

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

**(UNAUDITED)**

**FOR THE SECOND QUARTER ENDED**

**DECEMBER 31, 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

February 2, 2009

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 second quarter ended December 31, 2008 depicts total revenues of \$243.8 million, gross ticket sales of \$242.8 million, net income before proceeds distributions of \$62.0 million, and a net increase in net assets of \$.1 million. Accordingly, a total of \$61.9 million in distributions will have been made by March 1, 2009 in the following manner; \$30.9 million to the Great Outdoors Colorado Fund, \$6.2 million to the Division of Parks and Outdoor Recreation, \$24.8 million to the Conservation Trust Fund, for distribution to cities and other local government agencies.

The attached financial statements for the second quarter ended December 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  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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**COLORADO LOTTERY**  
**FINANCIAL HIGHLIGHTS**  
**\$ IN MILLIONS**  
**FOR THE SECOND QUARTER ENDED DECEMBER 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 second quarter ended December 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 second quarter ended December 31,			
	2009		2008	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$242.79		\$248.25	
Nonoperating revenue	0.97		1.14	
<b>TOTAL INCOME</b>	<b>243.76</b>		<b>249.39</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$146.80</b>	<b>60.5% (1)</b>	<b>\$153.02</b>	<b>61.6% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$18.26</b>	<b>7.5% (1)</b>	<b>\$18.65</b>	<b>7.5% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	4.90		4.73	
Other Operating Expenses	11.75		11.86	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>16.65</b>	<b>6.8% (2)</b>	<b>16.59</b>	<b>6.7% (2)</b>
	62.05		61.13	
<b>NET CHANGE IN NET ASSETS</b>	<b>0.11</b>		<b>-0.31</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$61.94</b>	<b>25.4% (2)</b>	<b>\$61.44</b>	<b>24.6% (2)</b>

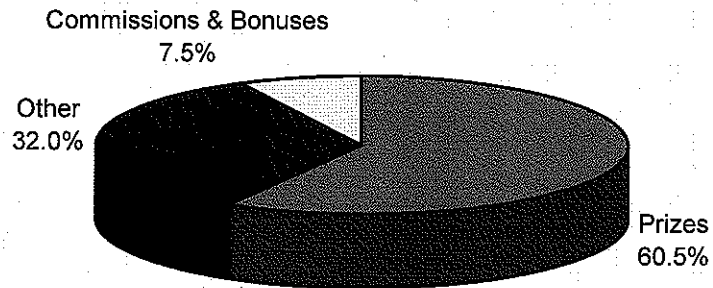
Note 1: Percent of gross ticket sales.

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.

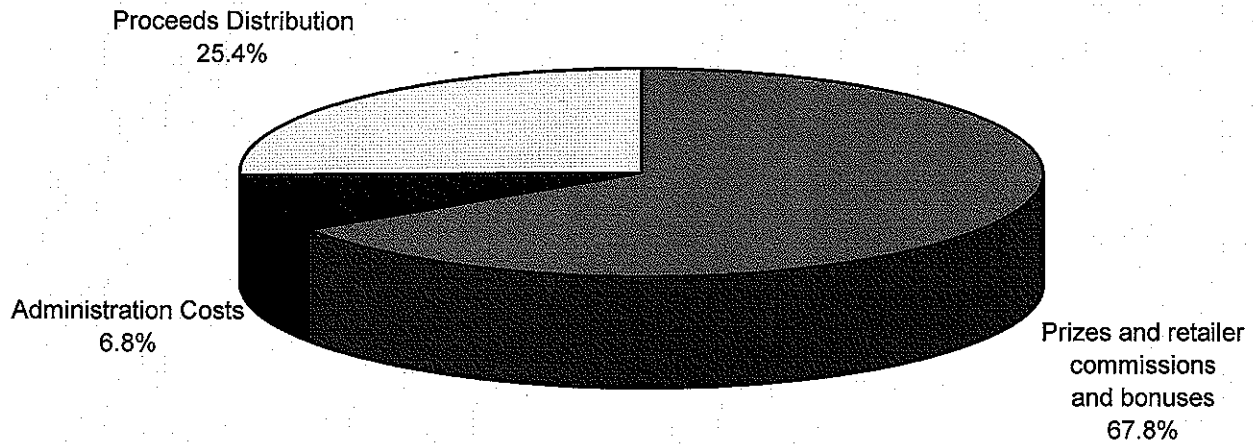
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE SECOND QUARTER  
ENDED DECEMBER 31, 2008

