

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

**(UNAUDITED)**

**FOR THE EIGHT (8) MONTHS ENDED**

**FEBRUARY 28, 2010**

# 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



Bill Ritter, Jr.  
Governor

Roxy Huber  
Executive Director

Tom Kitts  
Acting Lottery Director

April 16, 2010

Members of the Lottery Commission and  
Mr. Tom Kitts, Acting 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 eight months ended February 28, 2010, 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  
FINANCIAL STATEMENTS  
(UNAUDITED)**

DISTRIBUTION

Honorable Bill Ritter, Jr.	Governor
Ms. Cary Kennedy	State Treasurer
Rep. Terrance Carroll	Speaker of the House of Representatives
Sen. Brandon Shaffer	President of the Senate
Sen. Josh Penry	Senate Minority Leader
Rep. Mike May	House Minority Leader
Mr. Dick Reeve	Chairman, Lottery Commissioner
Ms. Robin Wise	Vice-Chairman, Lottery Commissioner
Ms. Betty Martinez	Lottery Commissioner
Ms. Tracie L. Keesee	Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
Ms. Roxy Huber	Executive Director, Department of Revenue
Vacant	Director, Colorado Lottery
Mr. Tom Kitts	Acting Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Sally Symanski	State Auditor
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**COLORADO LOTTERY  
STATEMENT OF LOTTERY REVENUES  
PRIZE DISBURSEMENTS AND OTHER EXPENSES  
(UNAUDITED)**

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COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 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 eight months ended February 28, 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 Eight Months Ended February 28,			
	2010		2009	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$324.55		\$329.69	
Nonoperating revenue	0.71		1.20	
<b>TOTAL INCOME</b>	<b>325.26</b>		<b>330.89</b>	
<b>LESS:</b>				
PRIZES	\$201.19	62.0% (1)	\$200.52	60.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$24.74	7.6% (1)	\$24.47	7.4% (1)
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	7.08		6.80	
Other Operating Expenses	17.97		15.81	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>25.05</b>	<b>7.7% (2)</b>	<b>22.61</b>	<b>6.8% (2)</b>
	74.28		83.29	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.82</b>		<b>0.79</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$73.46</b>	<b>22.6% (2)</b>	<b>\$82.50</b>	<b>24.9% (2)</b>

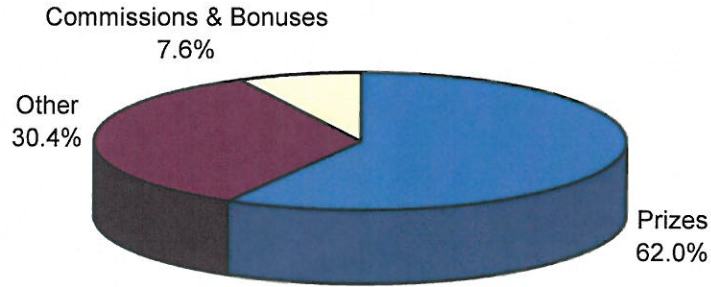
Note 1: Percent of gross ticket sales.

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.

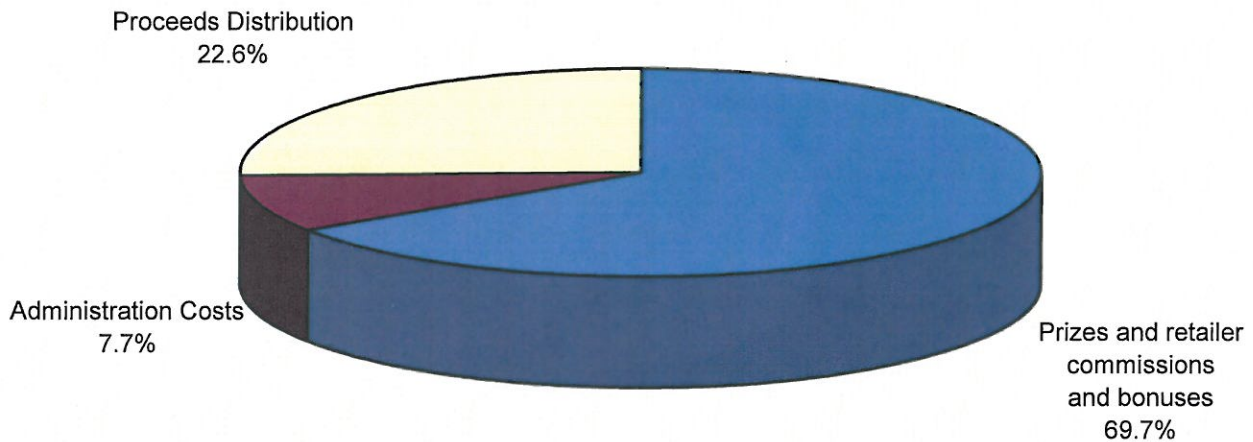
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE EIGHT (8) MONTHS  
ENDED FEBRUARY 28, 2010

