Income	682,361	1,157,201
Funds Distributed for Current Year	(55,031,661)	(61,925,285)
Funds Available for Distribution for Current Year	(27,655,621)	(29,588,338)
Total Nonoperating Revenues (Expenses)	(81,910,708)	(90,212,957)
NET INCOME(LOSS)	\$ 938,616	\$ 1,161,705
NET ASSETS, BEGINNING OF YEAR	4,248,472	2,241,295
Net Change in Net Assets	938,616	1,161,705
NET ASSETS, END OF PERIOD	\$ 5,187,088	\$ 3,403,000

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTERS ENDED MARCH 31, 2010 & 2009
(UNAUDITED)

	2010	2009
Cash flows from operating activities:		
Cash received from retailers	\$ 373,888,282	\$ 367,445,104
Cash paid in prizes	(230,974,171)	(222,222,421)
Cash payments to suppliers	(26,146,116)	(16,923,663)
Cash paid in retailer commissions	(24,561,185)	(24,716,708)
Cash payments to employees for services	(6,482,479)	(7,443,937)
Cash paid in retailer bonus	(3,356,605)	(2,845,710)
Cash received (used) - other	(32,743)	(275,629)
	82,334,983	93,017,036
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(83,121,893)	(89,080,706)
	(83,121,893)	(89,080,706)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,378,500)	(1,518,881)
Cash flows from investing activities:		
Interest received	682,361	1,157,201
	682,361	1,157,201
Net increase (decrease) in cash and investments	(1,483,049)	3,574,650
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 \$1,551,240 and \$1,480,423, respectively, in restricted accounts)	\$ 34,936,866	\$ 35,745,877
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 82,849,324	\$ 91,374,662
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	463,893	91,476
<i>Loss on disposition of equipment</i>	38,457	2,983
<i>Other revenue</i>	94,213	143,465
<i>Change in:</i>		
<i>Accounts Receivable</i>	265,129	(2,992,008)
<i>Ticket Inventory</i>	388,979	(306,094)
<i>Change in Prepaid Prize Expense with MUSL</i>	(16,144)	0
<i>Other Assets</i>	48,651	(175,636)
<i>Liabilities</i>	(1,797,519)	4,878,188
	82,334,983	93,017,036
<i>Net cash provided by operating activities</i>	\$ 82,334,983	\$ 93,017,036

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

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 MARCH 31, 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	9,552,504	10,374,143
TOTAL ASSETS	\$ 9,953,504	\$ 10,760,143
 NET ASSETS		
Held in Trust for Powerball Winner	9,953,504	10,760,143
TOTAL NET ASSETS	\$ 9,953,504	\$ 10,760,143

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE THIRD QUARTERS ENDED MARCH 31, 2010 AND 2009

(UNAUDITED)

	2010	2009
Additions		
Investment Income	\$ 353,330	\$ 1,326,848
Contributions from Multi-State Lottery Association	0	0
Total Additions	353,330	1,326,848
 Deductions		
Prize Payments	386,000	371,000
Change in net assets	(32,670)	955,848
 Net Assets held in Trust for Powerball Winner		
Beginning of Year	9,986,174	9,804,295
End of Period	\$ 9,953,504	\$ 10,760,143

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE THIRD QUARTER ENDED MARCH 31, 2010
(With Comparative Totals for the Third Quarter Ended March 31, 2009)

	Games in Progress					FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Total	Scratch and On-Line
TICKET SALES	\$245,430,138	\$29,615,335	\$75,373,619	\$16,402,399	\$2,438,784	\$369,260,275	\$371,285,507
PRIZE EXPENSE	(166,698,641)	(16,506,151)	(38,176,939)	(8,799,994)	(1,349,049)	(231,530,774)	(226,851,643)
POWERBALL PRIZE VARIANCE	N/A	N/A	2,437,980	N/A	N/A	2,437,980	180,794
NET REVENUE AFTER PRIZES	<u>78,731,497</u>	<u>13,109,184</u>	<u>39,634,660</u>	<u>7,602,405</u>	<u>1,089,735</u>	<u>140,167,481</u>	<u>144,614,658</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)							
Retailer Commission	(17,155,367)	(1,769,994)	(4,508,124)	(981,026)	(146,674)	(24,561,185)	(24,716,708)
Retailer Bonus	(2,725,311)	(194,465)	(486,403)	(154,015)	(23,095)	(3,583,289)	(2,958,827)
Cost of Tickets Sold	(2,293,658)	N/A	N/A	N/A	N/A	(2,293,658)	(1,923,854)
Telecomm Reimbursements	372,407	44,937	114,369	24,888	3,702	560,303	550,396
On-Line Vendor Fees	(4,145,292)	(494,002)	(1,252,452)	(275,665)	(40,595)	(6,208,006)	(6,396,598)
TOTAL	<u>(25,947,221)</u>	<u>(2,413,524)</u>	<u>(6,132,610)</u>	<u>(1,385,818)</u>	<u>(206,662)</u>	<u>(36,085,835)</u>	<u>(35,445,591)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$52,784,276</u>	<u>\$10,695,660</u>	<u>\$33,502,050</u>	<u>\$6,216,587</u>	<u>\$883,073</u>	<u>\$104,081,646</u>	<u>\$109,169,067</u>
AVERAGE DAILY TICKET SALES	<u>\$895,730</u>	<u>\$108,085</u>	<u>\$275,086</u>	<u>\$59,863</u>	<u>\$62,533</u>	<u>\$1,347,665</u>	<u>\$1,355,057</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 THIRD QUARTER ENDED MARCH 31, 2010

