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

(UNAUDITED)

FOR THE ELEVEN (11) MONTHS ENDED

MAY 31, 2009

## STATE OF COLORADO

### COLORADO LOTTERY DIVISION

Department of Revenue

Headquarters 212 W. 3<sup>rd</sup> Street, Suite 210 Pueblo, CO 81003 (719) 546-2400 (719) 546-5208 Fax

June 29, 2009



Bill Ritter, Jr. Governor Roxy Huber Executive Director Jack Boehm Lottery Director

Members of the Lottery Commission and Mr. Jack Boehm, Lottery Director

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 statements).

The attached financial statements have not been audited.

The financial statements presented for the eleven months ended May 31, 2009, 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 the risk to a relatively low tolerable level.

Respectfully submitted,

Barb Aggson

Controller, Colorado Lottery

Colorado Department of Revenue

## COLORADO LOTTERY FINANCIAL STATEMENTS (UNAUDITED)

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## COLORADO LOTTERY STATEMENT OF LOTTERY REVENUES PRIZE DISBURSEMENTS AND OTHER EXPENSES (UNAUDITED)

## TABLE OF CONTENTS

Financial Highlights	1
Supplement to Financial Highlights	2
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Fund Net Assets	4
Statements of Net Assets-Powerball Annuity Winners Trust Fund	5
Statements of Changes in Fund Net Assets-Powerball Annuity Winners Trust Fund	6
Schedule of Revenue and Costs for Completed and In-Progress Games	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

### COLORADO LOTTERY FINANCIAL HIGHLIGHTS \$ IN MILLIONS

## FOR THE ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 eleven months ended May 31,				
	2009		2008		
	Total	Actual Percent	Total	Actual Percent	
INCOME		٠.			
Gross Ticket Sales Nonoperating revenue	\$455.33 1.58		\$468.12 2.15		
TOTAL INCOME	456.91		470.27		
LESS:					
PRIZES	\$278.13	61.1% (1)	\$291.28	62.2% (1)	
RETAILER COMMISSIONS AND BONUSES	\$34.06	7.5% (1)	\$35.51	7.6% (1)	
ADMINISTRATIVE COSTS					
Ticket Costs and Vendor Fees Other Operating Expenses	9.58 21.93		9.17 21.03		
TOTAL ADMINISTRATIVE COSTS (Note 3)	31.51	6.9% (2)	30.20	6.4% (2)	
	113.21		113.28		
NET CHANGE IN NET ASSETS	1.59	-	-0.35		
PROCEEDS DISTRIBUTION	\$111.62	24.4% (2)	\$113.63	24.2% (2)	

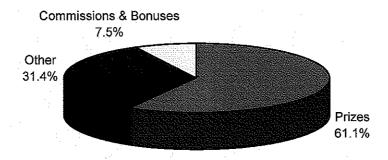
Note 1: Percent of gross ticket sales.

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.

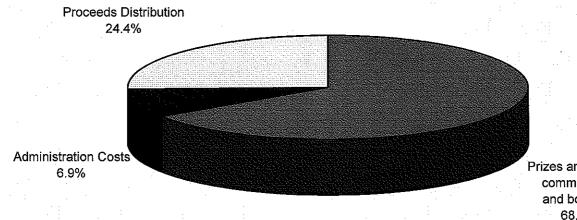
## COLORADO LOTTERY SUPPLEMENT OF FINANCIAL HIGHLIGHTS FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2009

## PERCENT OF GROSS TICKET SALES



To depict compliance with the 50% prize payment statute and the commission/bonus rules.

## PERCENT OF TOTAL INCOME



Prizes and retailer commissions and bonuses 68.7%

To depict status of administrative expenditures to date.

