

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

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 30, 2006

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Executive Director

Margaret Gordon
Lottery Director

December 28, 2006

Members of the Lottery Commission and
Ms. Peggy Gordon, 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 five months ended November 30, 2006, 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,

Barb Aggson

Barb Aggson
Controller, Colorado Lottery
Colorado Department of Revenue

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

TABLE OF CONTENTS

Financial Highlights.....	1
Supplement to Financial Highlights(Not included)	2
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Fund Net Assets	4
Schedule of Revenue and Costs for Completed and In-Progress Games.....	5
Schedule of Percent of Prize Expense to Gross Ticket Sales	5
Budget Status	6

COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2006 AND 2005

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the five months ended November 30, 2006 and 2005, 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 five months ended November 30,			
	2007		2006	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$182.07		\$193.48	
Nonoperating revenue	1.11		0.67	
TOTAL INCOME	183.18		194.15	
LESS:				
PRIZES	\$109.94	60.4% (1)	\$115.81	59.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$13.55	7.4% (1)	\$14.54	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	3.27		3.98	
Other Operating Expenses	7.78		7.92	
TOTAL ADMINISTRATIVE COSTS (Note 3)	11.05	6.0% (2)	11.90	6.1% (2)
	48.64		51.90	
NET CHANGE IN NET ASSETS	-0.10		-0.19	
PROCEEDS DISTRIBUTION	\$48.74	26.6% (2)	\$52.09	26.8% (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
STATEMENT OF NET ASSETS
NOVEMBER 30, 2006 AND 2005
(UNAUDITED)

ASSETS	2007	2006
Current Assets:		
Cash and Investments	\$ 49,828,201	\$ 53,029,438
Accounts Receivable, net of the allowance for doubtful accounts of \$216,201 2007 and \$128,139 in 2006	16,669,257	18,227,030
Consignment Inventory, at Cost	110,489	166,521
Warehouse Inventory, at Cost	600,327	982,157
Prepaid Expenses	213,675	317,200
Total Current Assets	67,421,949	72,722,346
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,600,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	422,132	462,056
Prepaid Prize Expense with MUSL	3,666,769	3,836,140
Total Reserve and Restricted Assets	5,588,901	5,898,196
Capital Assets:		
Equipment	3,759,933	3,885,541
Leasehold Improvements	14,053	14,053
Less Accumulated Depreciation and Amortization	(3,047,159)	(3,110,884)
Total Capital Assets	726,827	788,710
TOTAL ASSETS	\$ 73,737,677	\$ 79,409,252
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,555,649	1,975,752
Prize Liability	18,817,381	19,936,671
Payable to MUSL	0	231,886
Wages and Benefits	78,552	59,515
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	743,908	1,067,597
Funds Available for Distribution	48,731,885	52,086,959
Deferred Revenue	217,189	177,717
Total Current Liabilities	70,144,564	75,536,097
Long-Term Liabilities:		
Accrued Annual and Sick Leave	836,251	893,189
Expired Warrants Liability	107,902	129,202
Total Long-Term Liabilities	944,153	1,022,391
TOTAL LIABILITIES	71,088,717	76,558,488
NET ASSETS		
Investment in Capital Assets	726,827	788,710
Restricted-Licensed Agent Recovery Reserve	422,132	462,056
Unrestricted-Operating Reserve	1,500,000	1,600,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,648,959	2,850,766
TOTAL LIABILITIES AND NET ASSETS	\$ 73,737,677	\$ 79,409,252

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2006 AND 2005
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 182,067,213	\$ 193,480,810
DIRECT OPERATING EXPENSES		
Prize Expense	110,002,961	116,228,418
Powerball Prize Variance	(63,696)	(418,036)
Retailer Commissions and Bonuses	13,547,771	14,541,467
Cost of Tickets and Vendor Fees	<u>3,279,719</u>	<u>3,981,027</u>
GROSS PROFIT ON SALE OF TICKETS	<u>55,300,458</u>	<u>59,147,934</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,639,156	3,139,406
Administration Fees Paid to MUSL	48,705	51,541
Wages and Benefits	3,683,783	3,376,311
Professional Services	77,142	54,007
State Agencies Services	57,796	70,569
Department of Revenue Services	149,322	130,024
Travel	28,833	31,004
Equipment	74,142	16,396
Depreciation	64,648	78,091
Accrued Annual and Sick Leave	(4,666)	55,362
Space Rental	249,062	294,493
Rents for Equipment	10,132	16,739
Motorpool Leasing	138,472	133,647
Materials and Supplies	38,077	24,959
Telephone	44,532	54,513
On-Line Telecommunications	144,610	101,205
Data Processing Supplies and Services	35,101	7,905
Equipment Maintenance	124,472	116,102
Postage	16,702	18,750
Printing	15,335	17,119
Other	<u>143,105</u>	<u>129,989</u>
Total Other Operating Expenses	<u>7,778,461</u>	<u>7,918,132</u>
OPERATING INCOME	<u>47,521,997</u>	<u>51,229,802</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	325,562	173,175
Investment Income	781,170	494,444
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(48,731,885)</u>	<u>(52,086,959)</u>
Total Nonoperating Revenues (Expenses)	<u>(47,625,153)</u>	<u>(51,419,340)</u>
NET INCOME(LOSS)	<u>\$ (103,156)</u>	<u>\$ (189,538)</u>
NET ASSETS, BEGINNING OF YEAR	2,752,115	3,040,304
Net Change in Net Assets	<u>(103,156)</u>	<u>(189,538)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,648,959</u>	<u>\$ 2,850,766</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2006

