

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

**(UNAUDITED)**

**FOR THE TWO (2) MONTHS ENDED**

**AUGUST 31, 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

October 7, 2009

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 two months ended August 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,

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

Barb Aggson  
Controller, Colorado Lottery  
Colorado Department of Revenue

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

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COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE TWO (2) MONTHS ENDED AUGUST 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 two (2) months ended August 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 two (2) months ended August 31,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$82.82		\$80.65	
Nonoperating revenue	0.20		0.34	
<b>TOTAL INCOME</b>	<b>83.02</b>		<b>80.99</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$49.57</b>	<b>59.9% (1)</b>	<b>\$48.34</b>	<b>59.9% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$6.22</b>	<b>7.5% (1)</b>	<b>\$6.14</b>	<b>7.6% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	1.71		1.64	
Other Operating Expenses	4.76		3.77	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>6.47</b>	<b>7.8% (2)</b>	<b>5.41</b>	<b>6.7% (2)</b>
	20.76		21.10	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.14</b>		<b>-0.02</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$20.62</b>	<b>24.8% (2)</b>	<b>\$21.12</b>	<b>26.1% (2)</b>

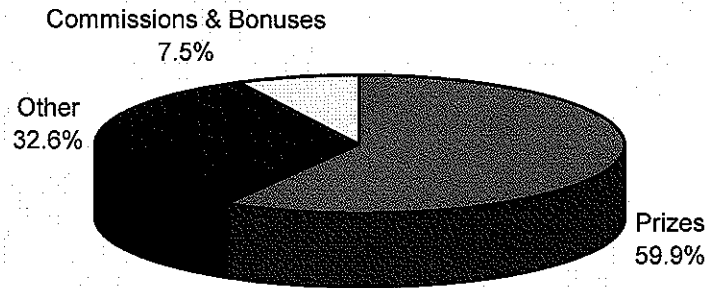
Note 1: Percent of gross ticket sales.

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.

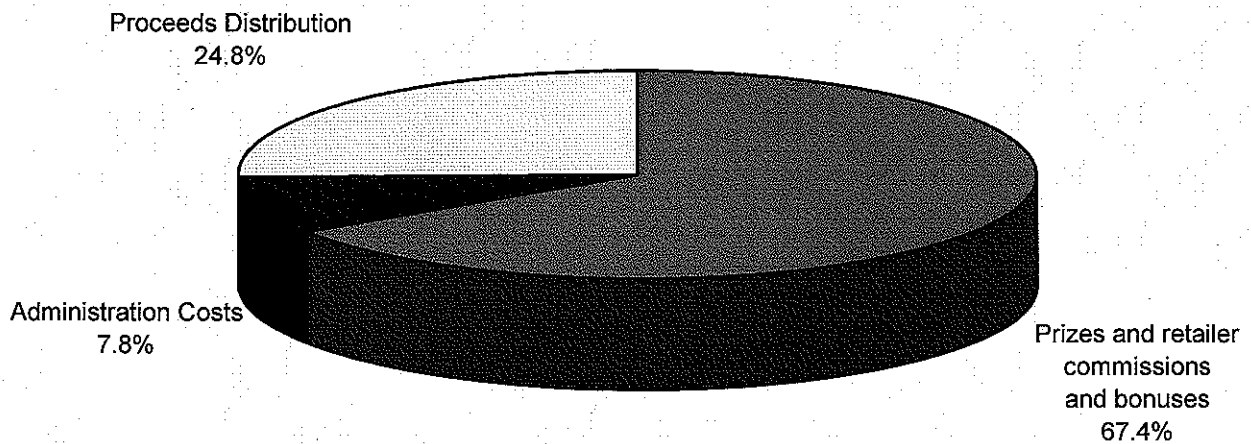
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE TWO MONTHS  
ENDED AUGUST 31, 2009

