

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

**(UNAUDITED)**

**FOR THE THIRD QUARTER ENDED**

**MARCH 31, 2008**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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## COLORADO LOTTERY DIVISION

Department of Revenue

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Bill Ritter, Jr.  
Governor

Roxy Huber  
Executive Director

Margaret Gordon  
Lottery Director

May 7, 2008

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, 2008 depicts total revenues of \$385 million, gross ticket sales of \$383.2 million, net income before proceeds distributions of \$94.8 million, and a net decrease in net assets of \$.3 million. Accordingly, a total of \$95.1 million in distributions will have been made by June 1, 2008 in the following manner; \$47.5 million to the Great Outdoors Colorado Fund, \$9.5 million to the Division of Parks and Outdoor Recreation, \$38.1 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, 2008 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  
STATEMENT OF LOTTERY REVENUES  
PRIZE DISBURSEMENTS AND OTHER EXPENSES  
(UNAUDITED)**

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**COLORADO LOTTERY**  
**FINANCIAL HIGHLIGHTS**  
**\$ IN MILLIONS**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2008 AND 2007**

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the third quarter ended March 31, 2008 and 2007, 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 quarter ended March 31,			
	2008		2007	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$383.25		\$342.54	
Nonoperating revenue	1.74		1.94	
<b>TOTAL INCOME</b>	<b>384.99</b>		<b>344.48</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$236.60</b>	<b>61.7% (1)</b>	<b>\$207.34</b>	<b>60.5% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$29.02</b>	<b>7.6% (1)</b>	<b>\$25.34</b>	<b>7.4% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	7.45		6.03	
Other Operating Expenses	17.10		15.63	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>24.55</b>	<b>6.4% (2)</b>	<b>21.66</b>	<b>6.3% (2)</b>
	94.82		90.14	
<b>NET CHANGE IN NET ASSETS</b>	<b>-0.33</b>		<b>-0.16</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$95.15</b>	<b>24.7% (2)</b>	<b>\$90.30</b>	<b>26.2% (2)</b>

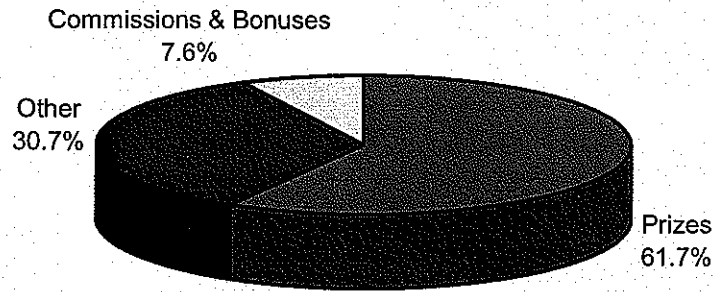
Note 1: Percent of gross ticket sales.

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.

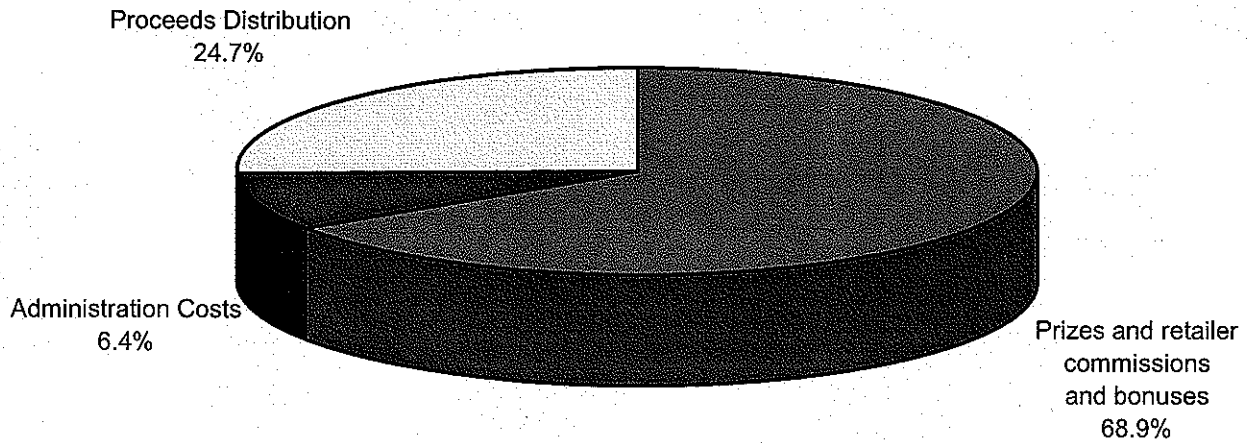
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE THIRD QUARTER  
ENDED MARCH 31, 2008

