

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

(UNAUDITED)

FOR THE SEVEN (7) MONTHS ENDED

JANUARY 31, 2007

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Department of Revenue



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Executive Director

Margaret Gordon
Lottery Director

February 27, 2007

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 seven months ended January 31, 2007, 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 SEVEN (7) MONTHS ENDED JANUARY 31, 2007 AND 2006

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the seven months ended January 31, 2007 and 2006, 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 seven months ended January 31,			
	2007		2006	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$260.13		\$268.24	
Nonoperating revenue	1.51		1.77	
TOTAL INCOME	261.64		270.01	
LESS:				
PRIZES	\$156.51	60.2% (1)	\$161.96	60.4% (1)
RETAILER COMMISSIONS AND BONUSES	\$19.45	7.5% (1)	\$20.17	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	4.60		5.58	
Other Operating Expenses	11.79		10.97	
TOTAL ADMINISTRATIVE COSTS (Note 3)	16.39	6.3% (2)	16.55	6.1% (2)
	69.29		71.33	
NET CHANGE IN NET ASSETS	-0.13		-0.20	
PROCEEDS DISTRIBUTION	\$69.42	26.5% (2)	\$71.53	26.5% (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
JANUARY 31, 2007 AND 2006
(UNAUDITED)

ASSETS	2007	2006
Current Assets:		
Cash and Investments	\$ 33,572,449	\$ 40,865,706
Accounts Receivable, net of the allowance for doubtful accounts of \$217,557 2007 and \$125,080 in 2006	23,921,607	19,854,591
Consignment Inventory, at Cost	98,433	168,209
Warehouse Inventory, at Cost	772,961	825,818
Prepaid Expenses	173,069	243,745
Total Current Assets	58,538,519	61,958,069
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,600,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	422,615	475,734
Prepaid Prize Expense with MUSL	3,771,099	3,836,140
Total Reserve and Restricted Assets	5,693,714	5,911,874
Capital Assets:		
Equipment	3,759,933	3,868,718
Leasehold Improvements	14,053	14,053
Less Accumulated Depreciation and Amortization	(3,073,641)	(3,116,731)
Total Capital Assets	700,345	766,040
TOTAL ASSETS	\$ 64,932,578	\$ 68,635,983
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,154,228	2,084,220
Prize Liability	18,150,523	16,738,391
Payable to MUSL	0	0
Wages and Benefits	131,597	102,270
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	822,036	891,080
Funds Available for Distribution	38,897,889	44,728,346
Deferred Revenue	222,198	243,121
Total Current Liabilities	61,378,471	64,787,428
Long-Term Liabilities:		
Accrued Annual and Sick Leave	823,245	877,579
Expired Warrants Liability	107,902	129,202
Total Long-Term Liabilities	931,147	1,006,781
TOTAL LIABILITIES	62,309,618	65,794,209
NET ASSETS		
Investment in Capital Assets	700,345	766,040
Restricted-Licensed Agent Recovery Reserve	422,615	475,734
Unrestricted-Operating Reserve	1,500,000	1,600,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,622,960	2,841,774
TOTAL LIABILITIES AND NET ASSETS	\$ 64,932,578	\$ 68,635,983

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2007 AND 2006
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 260,133,415	\$ 268,237,242
DIRECT OPERATING EXPENSES		
Prize Expense	157,345,645	162,035,655
Powerball Prize Variance	(843,920)	(74,970)
Retailer Commissions and Bonuses	19,448,716	20,168,057
Cost of Tickets and Vendor Fees	<u>4,609,304</u>	<u>5,576,070</u>
GROSS PROFIT ON SALE OF TICKETS	<u>79,573,670</u>	<u>80,532,430</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	4,674,688	4,355,656
Administration Fees Paid to MUSL	60,187	69,266
Wages and Benefits	5,156,675	4,730,977
Professional Services	92,184	63,932
State Agencies Services	77,486	103,564
Department of Revenue Services	209,051	182,033
Travel	38,728	37,738
Equipment	87,677	24,964
Depreciation	91,129	108,517
Accrued Annual and Sick Leave	(15,885)	41,368
Space Rental	359,292	412,460
Rents for Equipment	20,173	14,200
Motorpool Leasing	188,806	186,969
Materials and Supplies	51,247	30,311
Telephone	59,828	73,819
On-Line Telecommunications	202,454	141,564
Data Processing Supplies and Services	38,830	12,398
Equipment Maintenance	143,437	145,227
Postage	26,580	28,170
Printing	21,143	19,960
Other	<u>209,070</u>	<u>185,019</u>
Total Other Operating Expenses	<u>11,792,780</u>	<u>10,968,112</u>
OPERATING INCOME	<u>67,780,890</u>	<u>69,564,318</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	471,963	1,086,622
Investment Income	1,038,297	680,417
Funds Distributed for Current Year	(30,522,416)	(26,801,541)
Funds Available for Distribution for Current Year	(38,897,889)	(44,728,346)
Total Nonoperating Revenues (Expenses)	<u>(67,910,045)</u>	<u>(69,762,848)</u>
NET INCOME(LOSS)	<u>\$ (129,155)</u>	<u>\$ (198,530)</u>
NET ASSETS, BEGINNING OF YEAR	2,752,115	3,040,304
Net Change in Net Assets	<u>(129,155)</u>	<u>(198,530)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,622,960</u>	<u>\$ 2,841,774</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2007