**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  
AUGUST 31, 2009 AND 2008  
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 53,789,854	\$ 23,790,457
Accounts Receivable, net of the allowance for doubtful accounts of \$204,973 in 2010 and \$230,659 in 2009	22,394,601	19,047,497
Consignment Inventory, at Cost	113,616	102,734
Warehouse Inventory, at Cost	1,257,730	771,298
Prepaid Expenses	200,130	213,942
Total Current Assets	77,755,931	43,925,927
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,100,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	364,597	442,389
Prepaid Prize Expense with MUSL	3,922,273	3,927,201
Total Reserve and Restricted Assets	5,386,870	5,669,590
Capital Assets:		
Equipment	5,694,363	3,159,600
Leasehold Improvements	0	11,978
Less Accumulated Depreciation and Amortization	(2,783,509)	(2,691,060)
Total Capital Assets	2,910,854	480,518
TOTAL ASSETS	\$ 86,053,655	\$ 50,076,035
LIABILITIES		
Current Liabilities:		
Accounts Payable	5,796,849	2,137,445
Prize Liability	25,549,789	22,232,319
Payable to MUSL	0	0
Wages and Benefits	33,333	68,707
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	547,241	1,068,046
Funds Available for Distribution	48,748,772	21,114,312
Deferred Revenue	0	274,194
Total Current Liabilities	80,675,984	46,895,024
Long-Term Liabilities:		
Accrued Annual and Sick Leave	919,088	863,619
Expired Warrants Liability	83,132	94,485
Total Long-Term Liabilities	1,002,220	958,104
TOTAL LIABILITIES	81,678,204	47,853,128
NET ASSETS		
Investment in Capital Assets	2,910,854	480,518
Restricted-Licensed Agent Recovery Reserve	364,597	442,389
Restricted-Operating Reserve	1,100,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	4,375,451	2,222,907
TOTAL LIABILITIES AND NET ASSETS	\$ 86,053,655	\$ 50,076,035

COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2009 AND 2008  
 (UNAUDITED)

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 82,824,098	\$ 80,648,696
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	48,778,710	48,177,357
Powerball Prize Variance	790,374	172,380
Retailer Commissions and Bonuses	6,220,388	6,143,327
Cost of Tickets and Vendor Fees	<u>1,708,494</u>	<u>1,635,509</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>25,326,132</u>	<u>24,520,123</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	2,516,094	1,443,278
Administration Fees Paid to MUSL	18,611	13,833
Wages and Benefits	1,379,174	1,585,101
Professional Services	24,886	15,798
State Agencies Services	72,596	12,166
Department of Revenue Services	88,855	92,779
Travel	16,217	15,376
Equipment	17,314	1,637
Depreciation	103,042	17,638
Accrued Annual and Sick Leave	(2,577)	39,355
Space Rental	108,519	119,727
Rents for Equipment	4,902	4,737
Motorpool Leasing	56,338	87,416
Materials and Supplies	29,216	22,985
Telephone	18,160	16,053
On-Line Telecommunications	88,154	44,483
Data Processing Supplies and Services	7,103	4,010
Equipment Maintenance	94,565	123,389
Postage	19,232	11,584
Printing	7,479	6,599
Delivery Expense	27,190	51,271
Other	40,546	37,348
Total Other Operating Expenses	<u>4,735,616</u>	<u>3,766,563</u>
<b>OPERATING INCOME</b>	<u>20,590,516</u>	<u>20,753,560</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue	27,182	79,223
Investment Income	167,821	263,141
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(20,658,540)</u>	<u>(21,114,312)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,463,537)</u>	<u>(20,771,948)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 126,979</u>	<u>\$ (18,388)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,248,472	2,241,295
Net Change in Net Assets	<u>126,979</u>	<u>(18,388)</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 4,375,451</u>	<u>\$ 2,222,907</u>



**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET ASSETS**  
**AUGUST 31, 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	9,600,174	9,506,566
<b>TOTAL ASSETS</b>	\$ 9,986,174	\$ 9,877,566
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	9,986,174	9,877,566
<b>TOTAL NET ASSETS</b>	\$ 9,986,174	\$ 9,877,566

COLORADO LOTTERY  
 POWERBALL-ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE (2) MONTHS ENDED AUGUST 31, 2009 AND 2008

(UNAUDITED)

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

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES**  
**FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2009**  
**(With Comparative Totals for the Two (2) Months Ended August 31, 2008)**