**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  
DECEMBER 31, 2008 AND 2007  
(UNAUDITED)

ASSETS	2009	2008
Current Assets:		
Cash and Investments	\$ 26,114,721	\$ 31,093,744
Accounts Receivable, net of the allowance for doubtful accounts of \$235,895 in 2009 and \$255,413 in 2008	23,785,372	20,353,180
Consignment Inventory, at Cost	85,110	118,024
Warehouse Inventory, at Cost	1,136,127	730,680
Prepaid Expenses	325,281	275,265
Total Current Assets	51,446,611	52,570,893
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,100,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	429,763	444,429
Prepaid Prize Expense with MUSL	3,857,143	4,025,188
Total Reserve and Restricted Assets	5,386,906	5,769,617
Capital Assets:		
Equipment	3,539,275	3,162,610
Leasehold Improvements	11,978	11,978
Less Accumulated Depreciation and Amortization	(2,725,777)	(2,606,881)
Total Capital Assets	825,476	567,707
TOTAL ASSETS	\$ 57,658,993	\$ 58,908,216
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,633,510	3,125,795
Prize Liability	22,816,134	22,589,248
Payable to MUSL	325,783	0
Wages and Benefits	160,004	145,179
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	749,649	680,157
Funds Available for Distribution	28,554,000	28,889,828
Deferred Revenue	96,253	257,156
Total Current Liabilities	54,335,333	55,687,363
Long-Term Liabilities:		
Accrued Annual and Sick Leave	874,107	808,138
Expired Warrants Liability	94,313	100,580
Total Long-Term Liabilities	968,420	908,718
TOTAL LIABILITIES	55,303,753	56,596,081
NET ASSETS		
Investment in Capital Assets	825,476	567,707
Restricted-Licensed Agent Recovery Reserve	429,763	444,429
Unrestricted-Operating Reserve	1,100,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,355,239	2,312,136
TOTAL LIABILITIES AND NET ASSETS	\$ 57,658,993	\$ 58,908,216

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

	2009	2008
OPERATING REVENUES		
Gross Ticket Sales	\$ 242,785,124	\$ 248,253,269
DIRECT OPERATING EXPENSES		
Prize Expense	148,257,735	153,219,061
Powerball Prize Variance	(1,451,770)	(202,072)
Retailer Commissions and Bonuses	18,257,579	18,647,481
Cost of Tickets and Vendor Fees	4,902,606	4,725,456
GROSS PROFIT ON SALE OF TICKETS	72,818,974	71,863,343
OTHER OPERATING EXPENSES		
Marketing and Communications	5,176,404	4,376,437
Administration Fees Paid to MUSL	61,498	54,446
Wages and Benefits	4,610,420	4,361,279
Professional Services	112,908	149,037
State Agencies Services	66,894	62,465
Department of Revenue Services	278,336	229,440
Travel	62,140	45,182
Equipment	8,441	540,280
Depreciation	52,355	80,147
Accrued Annual and Sick Leave	49,589	(9,704)
Space Rental	355,147	346,049
Rents for Equipment	12,872	11,611
Motorpool Leasing	228,535	176,728
Materials and Supplies	38,823	43,027
Telephone	52,399	51,518
On-Line Telecommunications	157,448	915,086
Data Processing Supplies and Services	11,370	8,897
Equipment Maintenance	175,543	175,660
Postage	22,910	30,813
Printing	8,714	5,130
Other	208,604	208,611
Total Other Operating Expenses	11,751,350	11,862,139
OPERATING INCOME	61,067,624	60,001,204
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	161,514	60,698
Investment Income	810,091	1,078,844
Funds Distributed for Current Year	(33,371,285)	(32,561,756)
Funds Available for Distribution for Current Year	(28,554,000)	(28,889,828)
Total Nonoperating Revenues (Expenses)	(60,953,680)	(60,312,042)
NET INCOME (LOSS)	\$ 113,944	\$ (310,838)
NET ASSETS, BEGINNING OF YEAR	2,241,295	2,622,974
Net Change in Net Assets	113,944	(310,838)
NET ASSETS, END OF PERIOD	\$ 2,355,239	\$ 2,312,136

