

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

(UNAUDITED)

FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2008

STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue

Headquarters

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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Jack Boehm
Lottery Director

October 23, 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 first quarter ended September 30, 2008 depicts total revenues of \$125.2 million, gross ticket sales of \$124.8 million, net income before proceeds distributions of \$33.1 million, and a net decrease in net assets of \$.3 million. Accordingly, a total of \$33.4 million in distributions will have been made by December 1, 2008 in the following manner; \$16.7 million to the Great Outdoors Colorado Fund, \$3.3 million to the Division of Parks and Outdoor Recreation, \$13.4 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the first quarter ended September 30, 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
FINANCIAL STATEMENTS
(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 Cash Flows.....	5
Statements of Net Assets-Powerball Annuity Winners Trust Fund.....	6
Statements of Changes in Fund Net Assets-Powerball Annuity Winners Trust Fund.....	7
Schedule of Revenue and Costs for Scratch and On-Line Games.....	8
Schedule of Percent of Prize Expense to Gross Ticket Sales.....	8
Budget Status.....	9

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2008 AND 2007

The table included below and the graphs included on page 13 present certain summarized operating results of the Colorado Lottery for the first quarters ended September 30, 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 first quarters ended September 30,			
	2009		2008	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$124.80		\$119.78	
Nonoperating revenue	0.45		0.50	
TOTAL INCOME	125.25		120.28	
LESS:				
PRIZES	\$74.31	59.5% (1)	\$71.68	59.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$9.46	7.6% (1)	\$9.03	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	2.51		2.10	
Other Operating Expenses	5.81		5.20	
TOTAL ADMINISTRATIVE COSTS (Note 3)	8.32	6.6% (2)	7.30	6.1% (2)
	33.16		32.27	
NET CHANGE IN NET ASSETS	-0.23		-0.29	
PROCEEDS DISTRIBUTION	\$33.39	26.7% (2)	\$32.56	27.1% (2)

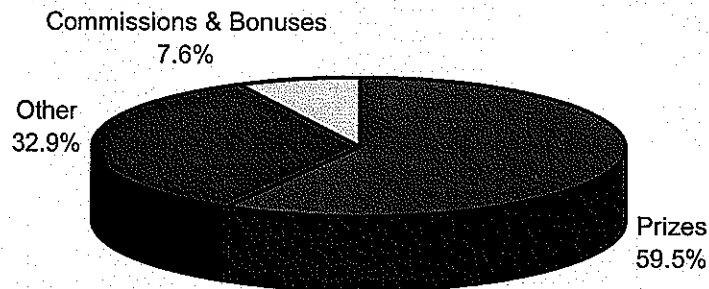
Note 1: Percent of gross ticket sales.

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.

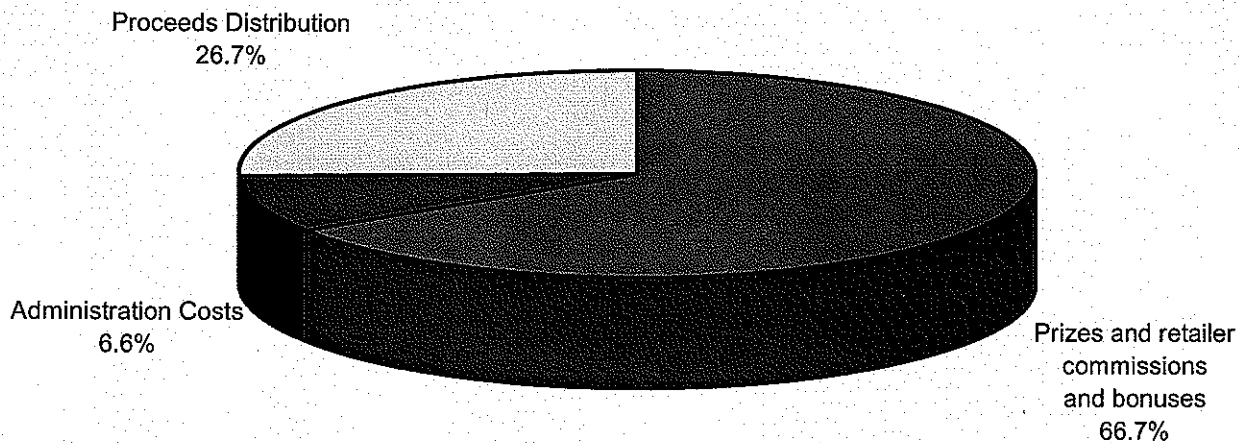
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIRST QUARTER
ENDED SEPTEMBER 30, 2008