**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  
FEBRUARY 28, 2010 AND 2009  
(UNAUDITED)

ASSETS	2010	2009
Current Assets:		
Cash and Investments	\$ 52,663,939	\$ 25,701,523
Accounts Receivable, net of the allowance for doubtful accounts of \$247,711 in 2010 and \$169,140 in 2009	20,785,073	22,016,515
Consignment Inventory, at Cost	121,922	106,134
Warehouse Inventory, at Cost	1,037,005	1,269,985
Prepaid Expenses	103,488	257,767
Total Current Assets	74,711,427	49,351,924
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,200,000	1,100,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	349,552	390,830
Prepaid Prize Expense with MUSL	3,944,710	3,944,710
Total Reserve and Restricted Assets	5,494,262	5,435,540
Capital Assets:		
Equipment	6,206,905	4,260,226
Leasehold Improvements	0	0
Less Accumulated Depreciation and Amortization	(2,700,127)	(2,722,797)
Total Capital Assets	3,506,778	1,537,429
TOTAL ASSETS	\$ 83,712,468	\$ 56,324,893
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,132,866	\$ 3,722,149
Prize Liability	27,859,591	26,852,193
Payable to MUSL	0	0
Wages and Benefits	104,400	230,444
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	621,338	616,087
Funds Available for Distribution	43,890,242	20,578,667
Deferred Revenue	0	261,343
Total Current Liabilities	77,608,437	52,260,883
Long-Term Liabilities:		
Accrued Annual and Sick Leave	964,568	941,437
Expired Warrants Liability	83,133	94,314
Total Long-Term Liabilities	1,047,701	1,035,751
TOTAL LIABILITIES	78,656,138	53,296,634
NET ASSETS		
Investment in Capital Assets	3,506,778	1,537,429
Restricted-Licensed Agent Recovery Reserve	349,552	390,830
Restricted-Operating Reserve	1,200,000	1,100,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,056,330	3,028,259
TOTAL LIABILITIES AND NET ASSETS	\$ 83,712,468	\$ 56,324,893

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2010 AND 2009  
(UNAUDITED)

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 324,545,168	\$ 329,689,925
DIRECT OPERATING EXPENSES		
Prize Expense	203,201,000	201,070,013
Powerball Prize Variance	(2,011,860)	(547,068)
Retailer Commissions and Bonuses	24,737,639	24,473,982
Cost of Tickets and Vendor Fees	<u>7,079,982</u>	<u>6,795,188</u>
GROSS PROFIT ON SALE OF TICKETS	<u>91,538,407</u>	<u>97,897,810</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	9,420,477	7,158,464
Administration Fees Paid to MUSL	94,444	75,330
Wages and Benefits	5,429,722	6,030,325
Professional Services	111,208	178,162
State Agencies Services	92,978	87,521
Department of Revenue Services	355,418	371,115
Travel	71,249	76,112
Equipment	77,627	14,695
Depreciation	411,406	76,232
Accrued Annual and Sick Leave	44,015	115,094
Space Rental	469,504	443,440
Rents for Equipment	19,615	18,008
Motorpool Leasing	202,111	284,837
Materials and Supplies	95,113	42,628
Telephone	63,418	70,197
On-Line Telecommunications	333,361	225,932
Data Processing Supplies and Services	20,190	13,180
Equipment Maintenance	335,930	199,325
Postage	34,699	42,452
Printing	13,691	14,235
Delivery Expense	176,695	160,814
Other	98,800	108,358
Total Other Operating Expenses	<u>17,971,671</u>	<u>15,806,456</u>
OPERATING INCOME	<u>73,566,736</u>	<u>82,091,354</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	87,459	141,659
Investment Income	621,304	1,057,903
Funds Distributed for Current Year	(29,577,399)	(61,925,285)
Funds Available for Distribution for Current Year	<u>(43,890,242)</u>	<u>(20,578,667)</u>
Total Nonoperating Revenues (Expenses)	<u>(72,758,878)</u>	<u>(81,304,390)</u>
NET INCOME(LOSS)	<u>\$ 807,858</u>	<u>\$ 786,964</u>
NET ASSETS, BEGINNING OF YEAR	4,248,472	2,241,295
Net Change in Net Assets	<u>807,858</u>	<u>786,964</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,056,330</u>	<u>\$ 3,028,259</u>