	Games in Progress				FY 07	FY 06
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$117,446,492	\$15,052,212	\$42,424,236	\$7,144,273	\$182,067,213	\$468,761,808
PRIZE EXPENSE	(78,062,353)	(8,614,881)	(19,615,978)	(3,709,749)	(110,002,961)	(279,953,707)
POWERBALL PRIZE VARIANCE	N/A	N/A	63,696	N/A	63,696	(1,640,538)
NET REVENUE AFTER PRIZES	<u>39,384,139</u>	<u>6,437,331</u>	<u>22,871,954</u>	<u>3,434,524</u>	<u>72,127,948</u>	<u>187,167,563</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(8,210,791)	(902,359)	(2,545,002)	(428,871)	(12,087,023)	(31,038,482)
Retailer Bonus	(1,023,028)	(98,482)	(272,612)	(66,626)	(1,460,748)	(3,632,434)
Cost of Tickets Sold	(911,867)	N/A	N/A	N/A	(911,867)	(2,907,934)
Telecomm Reimbursements	185,243	23,742	66,914	11,268	287,167	738,310
On-Line Vendor Fees	(1,712,981)	(219,273)	(618,435)	(104,330)	(2,655,019)	(7,558,106)
TOTAL	<u>(11,673,424)</u>	<u>(1,196,372)</u>	<u>(3,369,135)</u>	<u>(588,559)</u>	<u>(16,827,490)</u>	<u>(44,398,646)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$27,710,715</u>	<u>\$5,240,959</u>	<u>\$19,502,819</u>	<u>\$2,845,965</u>	<u>\$55,300,458</u>	<u>\$142,768,917</u>
AVERAGE DAILY TICKET SALES	<u>\$767,624</u>	<u>\$98,380</u>	<u>\$277,283</u>	<u>\$46,695</u>	<u>\$1,189,982</u>	<u>\$1,284,279</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 FIVE MONTHS ENDED NOVEMBER 30, 2006

	Games in Progress				Powerball Prize Variance	FY 07 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense (/)Ticket Sales	\$78,062,353 <u>117,446,492</u>	\$8,614,881 <u>15,052,212</u>	\$19,615,978 <u>42,424,236</u>	\$3,709,749 <u>7,144,273</u>	-\$63,696 <u>N/A</u>	\$109,939,265 <u>182,067,213</u>
Prize %	<u>66.47%</u>	<u>57.23%</u>	<u>46.24%</u>	<u>51.93%</u>		<u>60.38%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2006

	FY07 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,491,301	\$3,515,737	\$4,975,564	41.4%
Amortization Equal	48,931	14,240	\$34,691	29.1%
Operating	1,376,387	560,791	\$815,596	40.7%
Vehicle Lease Payments	141,771	40,910	\$100,861	28.9%
Purch. Of Services-Computer Center	5,502	2,466	\$3,036	44.8%
Communications Services	2,437	1,015	\$1,422	41.6%
Research	250,000	50,377	\$199,623	20.2%
Payments to MNT	341,938	142,474	\$199,464	41.7%
Payments to Other Agencies	239,410	46,891	\$192,519	19.6%
Transfer to DOR	24,123	10,051	\$14,072	41.7%
Health and Life	420,725	155,801	\$264,924	37.0%
Short Term Disability	10,094	3,206	\$6,888	31.8%
Risk Management	22,656	9,440	\$13,216	41.7%
Workmen's Compensation	79,234	33,014	\$46,220	41.7%
Unemployment Benefits	1,958	107	\$1,851	5.5%
Travel	113,498	28,834	\$84,664	25.4%
Leased Space	797,239	246,922	\$550,317	31.0%
Leased Space-Grand Junction	6,945	2,141	\$4,804	30.8%
Indirect Costs	358,373	149,322	\$209,051	41.7%
Marketing, Communications & Sales	8,643,420	2,588,779	\$6,054,641	30.0%
CMAC Project	88,947	76,751	\$12,196	86.3%
Administrative Law Judge	824	343	\$481	41.6%
Multi-State Lottery Funds	177,433	73,636	\$103,797	41.5%
Ticket Costs-Scratch	3,490,740	911,867	\$2,578,873	26.1%
Retailer Compensation	41,865,380	13,547,771	\$28,317,609	32.4%
Prize Payments	327,844,375	110,002,961	\$217,841,414	33.6%
Powerball Prize Variance	8,142,000	2,945,595	\$5,196,405	36.2%
Vendor Fees	10,666,027	2,657,520	\$8,008,507	24.9%
Rollforwards	19,776	19,776	\$0	100.0%
TOTAL	<u>413,671,444</u>	<u>137,838,738</u>	<u>275,832,706</u>	<u>33.32%</u>

FY07 Staffing (FTE) 126.0 (Appropriated) 124.5 (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	110,002,961
Powerball Prize Variance	(63,696)
Commissions and Bonuses	13,547,771
Cost of Tickets & Vendor Fees	3,279,719
Operating Expenses	7,778,461
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>134,545,216</u>
Plus: Powerball Variance classified as revenue	3,009,291
Telecommunications offset classified as revenue	287,167
Less: Non-appropriated expenses and other adjustments	
Depreciation	(64,648)
Accrued Annual and Sick Leave	4,666
Sub-Total	<u>137,781,692</u>
Plus: Capitalized Fixed Assets	57,046
	<u>137,838,738</u>

Note 1 - FY07 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through November 30, 2006 is 41 2/3 %.

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