**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, 2008 AND 2007  
(UNAUDITED)

ASSETS	2008	2007
Current Assets:		
Cash and Investments	\$ 35,037,869	\$ 32,799,653
Accounts Receivable, net of the allowance for doubtful accounts of \$200,537 in 2008 and \$236,954 in 2007	19,924,460	18,191,795
Consignment Inventory, at Cost	105,538	87,946
Warehouse Inventory, at Cost	726,424	682,165
Prepaid Expenses	110,231	116,711
Total Current Assets	55,904,522	51,878,270
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	458,236	418,169
Prepaid Prize Expense with MUSL	4,170,000	3,804,300
Total Reserve and Restricted Assets	5,928,236	5,722,469
Capital Assets:		
Equipment	3,159,600	3,759,933
Leasehold Improvements	11,978	14,053
Less Accumulated Depreciation and Amortization	(2,639,546)	(3,099,991)
Total Capital Assets	532,032	673,995
TOTAL ASSETS	\$ 62,364,790	\$ 58,274,733
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,383,843	2,257,841
Prize Liability	21,807,951	18,055,601
Payable to MUSL	0	0
Wages and Benefits	146,472	186,746
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	787,196	825,025
Funds Available for Distribution	33,693,127	33,186,143
Deferred Revenue	293,845	214,698
Total Current Liabilities	59,112,434	54,726,054
Long-Term Liabilities:		
Accrued Annual and Sick Leave	861,508	848,612
Expired Warrants Liability	100,580	107,903
Total Long-Term Liabilities	962,088	956,515
TOTAL LIABILITIES	60,074,522	55,682,569
NET ASSETS		
Investment in Capital Assets	532,032	673,995
Restricted-Licensed Agent Recovery Reserve	458,236	418,169
Unrestricted-Operating Reserve	1,300,000	1,500,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,290,267	2,592,164
TOTAL LIABILITIES AND NET ASSETS	\$ 62,364,790	\$ 58,274,733

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF NET ASSETS  
 MARCH 31, 2008 AND 2007  
 (UNAUDITED)

	2008	2007
ASSETS		
Current Assets:		
Interest Receivable	\$ 203,121	\$ 0
Long Term Assets:		
Long Term Investments-PB Annuity	9,746,633	0
TOTAL ASSETS	\$ 9,949,754	\$ 0
NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	0	0
Net Change in Net Assets	9,949,754	0
NET ASSETS, END OF PERIOD	\$ 9,949,754	\$ 0



COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE THIRD QUARTER ENDED MARCH 31, 2008 AND 2007  
(UNAUDITED)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 383,246,895	\$ 342,535,259
DIRECT OPERATING EXPENSES		
Prize Expense	235,571,398	207,731,605
Powerball Prize Variance	1,034,635	(389,875)
Retailer Commissions and Bonuses	29,018,652	25,337,221
Cost of Tickets and Vendor Fees	<u>7,450,232</u>	<u>6,039,701</u>
GROSS PROFIT ON SALE OF TICKETS	<u>110,171,978</u>	<u>103,816,607</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	6,440,558	6,510,910
Administration Fees Paid to MUSL	71,669	71,669
Wages and Benefits	6,595,270	6,604,403
Professional Services	284,647	116,942
State Agencies Services	85,211	89,027
Department of Revenue Services	344,161	268,780
Travel	69,346	47,855
Equipment	1,223,803	92,217
Depreciation	115,521	117,479
Accrued Annual and Sick Leave	44,902	9,899
Space Rental	519,383	435,941
Rents for Equipment	21,248	25,151
Motorpool Leasing	258,979	244,057
Materials and Supplies	67,658	62,069
Telephone	81,003	78,030
On-Line Telecommunications	358,978	244,417
Data Processing Supplies and Services	13,525	38,975
Equipment Maintenance	212,073	174,852
Postage	51,314	35,314
Printing	12,332	23,602
Other	298,177	340,079
Total Other Operating Expenses	<u>17,169,758</u>	<u>15,631,668</u>
OPERATING INCOME	<u>93,002,220</u>	<u>88,184,939</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	243,619	615,267
Investment Income	1,566,166	1,329,175
Funds Distributed for Current Year	(61,451,584)	(57,103,189)
Funds Available for Distribution for Current Year	<u>(33,693,127)</u>	<u>(33,186,143)</u>
Total Nonoperating Revenues (Expenses)	<u>(93,334,926)</u>	<u>(88,344,890)</u>
NET INCOME (LOSS)	<u>\$ (332,706)</u>	<u>\$ (159,951)</u>
NET ASSETS, BEGINNING OF YEAR	2,622,974	2,752,115
Net Change in Net Assets	<u>(332,706)</u>	<u>(159,951)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,290,268</u>	<u>\$ 2,592,164</u>