## COLORADO LOTTERY STATEMENTS OF NET ASSETS MAY 31, 2009 AND 2008 (UNAUDITED)

ASSETS	2009	2008
Current Assets:		•
Cash and Investments	\$ 54,222,764	\$ 22,490,250
Accounts Receivable, net of the allowance for doubt-	\$ 54,422,704	\$ 22,490,230
ful accounts of \$183,956 in 2009 and \$194,367 in 2008	20 747 242	17 020 026
	20,747,343	17,929,936
Consignment Inventory, at Cost	109,537	95,221
Warehouse Inventory, at Cost	1,331,061	716,302
Prepaid Expenses	149,404	73,180
Total Current Assets	76,560,109	41,304,889
7		
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,100,000	1,300,000
Cash and Investments-Licensed Agent Recovery		*
Reserve Receipts	388,734	461,846
Prepaid Prize Expense with MUSL	3,935,206	3,888,104
Total Reserve and Restricted Assets	5,423,940	5,649,950
Capital Assets:		
Equipment	5,012,844	3,159,600
Leasehold Improvements	0	11,978
Less Accumulated Depreciation and Amortization	(2,664,719)	(2,662,776)
Total Capital Assets	2,348,125	508,802
	-,,	
TOTAL ASSETS	\$ 84,332,174	\$ 47,463,641
LIABILITIES		
Current Liabilities:	`	
Accounts Payable	3,564,789	2,858,646
Prize Liability	24,677,518	21,948,684
Payable to MUSL	0	0
Wages and Benefits	46,800	116,289
Accrued Annual and Sick Leave	. 0	- 0
Retailer Bonus Liability	1,183,102	569,339
Funds Available for Distribution	49,691,324	18,487,384
Deferred Revenue	290,179	246,276
Total Current Liabilities	79,453,712	44,226,618
Total Carron Elabilities	17,433,112	++,220,010
Long-Term Liabilities:	4	•
Accrued Annual and Sick Leave	947,289	865,795
Expired Warrants Liability	94,313	100,580
Total Long-Term Liabilities	1,041,602	966,375
Total Long-Term Exactitues	1,041,002	900,373
TOTAL LIABILITIES	80,495,314	45.192.993
m or no nore awas assesses a shifted	30,170,514	10,172,773
NET ASSETS		
Investment in Capital Assets	2,348,125	508,802
Restricted-Licensed Agent Recovery Reserve		461,846
	388,734	
Unrestricted-Operating Reserve Unrestricted-Other	1,100,000	1,300,000
Our carricted-Ottlet		
TOTAL MET ACCETO	0.007.050	0.000.640
TOTAL NET ASSETS	3,836,859	2,270,648
TOTAL LIABILITIES AND NET ASSETS	¢ 9/22217/	¢ 17.162.611
TOTAL PRODUCTIES MAD HEL MOSETS	\$ 84,332,174	\$ 47,463,641

## COLORADO LOTTERY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

	2009	2008
OPERATING REVENUES		
Gross Ticket Sales	\$ 455,325,727	\$ 468,115,694
DIRECT OPERATING EXPENSES		
Prize Expense	278,065,415	290,377,004
Powerball Prize Variance	56,419	900,200
Retailer Commissions and Bonuses	34,061,324	35,506,475
Cost of Tickets and Vendor Fees	9,575,622	9,170,194
GROSS PROFIT ON SALE OF TICKETS	133,566,947	132,161,821
OTHER OPERATING EXPENSES	·	•
Marketing and Communications	10,476,975	8,250,509
Administration Fees Paid to MUSL	96,079	83,151
Wages and Benefits	7,872,778	8,090,005
Professional Services	240,832	322,735
State Agencies Services	102,596	98,284
Department of Revenue Services	510,283	420,864
Travel	104,016	97,171
Equipment	38,698	1,242,852
Depreciation	120,943	138,751
Accrued Annual and Sick Leave	122,674	49,995
Space Rental	619,123	635,562
Rents for Equipment		
Motorpool Leasing	26,979	24,775
Materials and Supplies	367,624	319,088
Telephone	77,527	87,066
On-Line Telecommunications	95,170	101,021
	328,657	382,017
Data Processing Supplies and Services	19,078	16,291
Equipment Maintenance	272,754	239,205
Postage	65,720	62,989
Printing	11,701	9,043
Other	362,734	364,349
Total Other Operating Expenses	21,932,941	21,035,723
	*.	
OPERATING INCOME	111,634,006	111,126,098
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	167,878	267,444
Investment Income	1,410,289	1,886,227
Funds Distributed for Current Year	(61,925,285)	(95,144,711)
Funds Available for Distribution for Current Year	(49,691,324)	(18,487,384)
Total Nonoperating Revenues (Expenses)	(110,038,442)	(111,478,424)
NET INCOME(LOSS)	\$ 1,595,564	\$ (352,326)
NET ASSETS, BEGINNING OF YEAR	2,241,295	2,622,974
Net Change in Net Assets	1,595,564	(352,326)
NET ASSETS, END OF PERIOD	\$ 3,836,859	\$ 2,270,648

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

## (UNAUDITED)

		2009		2008
ASSETS	_			· ·
Current Assets:	÷			•
Current Portion Long Term Investments-PB Annuity		386,000		371,000
Long Term Assets:				
Long Term Investments-PB Annuity	_	10,446,856		9,293,482
TOTAL ASSETS	\$ _	10,832,856	\$	9,664,482
NET ASSETS			*	
NET ASSETS, BEGINNING OF YEAR		9,804,295		0
Net Change in Net Assets	<u></u>	1,028,561		9,664,482
NET ASSETS, END OF PERIOD	\$ _	10,832,856	\$ <u>_</u>	9,664,482

## COLORADO LOTTERY POWERBALL ANNUITY WINNERS TRUST FUND STATEMENTS OF CHANGES IN NET ASSETS FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2009 AND 2008

## (UNAUDITED)

REVENUES	 2009	 2008
Interest Income Trust Fund Additions	\$ 1,399,561 0	\$ 274,845 9,389,637
TOTAL REVENUES	 1,399,561	 9,664,482
EXPENSES		
Trust Fund Deductions	 371,000	 0
NET CHANGE IN NET ASSETS	\$ 1,028,561	\$ 9,664,482