	Games in Progress				FY 07	FY 06
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$165,760,610	\$21,314,407	\$63,077,843	\$9,980,555	\$260,133,415	\$468,761,808
PRIZE EXPENSE	(110,306,235)	(11,874,809)	(30,119,801)	(5,044,800)	(157,345,645)	(279,953,707)
POWERBALL PRIZE VARIANCE	N/A	N/A	843,920	N/A	843,920	(1,640,538)
NET REVENUE AFTER PRIZES	55,454,375	9,439,598	33,801,962	4,935,755	103,631,690	187,167,563
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(11,586,499)	(1,277,935)	(3,784,459)	(599,263)	(17,248,156)	(31,038,482)
Retailer Bonus	(1,558,986)	(139,502)	(408,713)	(93,359)	(2,200,560)	(3,632,434)
Cost of Tickets Sold	(1,220,950)	N/A	N/A	N/A	(1,220,950)	(2,907,934)
Telecomm Reimbursements	258,051	33,182	98,198	15,537	404,968	738,310
On-Line Vendor Fees	(2,417,426)	(310,538)	(919,623)	(145,735)	(3,793,322)	(7,558,106)
TOTAL	(16,525,810)	(1,694,793)	(5,014,597)	(822,820)	(24,058,020)	(44,398,646)
GROSS PROFIT ON SALE OF TICKETS	\$38,928,565	\$7,744,805	\$28,787,365	\$4,112,935	\$79,573,670	\$142,768,917
AVERAGE DAILY TICKET SALES	\$770,980	\$99,137	\$293,385	\$46,421	\$1,209,923	\$1,284,279

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 SEVEN (7) MONTHS ENDED JANUARY 31, 2007

	Games in Progress				Powerball Prize Variance	FY 07 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense (/)Ticket Sales	\$110,306,235 / 165,760,610	\$11,874,809 / 21,314,407	\$30,119,801 / 63,077,843	\$5,044,800 / 9,980,555	-\$843,920 / N/A	\$156,501,725 / 260,133,415
Prize %	66.55%	55.71%	47.75%	50.55%		60.16%

COLORADO LOTTERY
BUDGET STATUS
FOR THE SEVEN (7) MONTHS ENDED JANUARY 31, 2007

	FY07 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,491,301	\$4,858,281	\$3,633,020	57.2%
Amortization Equal	48,931	23,883	26,048	46.8%
Operating	1,359,597	740,340	619,257	54.5%
Vehicle Lease Payments	141,771	57,169	84,602	40.3%
Purch. Of Services-Computer Center	5,502	3,453	2,049	62.8%
Communications Services	2,437	1,421	1,016	58.3%
Research	250,000	66,387	183,613	26.6%
Payments to MNT	341,938	199,931	142,007	58.5%
Payments to Other Agencies	239,410	63,420	175,990	26.5%
Transfer to DOR	24,123	14,072	10,051	58.3%
Health and Life	420,725	272,779	147,946	64.8%
Short Term Disability	10,094	4,505	5,589	44.6%
Risk Management	22,656	13,216	9,440	58.3%
Workmen's Compensation	79,234	46,220	33,014	58.3%
Unemployment Benefits	1,958	0	1,958	0.0%
Travel	113,498	38,727	74,771	34.1%
Leased Space	797,239	356,294	440,945	44.7%
Leased Space-Grand Junction	6,945	2,997	3,948	43.2%
Indirect Costs	358,373	209,051	149,322	58.3%
Marketing, Communications & Sales	8,643,420	4,608,301	4,035,119	53.3%
CMAC Project	88,947	78,251	10,696	88.0%
Administrative Law Judge	824	481	343	58.4%
Multi-State Lottery Funds	177,433	94,124	83,309	53.0%
Ticket Costs-Scratch	3,490,740	1,220,950	2,269,790	35.0%
Retailer Compensation	41,865,380	19,448,716	22,416,664	46.5%
Prize Payments	327,844,375	157,574,974	170,269,401	48.1%
Powerball Prize Variance	8,142,000	4,176,158	3,965,842	51.3%
Vendor Fees	10,666,027	3,795,823	6,870,204	35.6%
Rollforwards	19,776	19,776	0	100.0%
TOTAL	413,654,654	197,988,700	\$215,665,954	47.86%

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	157,345,645
Powerball Prize Variance	(843,920)
Commissions and Bonuses	19,448,716
Cost of Tickets & Vendor Fees	4,609,304
Operating Expenses	11,792,780
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	192,352,525
Plus: Powerball Variance classified as revenue	5,249,405
Telecommunications offset classified as revenue	404,968
Less: Non-appropriated expenses and other adjustments	
Depreciation	(91,129)
Accrued Annual and Sick Leave	15,885
Sub-Total	197,931,654
Plus: Capitalized Fixed Assets	57,046
	197,988,700

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 January 31, 2007 is 58 1/3 %.

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