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN NET ASSETS  
 FOR THE THIRD QUARTER ENDED MARCH 31, 2008 AND 2007  
 (UNAUDITED)

	2008	2007
REVENUES		
Interest Income	\$ 203,121	\$
Trust Fund Additions	9,746,633	
TOTAL REVENUES	9,949,754	0
EXPENSES		
Trust Fund Deductions	0	0
NET CHANGE IN NET ASSETS	\$ 9,949,754	\$ 0

COLORADO LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE THIRD QUARTERS ENDED MARCH 31, 2008 & 2007  
(UNAUDITED)

	2008	2007
Cash flows from operating activities:		
Cash received from retailers	\$ 381,359,369	\$ 339,882,213
Cash paid in prizes	(238,730,578)	(206,576,578)
Cash payments to suppliers	(16,812,785)	(13,314,262)
Cash paid in retailer commissions	(25,490,594)	(22,729,205)
Cash payments to employees for services	(7,119,358)	(7,300,353)
Cash paid in retailer bonus	(3,232,329)	(2,181,170)
Cash received (used) - other	66,117	(65,859)
Net cash provided by operating activities	90,039,842	87,714,786
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(90,157,702)	(85,899,493)
Net cash used by noncapital financing activities	(90,157,702)	(85,899,493)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(16,530)	(57,045)
Cash flows from investing activities:		
Interest received	1,566,166	1,329,175
	1,566,166	1,329,175
Net increase (decrease) in cash and investments	1,431,776	3,087,423
Cash and investments, Beginning of Year (including \$426,058 and \$398,064, respectively, in restricted accounts)	35,364,329	31,630,399
Cash and investments, End of Period, (including \$458,236 and \$418,169, respectively, in restricted accounts)	\$ 36,796,105	\$ 34,717,822
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
<i>Operating income</i>	\$ 93,002,220	\$ 88,184,939
<i>Adjustments to reconcile operating income to net cash</i>		
<i>Depreciation</i>	115,521	117,479
<i>Loss on disposition of equipment</i>	65,893	19,623
<i>Other revenue</i>	243,619	615,267
<i>Change in:</i>		
<i>Accounts Receivable</i>	(1,644,177)	(2,351,738)
<i>Ticket Inventory</i>	(107,768)	55,424
<i>Change in Prepaid Prize Expense with MUSL</i>	(273,532)	(95,520)
<i>Other Assets</i>	(35,766)	(71,491)
<i>Liabilities</i>	(1,326,168)	1,240,803
Net cash provided by operating activities	\$ 90,039,842	\$ 87,714,786

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

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2008**

	Games in Progress				FY 08	FY 07
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$252,729,607	\$32,179,475	\$84,101,355	\$14,236,458	\$383,246,895	\$342,535,259
PRIZE EXPENSE	(172,867,333)	(16,640,116)	(38,372,009)	(7,691,940)	(235,571,398)	(207,731,605)
POWERBALL PRIZE VARIANCE	N/A	N/A	(1,034,635)	N/A	(1,034,635)	389,875
NET REVENUE AFTER PRIZES	<u>79,862,274</u>	<u>15,539,359</u>	<u>44,694,711</u>	<u>6,544,518</u>	<u>146,640,862</u>	<u>135,193,529</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(17,655,314)	(1,931,687)	(5,048,667)	(854,926)	(25,490,594)	(22,729,205)
Retailer Bonus	(2,638,495)	(210,522)	(545,745)	(133,296)	(3,528,058)	(2,608,016)
Cost of Tickets Sold	(1,981,877)	N/A	N/A	N/A	(1,981,877)	(1,562,140)
Telecomm Reimbursements	353,369	44,996	117,588	19,906	535,859	517,391
On-Line Vendor Fees	<u>(3,964,430)</u>	<u>(500,131)</u>	<u>(1,316,506)</u>	<u>(223,147)</u>	<u>(6,004,214)</u>	<u>(4,994,952)</u>
TOTAL	<u>(25,886,747)</u>	<u>(2,597,344)</u>	<u>(6,793,330)</u>	<u>(1,191,463)</u>	<u>(36,468,884)</u>	<u>(31,376,922)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$53,975,527</u>	<u>\$12,942,015</u>	<u>\$37,901,381</u>	<u>\$5,353,055</u>	<u>\$110,171,978</u>	<u>\$103,816,607</u>
AVERAGE DAILY TICKET SALES	<u>\$919,017</u>	<u>\$117,016</u>	<u>\$305,823</u>	<u>\$51,769</u>	<u>\$1,393,625</u>	<u>\$1,250,129</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, 2008**