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

	2009	2008
Cash flows from operating activities:		
Cash received from retailers	\$ 235,974,764	\$ 246,327,949
Cash paid in prizes	(145,577,495)	(154,203,420)
Cash payments to suppliers	(11,156,034)	(11,235,874)
Cash paid in retailer commissions	(16,139,042)	(16,510,067)
Cash payments to employees for services	(5,280,747)	(4,912,428)
Cash paid in retailer bonus	(2,078,400)	(1,946,077)
Cash received (used) - other	(173,500)	159,321
Net cash provided by operating activities	55,569,546	57,679,404
Cash flows from non-capital financing activities:		
Distribution of net proceeds	(60,526,706)	(61,267,874)
Net cash used by noncapital financing activities	(60,526,706)	(61,267,874)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(379,674)	(16,530)
Cash flows from investing activities:		
Interest received	810,091	1,078,844
	810,091	1,078,844
Net increase (decrease) in cash and investments	(4,526,743)	(2,526,156)
Cash and investments, Beginning of Year (including \$1,743,139 and \$1,926,058, respectively, in restricted accounts)	32,171,227	35,364,329
Cash and investments, End of Period, (including \$1,529,763 and \$1,744,429 respectively, in restricted accounts)	\$ 27,644,484	\$ 32,838,173
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 61,067,624	\$ 60,001,204
Adjustments to reconcile operating income to net cash		
Depreciation	52,355	80,147
Loss on disposition of equipment	0	65,592
Other revenue	161,514	60,698
(Increase) Decrease in Prepaid Prize Expense with MUSL	87,567	(128,720)
Change in:		
Accounts Receivable	(4,973,296)	(2,072,897)
Ticket Inventory	(324,372)	(124,510)
Other Assets	(243,150)	(200,800)
Liabilities	(258,696)	(1,310)
Net cash provided by operating activities	\$ 55,569,546	\$ 57,679,404

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



COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2008 AND 2007

(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	11,411,046	9,114,170
TOTAL ASSETS	\$ 11,797,046	\$ 9,485,170
 NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	9,804,295	0
 Net Change in Net Assets	1,992,751	9,485,170
NET ASSETS, END OF PERIOD	\$ 11,797,046	\$ 9,485,170

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN NET ASSETS  
 FOR THE SECOND QUARTER ENDED DECEMBER 31, 2008 AND 2007

(UNAUDITED)

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Interest Income	\$ 2,363,751	\$ 95,533
Trust Fund Additions	<u>0</u>	<u>9,389,637</u>
<b>TOTAL REVENUES</b>	<u>2,363,751</u>	<u>9,485,170</u>
<b>EXPENSES</b>		
Trust Fund Deductions	<u>371,000</u>	<u>0</u>
<b>NET CHANGE IN NET ASSETS</b>	<u>\$ 1,992,751</u>	<u>\$ 9,485,170</u>

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2008

	Games in Progress				FY 09	FY 08
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$160,605,957	\$23,648,395	\$48,313,437	\$10,217,335	\$242,785,124	\$248,253,269
PRIZE EXPENSE	(107,030,905)	(11,624,634)	(24,280,090)	(5,322,106)	(148,257,735)	(153,219,061)
POWERBALL PRIZE VARIANCE	N/A	N/A	1,451,770	N/A	1,451,770	202,072
NET REVENUE AFTER PRIZES	<u>53,575,052</u>	<u>12,023,761</u>	<u>25,485,117</u>	<u>4,895,229</u>	<u>95,979,159</u>	<u>95,236,280</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(11,220,594)	(1,417,644)	(2,888,151)	(612,653)	(16,139,042)	(16,510,067)
Retailer Bonus	(1,551,562)	(156,429)	(315,136)	(95,410)	(2,118,537)	(2,137,414)
Cost of Tickets Sold	(1,103,197)	N/A	N/A	N/A	(1,103,197)	(1,397,565)
Telecomm Reimbursements	244,286	35,970	73,486	15,540	369,282	356,089
On-Line Vendor Fees	(2,760,375)	(405,919)	(826,974)	(175,423)	(4,168,691)	(3,683,980)
TOTAL	<u>(16,391,442)</u>	<u>(1,944,022)</u>	<u>(3,956,775)</u>	<u>(867,946)</u>	<u>(23,160,185)</u>	<u>(23,372,937)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$37,183,610</u>	<u>\$10,079,739</u>	<u>\$21,528,342</u>	<u>\$4,027,283</u>	<u>\$72,818,974</u>	<u>\$71,863,343</u>
AVERAGE DAILY TICKET SALES	<u>\$872,858</u>	<u>\$128,524</u>	<u>\$262,573</u>	<u>\$55,529</u>	<u>\$1,319,484</u>	<u>\$1,349,203</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 SECOND QUARTER ENDED DECEMBER 31, 2008