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
SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

ASSETS	2009	2008
Current Assets:		
Cash and Investments	\$ 35,166,545	\$ 33,926,894
Accounts Receivable, net of the allowance for doubtful accounts of \$236,997 in 2009 and \$232,645 in 2008	22,643,745	18,386,868
Consignment Inventory, at Cost	117,112	87,693
Warehouse Inventory, at Cost	857,228	887,936
Prepaid Expenses	270,551	263,194
Total Current Assets	59,055,180	53,552,585
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,100,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	435,804	445,195
Prepaid Prize Expense with MUSL	3,944,710	3,981,000
Total Reserve and Restricted Assets	5,480,514	5,726,195
Capital Assets:		
Equipment	3,159,600	3,147,080
Leasehold Improvements	11,978	11,978
Less Accumulated Depreciation and Amortization	(2,699,879)	(2,567,351)
Total Capital Assets	471,699	591,707
TOTAL ASSETS	\$ 65,007,393	\$ 59,870,487
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,441,035	2,344,672
Prize Liability	25,012,463	20,643,738
Payable to MUSL	0	0
Wages and Benefits	105,660	101,516
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	760,317	724,042
Funds Available for Distribution	33,371,285	32,561,756
Deferred Revenue	343,695	250,614
Total Current Liabilities	62,034,456	56,626,337
Long-Term Liabilities:		
Accrued Annual and Sick Leave	870,950	806,666
Expired Warrants Liability	94,485	100,581
Total Long-Term Liabilities	965,435	907,247
TOTAL LIABILITIES	62,999,891	57,533,584
NET ASSETS		
Investment in Capital Assets	471,699	591,707
Restricted-Licensed Agent Recovery Reserve	435,804	445,195
Unrestricted-Operating Reserve	1,100,000	1,300,000
Unrestricted-Other	0	0
Total Net Assets	2,007,503	2,336,902
TOTAL LIABILITIES AND NET ASSETS	\$ 65,007,394	\$ 59,870,487

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 124,796,853	\$ 119,778,919
DIRECT OPERATING EXPENSES		
Prize Expense	73,515,524	72,438,810
Powerball Prize Variance	804,977	(763,482)
Retailer Commissions and Bonuses	9,460,421	9,031,490
Cost of Tickets and Vendor Fees	<u>2,512,787</u>	<u>2,096,206</u>
GROSS PROFIT ON SALE OF TICKETS	<u>38,503,144</u>	<u>36,975,895</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,371,157	1,968,157
Administration Fees Paid to MUSL	40,749	37,223
Wages and Benefits	2,368,804	2,189,733
Professional Services	24,373	106,079
State Agencies Services	47,751	47,787
Department of Revenue Services	139,168	114,720
Travel	33,162	21,064
Equipment	2,975	72,797
Depreciation	26,457	40,617
Accrued Annual and Sick Leave	47,011	(8,574)
Space Rental	178,239	173,863
Rents for Equipment	7,132	7,961
Motorpool Leasing	128,736	89,181
Materials and Supplies	31,016	23,034
Telephone	25,542	23,063
On-Line Telecommunications	66,724	79,773
Data Processing Supplies and Services	7,241	5,955
Equipment Maintenance	145,211	137,332
Postage	12,101	11,464
Printing	9,239	2,858
Other	101,807	125,403
Total Other Operating Expenses	<u>5,814,595</u>	<u>5,269,490</u>
OPERATING INCOME	<u>32,688,549</u>	<u>31,706,405</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	93,371	39,541
Investment Income	355,573	529,738
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(33,371,285)	(32,561,756)
Total Nonoperating Revenues (Expenses)	<u>(32,922,341)</u>	<u>(31,992,477)</u>
NET INCOME(LOSS)	<u>\$ (233,792)</u>	<u>\$ (286,072)</u>
NET ASSETS, BEGINNING OF YEAR	2,241,295	2,622,974
Net Change in Net Assets	<u>(233,792)</u>	<u>(286,072)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,007,503</u>	<u>\$ 2,336,902</u>