	Games in Progress				Powerball Prize Variance	FY 08 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense (/ )Ticket Sales	\$172,867,333 <u>252,729,607</u>	\$16,640,116 <u>32,179,475</u>	\$38,372,009 <u>84,101,355</u>	\$7,691,940 <u>14,236,458</u>	\$1,034,635 <u>N/A</u>	\$236,606,033 <u>383,246,895</u>
Prize %	<u>68.40%</u>	<u>51.71%</u>	<u>45.63%</u>	<u>54.03%</u>		<u>61.74%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE THIRD QUARTER ENDED MARCH 31, 2008

	FY08 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,823,421	\$6,316,546	\$2,506,875	71.6%
Amortization Equal	86,110	56,875	29,235	66.0%
Suppl Amortization Equalization	17,940	8,473	9,467	47.2%
Workmen's Compensation	52,018	47,527	4,491	91.4%
Unemployment Benefits	976	0	976	0.0%
Health and Life	531,569	392,194	139,375	73.8%
Short Term Disability	8,811	6,591	2,220	74.8%
Operating	1,203,156	817,325	385,831	67.9%
DOR Postage Allocation	1,990	1,195	795	60.1%
Variable Vehicle	155,734	155,734	0	100.0%
Leased Space	725,755	514,951	210,804	71.0%
Leased Space-Grand Junction	7,981	4,432	3,549	55.5%
Risk Management	24,152	20,919	3,233	86.6%
Vehicle Lease Payments	130,002	93,919	36,083	72.2%
Travel	113,498	69,345	44,153	61.1%
Purch. Of Services-Computer Center	3,252	148	3,104	4.6%
Marketing, Communications & Sales	8,643,420	6,327,258	2,316,162	73.2%
Communications Services	1,851	1,554	297	84.0%
Payments to MNT	362,552	220,405	142,147	60.8%
Payments to Other Agencies	239,410	70,282	169,128	29.4%
Legal Services	34,636	14,928	19,708	43.1%
Indirect Costs	458,880	344,161	114,719	75.0%
Ticket Costs-Scratch	3,529,350	1,981,877	1,547,473	56.2%
Research	250,000	113,300	136,700	45.3%
Vendor Fees	10,875,511	7,256,759	3,618,752	66.7%
Prize Payments	336,721,380	235,571,398	101,149,982	70.0%
Retailer Compensation	41,773,750	29,018,652	12,755,098	69.5%
Multi-State Lottery Funds	177,433	71,669	105,764	40.4%
CMAC Project	10,697	0	10,697	0.0%
Powerball Prize Variance	9,752,000	6,092,950	3,659,050	62.5%
Rollforwards	37,695	37,695	0	100.0%
<b>TOTAL</b>	<b>\$424,754,930</b>	<b>\$295,629,062</b>	<b>\$129,125,868</b>	<b>69.60%</b>

FY08 Staffing (FTE) 126.0 (Appropriated) 120.1 (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	235,571,398
Powerball Prize Variance	1,034,635
Commissions and Bonuses	29,018,652
Cost of Tickets & Vendor Fees	7,450,232
Operating Expenses	17,169,758

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 290,244,675

Plus: Powerball Variance classified as revenue	5,058,315
Telecommunications offset classified as revenue	535,859

Less: Non-appropriated expenses and other adjustments	
Depreciation	(115,521)
Accrued Annual and Sick Leave	(44,902)
Loss on Disposal of Equipment classified as revenue	(65,894)

Sub-Total 295,612,532

Plus: Capitalized Fixed Assets	16,530
	<u>295,629,062</u>

Note 1 - FY08 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, 2008 is 75%.

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