COLORADO LOTTERY  
POWERBALL ANNUITY WINNERS TRUST FUND  
STATEMENTS OF FIDUCIARY NET ASSETS  
FEBRUARY 28, 2010 AND 2009

(UNAUDITED)

	2010	2009
<b>ASSETS</b>		
<b>Current Assets:</b>		
Current Portion Long Term Investments-PB Annuity	401,000	386,000
<b>Long Term Assets:</b>		
Long Term Investments-PB Annuity	9,502,205	11,483,759
<b>TOTAL ASSETS</b>	\$ 9,903,205	\$ 11,869,759
 <b>NET ASSETS</b>		
Held in Trust for Powerball Winner	9,903,205	11,869,759
<b>TOTAL NET ASSETS</b>	\$ 9,903,205	\$ 11,869,759

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2010 AND 2009

(UNAUDITED)

	<u>2010</u>	<u>2009</u>
<b>Additions</b>		
Investment Income	\$ 303,031	\$ 2,436,464
Contributions from Multi-State Lottery Association	<u>0</u>	<u>0</u>
Total Additions	<u>303,031</u>	<u>2,436,464</u>
 <b>Deductions</b>		
Prize Payments	<u>386,000</u>	<u>371,000</u>
Change in net assets	(82,969)	2,065,464
 <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>\$ 9,903,205</u>	<u>\$ 11,869,759</u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2010  
(With Comparative Totals for the Eight (8) Months Ended February 28, 2009)

	Games in Progress					FY 10	FY 09
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Total	Scratch and On-Line
TICKET SALES	\$216,707,588	\$26,645,160	\$66,106,233	\$14,600,225	\$485,962	\$324,545,168	\$329,689,925
PRIZE EXPENSE	(146,759,522)	(15,017,534)	(33,332,391)	(7,857,706)	(233,847)	(203,201,000)	(201,070,013)
POWERBALL PRIZE VARIANCE	N/A	N/A	2,011,860	N/A	N/A	2,011,860	903,281
NET REVENUE AFTER PRIZES	69,948,066	11,627,626	34,785,702	6,742,519	252,115	123,356,028	129,523,193
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)							
Retailer Commission	(15,147,114)	(1,591,961)	(3,952,645)	(873,043)	(29,720)	(21,594,483)	(21,925,356)
Retailer Bonus	(2,399,837)	(175,061)	(426,520)	(137,385)	(4,353)	(3,143,156)	(2,548,626)
Cost of Tickets Sold	(2,097,877)	N/A	N/A	N/A	N/A	(2,097,877)	(1,610,082)
Telecomm Reimbursements	325,863	40,066	99,404	21,954	731	488,018	487,897
On-Line Vendor Fees	(3,669,665)	(444,775)	(1,101,450)	(245,840)	(8,393)	(5,470,123)	(5,673,003)
TOTAL	(22,988,630)	(2,171,731)	(5,381,211)	(1,234,314)	(41,735)	(31,817,621)	(31,269,170)
GROSS PROFIT ON SALE OF TICKETS	<u>\$46,959,436</u>	<u>\$9,455,895</u>	<u>\$29,404,491</u>	<u>\$5,508,205</u>	<u>\$210,380</u>	<u>\$91,538,407</u>	<u>\$98,254,023</u>
AVERAGE DAILY TICKET SALES	<u>\$891,801</u>	<u>\$109,651</u>	<u>\$272,042</u>	<u>\$60,083</u>	<u>\$60,745</u>	<u>\$1,335,577</u>	<u>\$1,356,749</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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2010