COLORADO LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008 & 2007
(UNAUDITED)

	2009	2008
Cash flows from operating activities:		
Cash received from retailers	\$ 120,427,051	\$ 119,813,748
Cash paid in prizes	(70,970,692)	(74,747,937)
Cash payments to suppliers	(5,604,303)	(5,220,410)
Cash paid in retailer commissions	(8,282,333)	(7,907,594)
Cash payments to employees for services	(3,076,633)	(2,817,926)
Cash paid in retailer bonus	(1,124,990)	(886,307)
Cash received (used) - other	(37,130)	251,566
	31,330,970	28,485,140
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(27,155,421)	(28,706,118)
	(27,155,421)	(28,706,118)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	0	(1,000)
Cash flows from investing activities:		
Interest received	355,573	529,738
	355,573	529,738
Net increase (decrease) in cash and investments	4,531,122	307,760
Cash and investments, Beginning of Year (including \$1,743,139 and \$1,926,058, respectively, in restricted accounts)	32,171,227	35,364,329
	32,171,227	35,364,329
Cash and investments, End of Period, (including \$1,535,804 and \$1,745,195, respectively, in restricted accounts)	\$ 36,702,349	\$ 35,672,089
	\$ 36,702,349	\$ 35,672,089
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 32,688,549	\$ 31,706,405
Adjustments to reconcile operating income to net cash		
Depreciation	26,457	40,617
Loss on disposition of equipment	0	65,593
Other revenue	93,371	39,541
Decrease(Increase) in Prepaid Prize Expense with MUSL	0	(84,532)
Change in:		
Accounts Receivable	(3,831,669)	(106,585)
Ticket Inventory	(77,475)	(251,435)
Other Assets	(188,420)	(188,729)
Liabilities(excluding funds available for distribution)	2,620,157	(2,735,735)
	(3,477,036)	(3,806,826)
Net cash provided by operating activities	\$ 31,330,970	\$ 28,485,140

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

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF NET ASSETS
 SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

	2009	2008
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	371,000	0
Long Term Assets:		
Long Term Investments-PB Annuity	9,691,599	0
TOTAL ASSETS	\$ 10,062,599	\$ 0
NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	9,804,295	0
Net Change in Net Assets	258,304	0
NET ASSETS, END OF PERIOD	\$ 10,062,599	\$ 0

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE FIRST QUARTERS ENDED SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

	2009	2008
REVENUES		
Interest Income	\$ 258,304	\$ 0
Trust Fund Additions	0	
TOTAL REVENUES	258,304	0
EXPENSES		
Trust Fund Deductions	0	0
NET CHANGE IN NET ASSETS	\$ 258,304	\$ 0

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

	Games in Progress				FY 09	FY 08
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$80,304,837	\$12,689,872	\$26,835,746	\$4,966,398	\$124,796,853	\$119,778,919
PRIZE EXPENSE	(53,494,236)	(5,642,714)	(11,861,552)	(2,517,022)	(73,515,524)	(72,438,810)
POWERBALL PRIZE VARIANCE	N/A	N/A	(804,977)	N/A	(804,977)	763,482
NET REVENUE AFTER PRIZES	26,810,601	7,047,158	14,169,217	2,449,376	50,476,352	48,103,591
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(5,610,267)	(762,578)	(1,611,733)	(297,755)	(8,282,333)	(7,907,594)
Retailer Bonus	(873,345)	(84,013)	(174,425)	(46,305)	(1,178,088)	(1,123,896)
Cost of Tickets Sold	(551,562)	N/A	N/A	N/A	(551,562)	(523,391)
Telecomm Reimbursements	118,618	18,744	39,639	7,336	184,337	177,414
On-Line Vendor Fees	(1,380,460)	(218,352)	(461,493)	(85,257)	(2,145,562)	(1,750,229)
TOTAL	(8,297,016)	(1,046,199)	(2,208,012)	(421,981)	(11,973,208)	(11,127,696)
GROSS PROFIT ON SALE OF TICKETS	\$18,513,585	\$6,000,959	\$11,961,205	\$2,027,395	\$38,503,144	\$36,975,895
AVERAGE DAILY TICKET SALES	\$872,879	\$137,933	\$291,693	\$53,983	\$1,356,468	\$1,301,945