	Games in Progress				Powerball	FY 09
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$107,030,905	\$11,624,634	\$24,280,090	\$5,322,106	-\$1,451,770	\$146,805,965
(/ ) Ticket Sales	160,605,957	23,648,395	48,313,437	10,217,335	N/A	242,785,124
Prize %	<u>66.64%</u>	<u>49.16%</u>	<u>50.26%</u>	<u>52.09%</u>		<u>60.47%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE SECOND QUARTER ENDED DECEMBER 31, 2008

	FY09 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,909,115	\$4,312,435	\$4,596,680	48.4%
Amortization Equal	121,243	48,766	72,477	40.2%
Suppl Amortization Equalization	56,835	17,417	39,418	30.6%
Workmen's Compensation	63,645	31,823	31,822	50.0%
Health and Life	635,126	314,689	320,437	49.5%
Short Term Disability	9,851	4,580	5,271	46.5%
Operating	1,203,156	565,011	638,145	47.0%
DOR Postage Allocation	3,898	0	3,898	0.0%
Variable Vehicle	124,200	124,200	0	100.0%
Leased Space	711,981	353,170	358,811	49.6%
Leased Space-Grand Junction	6,902	1,977	4,925	28.6%
Risk Management	30,453	15,227	15,226	50.0%
Vehicle Lease Payments	146,003	67,731	78,272	46.4%
Travel	113,498	62,140	51,358	54.7%
Purch. Of Services-Computer Center	3,128	1,632	1,496	52.2%
Marketing, Communications & Sales	11,671,710	5,105,413	6,566,297	43.7%
Communications Services	2,034	1,017	1,017	50.0%
Payments to MNT	374,676	130,887	243,789	34.9%
Payments to Other Agencies	239,410	55,688	183,722	23.3%
Legal Services	35,364	11,206	24,158	31.7%
Indirect Costs	556,672	278,336	278,336	50.0%
Ticket Costs-Scratch	4,670,880	1,106,947	3,563,933	23.7%
Research	250,000	70,990	179,010	28.4%
Vendor Fees	12,467,489	4,195,191	8,272,298	33.6%
Prize Payments	392,580,940	148,257,735	244,323,205	37.8%
Retailer Compensation	48,090,160	18,257,579	29,832,581	38.0%
Multi-State Lottery Funds	177,433	61,498	115,935	34.7%
CMAC Project	2,415,000	362,998	2,052,002	15.0%
Powerball Prize Variance	12,708,000	3,537,397	9,170,603	27.8%
<b>TOTAL</b>	<u>\$498,378,802</u>	<u>\$187,353,680</u>	<u>\$301,854,519</u>	<u>37.59%</u>

FY09 Staffing (FTE) 126.0 (Appropriated) 117.100 (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	148,257,735
Powerball Prize Variance	(1,451,770)
Commissions and Bonuses	18,257,579
Cost of Tickets & Vendor Fees	4,902,606
Operating Expenses	11,751,350
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>181,717,500</u>
Plus: Powerball Variance classified as revenue	4,989,167
Telecommunications offset classified as revenue	369,282
Less: Non-appropriated expenses and other adjustments	
Depreciation	(52,355)
Accrued Annual and Sick Leave	(49,589)
Loss on Disposal of Equipment classified as revenue	0
<b>Sub-Total</b>	<u>186,974,005</u>
Plus: Capitalized Fixed Assets	379,675
	<u>187,353,680</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 December 31, 2008 is 50%.

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