	Games in Progress					Powerball Prize Variance	FY 10 Total
	Scratch	Lotto	Powerball	Cash 5	Matchplay		
Prize Expense	\$146,759,522	\$15,017,534	\$33,332,391	\$7,857,706	\$233,847	-\$2,011,860	\$201,189,140
(/)Ticket Sales	<u>216,707,588</u>	<u>26,645,160</u>	<u>66,106,233</u>	<u>14,600,225</u>	<u>485,962</u>	N/A	<u>324,545,168</u>
Prize %	<u>67.72%</u>	<u>56.36%</u>	<u>50.42%</u>	<u>53.82%</u>	<u>48.12%</u>		<u>61.99%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2010

	FY10 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,900,998	\$5,305,336	\$3,595,662	59.6%
DOR Postage	5,054	0	5,054	0.0%
Amortization Equal	139,163	82,218	56,945	59.1%
Suppl Amortization Equalization	82,825	48,686	34,139	58.8%
Workmen's Compensation	47,158	34,095	13,063	72.3%
Health and Life	770,105	440,073	330,032	57.1%
Short Term Disability	10,207	6,830	3,377	66.9%
Operating	1,203,156	751,485	451,671	62.5%
Variable Vehicle	155,162	0	155,162	0.0%
Leased Space	678,351	465,400	212,951	68.6%
Leased Space-Grand Junction	7,019	4,103	2,916	58.5%
Risk Management	22,390	15,816	6,574	70.6%
Vehicle Lease Payments	117,305	73,484	43,821	62.6%
Travel	113,498	71,248	42,250	62.8%
Purch. Of Services-Computer Center	3,052	2,176	876	71.3%
Marketing, Communications & Sales	14,700,000	9,253,698	5,446,302	63.0%
Communications Services	2,060	1,356	704	65.8%
Payments to MNT	374,676	249,784	124,892	66.7%
Payments to Other Agencies	239,410	83,491	155,919	34.9%
Legal Services	32,473	9,487	22,986	29.2%
Indirect Costs	533,305	355,418	177,887	66.6%
Ticket Costs-Scratch	6,284,000	2,173,731	4,110,269	34.6%
Research	250,000	166,779	83,221	66.7%
Vendor Fees	12,376,154	5,552,284	6,823,870	44.9%
Prize Payments	400,264,560	203,201,000	197,063,560	50.8%
Retailer Compensation	49,290,600	24,737,639	24,552,961	50.2%
Multi-State Lottery Funds	177,433	94,444	82,989	53.2%
Lottery System Migration	3,281,051	987,391	2,293,660	30.1%
Powerball Prize Variance	12,960,000	4,860,212	8,099,788	37.5%
Rollforwards	13,920	13,920	0	100.0%
<b>TOTAL</b>	<u><u>\$513,035,085</u></u>	<u><u>\$259,041,584</u></u>	<u><u>\$245,893,713</u></u>	<u><u>50.49%</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	203,201,000
Powerball Prize Variance	(2,011,860)
Commissions and Bonuses	24,737,639
Cost of Tickets & Vendor Fees	7,079,982
Operating Expenses	17,971,671
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>250,978,432</u>
Plus: Powerball Variance classified as revenue	6,872,072
Telecommunications offset classified as revenue	488,018
Less: Non-appropriated expenses and other adjustments	
Depreciation	(411,406)
Accrued Annual and Sick Leave	(44,015)
Loss on Disposal of Equipment classified as revenue	(38,457)
<b>Sub-Total</b>	<u>257,844,644</u>
Plus: Capitalized Fixed Assets	1,196,940
	<u><u>259,041,584</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 February 28, 2010 is 66 2/3%.

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