## COLORADO LOTTERY SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2009

	Games in Progress				FY 09	FY 08
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$301,528,134	\$40,492,729	\$94,178,516	\$19,126,348	\$455,325,727	\$468,115,694
PRIZE EXPENSE POWERBALL PRIZE VARIANCE	(203,227,876) N/A	(20,540,124) N/A	(44,255,411) (56,419)	(10,042,004) N/A	(278,065,415) (56,419)	(290,377,004) (900,200)
		-				
NET REVENUE AFTER PRIZES	98,300,258	19,952,605	49,866,686	9,084,344	177,203,893	176,838,490
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission Retailer Bonus	(21,068,790) (2,705,594)	(2,429,415) (266,114)	(5,650,401) (614,769)	(1,147,494) (178,747)	(30,296,100) (3,765,224)	(31,137,996) (4,368,479)
Cost of Tickets Sold Telecomm Reimbursements	(2,394,023) 446,522	N/A 59,964	N/A 139,466	N/A 28,324	(2,394,023) 674,276	(2,365,551) 657,144
On-Line Vendor Fees	(5,203,275)	(698,111)	(1,624,598)	(329,891)	(7,855,875)	(7,461,787)
TOTAL	(30,925,160)	(3,333,676)	(7,750,302)	(1,627,808)	(43,636,946)	(44,676,669)
GROSS PROFIT ON SALE		•				
OF TICKETS	\$67,375,098	\$16.618.929	\$42.116.384	\$7.456.536	<u>\$133,566,947</u>	\$132,161,821
AVERAGE DAILY						
TICKET SALES	\$900,084	<u>\$120,874</u>	<u>\$281,130</u>	\$57,094	<u>\$1,359,181</u>	<u>\$1,393,201</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 ELEVEN (11) MONTHS ENDED MAY 31, 2009

			Games in Progre	ess			
		Scratch	Lotto	Powerball	Cash 5	Powerball Prize Variance	FY 09 Total
		**				:	
Prize Expense (/)Ticket Sales		\$203,227,876 301,528,134	\$20,540,124 40,492,729	\$44,255,411 94,178,516	\$10,042,004 19,126,348	\$56,419 N/A	\$278,121,834 455,325,727
Prize %	:	67.40%	50.73%	46.99%	52.50%		61.08%

## COLORADO LOTTERY BUDGET STATUS

## FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2009

	FY09 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,909,115	\$7,531,365	\$1,377,750	84.5%
Amortization Equal	121,243	99,699	21,544	82,2%
Suppl Amortization Equalization	56,835	45,713	11,122	80.4%
Workmen's Compensation	63,645	58,341	5,304	91.7%
Health and Life	635,126	578,525	56,601	91.1%
Short Term Disability	9,851	8,357	1,494	84.8%
Operating	1,203,156	1,029,326	173,830	85.6%
DOR Postage Allocation	9,885	4,523	5,362	45.8%
Capital Outlay	32,842	0	32,842	0.0%
Variable Vehicle	124,200	124,200	0	100.0%
Leased Space	711,981	613,687	98,294	86.2%
Leased Space-Grand Junction	6,902	5,435	1,467	78.7%
Risk Management	30,453	27,915	2,538	91.7%
Vehicle Lease Payments	. 146,003	119,769	26,234	82.0%
Travel	113,498	104,014	9,484	91.6%
Purch. Of Services-Computer Center	3,128	2,993	. 135	95.7%
Marketing, Communications & Sales	11,671,710	10,241,229	1,430,481	87.7%
Communications Services	2,034	1,865	169	91.7%
Payments to MNT	374,676	239,959	134,717	64.0%
Payments to Other Agencies	239,410	83,700	155,710	35.0%
Legal Services	35,364	18,896	16,468	53.4%
Indirect Costs	556,672	510,283	46,389	91.7%
Ticket Costs-Scratch	4,670,880	2,358,669	2,312,211	50.5%
Research	250,000	235,745	14,255	94.3%
Vendor Fees	12,467,489	7,942,375	4,525,114	63.7%
Prize Payments	392,580,940	278,104,523	114,476,417	70.8%
Retailer Compensation	48,090,160	34,061,324	14,028,836	70.8%
Multi-State Lottery Funds	177,433	98,831	78,602	55.7%
Back Office System	2,415,000	1,785,612	629,388	73.9%
Powerball Prize Variance	12,708,000	6,780,465	5,927,535	53.4%
TOTAL	\$498,417,631	\$352,817,338	\$139,672,758	70.79%

FY09 Staffing (FTE)

126.0 (Appropriated)

116.000 (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 Powerball Prize Variance Commissions and Bonuses Cost of Tickets & Vendor Fees	278,065,415 56,419 34,061,324 9,575,622
Operating Expenses	21,932,941
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earn	ings 343,691,721
Plus: Powerball Variance classified as revenue	6,724,046
Telecommunications offset classified as revenue	674,276
Less: Non-appropriated expenses and other adjustments	•
Depreciation	(120,943)
Accrued Annual and Sick Leave	(122,674)
Loss on Disposal of Equipment classified as revenue	(9,916)
Sub-Total	350,836,510
Plus: Capitalized Fixed Assets	1,980,828
	352,817,338

Note 1 - FY09 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through May 31, 2009 is 91 2/3%.

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