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 FIRST QUARTER ENDED SEPTEMBER 30, 2008

	Games in Progress				Powerball	FY 09
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$53,494,236	\$5,642,714	\$11,861,552	\$2,517,022	\$804,977	\$74,320,501
(/)/Ticket Sales	80,304,837	12,689,872	26,835,746	4,966,398	N/A	124,796,853
Prize %	66.61%	44.47%	44.20%	50.68%		59.55%

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

	FY09 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,129,437	\$2,176,521	\$6,952,916	23.8%
Amortization Equal	121,243	24,881	96,362	20.5%
Suppl Amortization Equalization	56,835	8,887	47,948	15.6%
Workmen's Compensation	63,645	15,911	47,734	25.0%
Health and Life	635,126	156,658	478,468	24.7%
Short Term Disability	9,851	2,305	7,546	23.4%
Operating	1,203,156	434,950	768,206	36.2%
DOR Postage Allocation	9,248	0	9,248	0.0%
Variable Vehicle	244,200	0	244,200	0.0%
Leased Space	715,271	177,250	538,021	24.8%
Leased Space-Grand Junction	6,902	989	5,913	14.3%
Risk Management	30,453	7,613	22,840	25.0%
Vehicle Lease Payments	146,003	33,910	112,093	23.2%
Travel	113,498	33,160	80,338	29.2%
Purch. Of Services-Computer Center	3,128	816	2,312	26.1%
Marketing, Communications & Sales	11,671,710	2,337,197	9,334,513	20.0%
Communications Services	2,034	509	1,525	25.0%
Payments to MNT	374,676	65,443	309,233	17.5%
Payments to Other Agencies	239,410	41,469	197,941	17.3%
Legal Services	35,364	6,282	29,082	17.8%
Indirect Costs	556,672	139,168	417,504	25.0%
Ticket Costs-Scratch	4,670,880	551,560	4,119,320	11.8%
Research	250,000	33,961	216,039	13.6%
Vendor Fees	12,467,489	2,148,062	10,319,427	17.2%
Prize Payments	392,580,940	73,515,524	319,065,416	18.7%
Retailer Compensation	48,090,160	9,460,421	38,629,739	19.7%
Multi-State Lottery Funds	177,433	40,749	136,684	23.0%
CMAC Project	2,415,000	0	2,415,000	0.0%
Powerball Prize Variance	12,708,000	2,047,538	10,660,462	16.1%
TOTAL	<u>\$498,727,764</u>	<u>\$93,461,734</u>	<u>\$394,605,568</u>	<u>18.74%</u>

FY09 Staffing (FTE) 126.0 (Appropriated) 122.300 (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	73,515,524
Powerball Prize Variance	804,977
Commissions and Bonuses	9,460,421
Cost of Tickets & Vendor Fees	2,512,787
Operating Expenses	5,814,595

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 92,108,304

Plus: Powerball Variance classified as revenue	1,242,561
Telecommunications offset classified as revenue	184,337

Less: Non-appropriated expenses and other adjustments	
Depreciation	(26,457)
Accrued Annual and Sick Leave	(47,011)
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 93,461,734

Plus: Capitalized Fixed Assets	<u>0</u>
	<u>93,461,734</u>

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 September 30 2008 is 25%.

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