	Games in Progress					Powerball Prize Variance	FY 10 Total
	Scratch	Lotto	Powerball	Cash 5	Matchplay		
Prize Expense (/) Ticket Sales	\$166,698,641 <u>245,430,138</u>	\$16,506,151 <u>29,615,335</u>	\$38,176,939 <u>75,373,619</u>	\$8,799,994 <u>16,402,399</u>	\$1,349,049 <u>2,438,784</u>	-\$2,437,980 <u>N/A</u>	\$229,092,794 <u>369,260,275</u>
Prize %	<u>67.92%</u>	<u>55.74%</u>	<u>50.65%</u>	<u>53.65%</u>	<u>55.32%</u>		<u>62.04%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TEN MONTHS ENDED APRIL 30, 2010

	FY 10 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,900,998	\$5,968,126	\$2,932,872	67.1%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	139,163	94,622	44,541	68.0%
Suppl Amortization Equalization	82,825	57,143	25,682	69.0%
Workmen's Compensation	47,158	38,356	8,802	81.3%
Health and Life	770,105	494,546	275,559	64.2%
Short Term Disability	10,207	7,719	2,488	75.6%
Operating	1,203,156	873,636	329,520	72.6%
Variable Vehicle	155,162	0	155,162	0.0%
Leased Space	678,351	523,833	154,518	77.2%
Leased Space-Grand Junction	7,019	4,616	2,403	65.8%
Risk Management	22,390	17,793	4,597	79.5%
Vehicle Lease Payments	117,305	83,840	33,465	71.5%
Travel	113,498	79,890	33,608	70.4%
Purch. Of Services-Computer Center	3,052	2,449	603	80.2%
Marketing, Communications & Sales	14,700,000	10,260,324	4,439,676	69.8%
Communications Services	2,060	1,526	534	74.1%
Payments to MNT	374,676	281,007	93,669	75.0%
Payments to Other Agencies	239,410	86,439	152,971	36.1%
Legal Services	32,473	10,072	22,401	31.0%
Indirect Costs	533,305	399,845	133,460	75.0%
Ticket Costs-Scratch	6,284,000	2,387,234	3,896,766	38.0%
Research	250,000	211,297	38,703	84.5%
Vendor Fees	12,376,154	7,401,566	4,974,588	59.8%
Prize Payments	400,264,560	231,530,774	168,733,786	57.8%
Retailer Compensation	49,290,600	28,144,474	21,146,126	57.1%
Multi-State Lottery Funds	177,433	104,249	73,184	58.8%
Lottery System Migration	3,281,051	1,097,219	2,183,832	33.4%
Powerball Prize Variance	12,960,000	5,642,551	7,317,449	43.5%
Rollforwards	13,920	13,920	0	100.0%
TOTAL	<u><u>\$513,035,085</u></u>	<u><u>\$295,819,066</u></u>	<u><u>\$209,898,570</u></u>	<u><u>57.66%</u></u>

FY10 Staffing (FTE) 126.0 (Appropriated) 114.974 (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	231,530,774
Powerball Prize Variance	(2,437,980)
Commissions and Bonuses	28,144,474
Cost of Tickets & Vendor Fees	7,941,361
Operating Expenses	21,232,322
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>286,410,951</u>
Plus: Powerball Variance classified as revenue	8,080,531
Telecommunications offset classified as revenue	560,303
Less: Non-appropriated expenses and other adjustments	
Depreciation	(463,893)
Accrued Annual and Sick Leave	(108,866)
Loss on Disposal of Equipment classified as revenue	(38,457)
Sub-Total	294,440,569
Plus: Capitalized Fixed Assets	1,378,497
	<u><u>295,819,066</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 March 31, 2010 is 75%.

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