	Games in Progress				FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$53,412,384	\$6,239,644	\$19,653,368	\$3,518,702	\$82,824,098	\$80,648,696
PRIZE EXPENSE	(34,697,316)	(3,777,512)	(8,555,075)	(1,748,807)	(48,778,710)	(48,177,357)
POWERBALL PRIZE VARIANCE	N/A	N/A	(790,374)	N/A	(790,374)	(172,380)
NET REVENUE AFTER PRIZES	<u>18,715,068</u>	<u>2,462,132</u>	<u>10,307,919</u>	<u>1,769,895</u>	<u>33,255,014</u>	<u>32,298,959</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(3,732,358)	(368,761)	(1,168,076)	(209,323)	(5,478,518)	(5,375,692)
Retailer Bonus	(539,053)	(40,655)	(129,108)	(33,054)	(741,870)	(767,635)
Cost of Tickets Sold	(485,947)	N/A	N/A	N/A	(485,947)	(374,269)
Telecomm Reimbursements	81,700	9,544	30,062	5,382	126,688	124,093
On-Line Vendor Fees	(885,323)	(96,508)	(310,878)	(56,526)	(1,349,235)	(1,385,333)
TOTAL	<u>(5,560,981)</u>	<u>(496,380)</u>	<u>(1,578,000)</u>	<u>(293,521)</u>	<u>(7,928,882)</u>	<u>(7,778,836)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$13,154,087</u>	<u>\$1,965,752</u>	<u>\$8,729,919</u>	<u>\$1,476,374</u>	<u>\$25,326,132</u>	<u>\$24,520,123</u>
AVERAGE DAILY TICKET SALES	<u>\$861,490</u>	<u>\$100,639</u>	<u>\$316,990</u>	<u>\$56,753</u>	<u>\$1,335,873</u>	<u>\$1,300,785</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 TWO (2) MONTHS ENDED AUGUST 31, 2009**

	Games in Progress				Powerball	FY 10
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$34,697,316	\$3,777,512	\$8,555,075	\$1,748,807	\$790,374	\$49,569,084
(/) Ticket Sales	<u>53,412,384</u>	<u>6,239,644</u>	<u>19,653,368</u>	<u>3,518,702</u>	N/A	<u>82,824,098</u>
Prize %	<u>64.96%</u>	<u>60.54%</u>	<u>43.53%</u>	<u>49.70%</u>		<u>59.85%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2009

	FY10 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,932,034	\$1,344,028	\$7,588,006	15.0%
Amortization Equal	143,166	20,164	123,002	14.1%
Suppl Amortization Equalization	85,327	11,216	74,111	13.1%
Workmen's Compensation	51,142	8,524	42,618	16.7%
Health and Life	770,105	111,665	658,440	14.5%
Short Term Disability	10,517	1,742	8,775	16.6%
Operating	1,203,156	276,072	927,084	22.9%
Variable Vehicle	140,162	0	140,162	0.0%
Leased Space	600,351	107,325	493,026	17.9%
Leased Space-Grand Junction	7,164	1,194	5,970	16.7%
Risk Management	23,724	3,954	19,770	16.7%
Vehicle Lease Payments	141,968	15,859	126,109	11.2%
Travel	113,498	16,217	97,281	14.3%
Purch. Of Services-Computer Center	3,128	805	2,323	25.7%
Marketing, Communications & Sales	14,700,000	2,449,351	12,250,649	16.7%
Communications Services	2,060	511	1,549	24.8%
Payments to MNT	374,676	62,446	312,230	16.7%
Payments to Other Agencies	239,410	67,437	171,973	28.2%
Legal Services	32,473	5,158	27,315	15.9%
Indirect Costs	533,305	88,855	444,450	16.7%
Ticket Costs-Scratch	6,070,880	487,904	5,582,976	8.0%
Research	250,000	66,744	183,256	26.7%
Vendor Fees	12,677,849	1,373,235	11,304,614	10.8%
Prize Payments	392,580,940	48,778,710	343,802,230	12.4%
Retailer Compensation	48,894,160	6,220,388	42,673,772	12.7%
Multi-State Lottery Funds	177,433	18,611	158,822	10.5%
Lottery System Migration	3,281,051	183,294	3,097,757	5.6%
Powerball Prize Variance	12,708,000	1,362,137	11,345,863	10.7%
Rollforwards	13,920	2,320	11,600	16.7%
<b>TOTAL</b>	<u>\$504,761,599</u>	<u>\$63,085,866</u>	<u>\$430,318,270</u>	<u>12.50%</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	48,778,710
Powerball Prize Variance	790,374
Commissions and Bonuses	6,220,388
Cost of Tickets & Vendor Fees	1,708,494
Operating Expenses	4,735,719

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 62,233,685

Plus: Powerball Variance classified as revenue	571,763
Telecommunications offset classified as revenue	126,688

Less: Non-appropriated expenses and other adjustments	
Depreciation	(103,042)
Accrued Annual and Sick Leave	2,577
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 62,831,671

Plus: Capitalized Fixed Assets	254,195
	<u>63,085,866</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 August 31, 2009 is 16.2/3%.

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