

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

(UNAUDITED)

FOR THE EIGHT (8) MONTHS ENDED

FEBRUARY 28, 2007

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION

Department of Revenue



Headquarters

212 W. 3rd Street, Suite 210
Pueblo, CO 81003
(719) 546-2400
(719) 546-5208 Fax

Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Margaret Gordon
Lottery Director

April 9, 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 eight months ended February 28, 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)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 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 eight months ended February 28, 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 eight months ended February 28,			
	2007		2006	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$297.79		\$315.26	
Nonoperating revenue	1.76		1.96	
TOTAL INCOME	299.55		317.22	
LESS:				
PRIZES	\$179.28	60.2% (1)	\$188.91	59.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$22.33	7.5% (1)	\$23.65	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	5.26		6.52	
Other Operating Expenses	13.91		12.93	
TOTAL ADMINISTRATIVE COSTS (Note 3)	19.17	6.4% (2)	19.45	6.1% (2)
	78.77		85.21	
NET CHANGE IN NET ASSETS	-0.16		-0.30	
PROCEEDS DISTRIBUTION	\$78.93	26.3% (2)	\$85.51	27.0% (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
FEBRUARY 28, 2007 AND 2006
(UNAUDITED)

ASSETS	2007	2006
Current Assets:		
Cash and Investments	\$ 45,830,081	\$ 57,598,320
Accounts Receivable, net of the allowance for doubtful accounts of \$238,425 2007 and \$215,802 in 2006	22,191,935	21,201,947
Consignment Inventory, at Cost	80,467	142,332
Warehouse Inventory, at Cost	803,508	885,802
Prepaid Expenses	149,322	207,143
Total Current Assets	69,055,313	80,035,544
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,600,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	406,725	392,118
Prepaid Prize Expense with MUSL	3,804,300	3,836,140
Total Reserve and Restricted Assets	5,711,025	5,828,258
Capital Assets:		
Equipment	3,759,933	3,838,242
Leasehold Improvements	14,053	14,053
Less Accumulated Depreciation and Amortization	(3,086,834)	(3,104,531)
Total Capital Assets	687,152	747,764
TOTAL ASSETS	\$ 75,453,489	\$ 86,611,566
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,186,823	4,936,237
Prize Liability	19,580,943	18,264,439
Payable to MUSL	330,860	0
Wages and Benefits	159,171	65,862
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	999,192	565,181
Funds Available for Distribution	48,413,820	58,707,416
Deferred Revenue	230,227	268,228
Total Current Liabilities	71,901,036	82,807,363
Long-Term Liabilities:		
Accrued Annual and Sick Leave	850,673	935,119
Expired Warrants Liability	107,903	129,202
Total Long-Term Liabilities	958,576	1,064,321
TOTAL LIABILITIES	72,859,612	83,871,684
NET ASSETS		
Investment in Capital Assets	687,152	747,764
Restricted-Licensed Agent Recovery Reserve	406,725	392,118
Unrestricted-Operating Reserve	1,500,000	1,600,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,593,877	2,739,882
TOTAL LIABILITIES AND NET ASSETS	\$ 75,453,489	\$ 86,611,566

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2007 AND 2006
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 297,794,847	\$ 315,258,038
DIRECT OPERATING EXPENSES		
Prize Expense	180,726,739	187,768,423
Powerball Prize Variance	(1,451,329)	1,151,343
Retailer Commissions and Bonuses	22,330,545	23,645,337
Cost of Tickets and Vendor Fees	<u>5,265,473</u>	<u>6,516,275</u>
GROSS PROFIT ON SALE OF TICKETS	<u>90,923,419</u>	<u>96,176,660</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	5,754,657	5,272,154
Administration Fees Paid to MUSL	65,928	78,096
Wages and Benefits	5,883,302	5,453,514
Professional Services	101,095	69,538
State Agencies Services	84,970	112,472
Department of Revenue Services	268,779	208,038
Travel	42,763	42,775
Equipment	91,629	33,469
Depreciation	104,322	123,746
Accrued Annual and Sick Leave	11,328	98,886
Space Rental	414,273	472,486
Rents for Equipment	21,944	16,754
Motorpool Leasing	217,776	217,123
Materials and Supplies	56,115	34,136
Telephone	68,376	78,333
On-Line Telecommunications	231,376	161,592
Data Processing Supplies and Services	40,177	13,005
Equipment Maintenance	163,975	156,835
Postage	26,937	36,643
Printing	21,935	20,083
Other	<u>233,446</u>	<u>227,921</u>
Total Other Operating Expenses	<u>13,905,103</u>	<u>12,927,599</u>
OPERATING INCOME	<u>77,018,316</u>	<u>83,249,061</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	548,601	1,021,132
Investment Income	1,211,081	938,342
Funds Distributed for Current Year	(30,522,416)	(26,801,541)
Funds Available for Distribution for Current Year	(48,413,820)	(58,707,416)
Total Nonoperating Revenues (Expenses)	<u>(77,176,554)</u>	<u>(83,549,483)</u>
NET INCOME (LOSS)	<u>\$ (158,238)</u>	<u>\$ (300,422)</u>
NET ASSETS, BEGINNING OF YEAR	2,752,115	3,040,304
Net Change in Net Assets	<u>(158,238)</u>	<u>(300,422)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,593,877</u>	<u>\$ 2,739,882</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2007

	Games in Progress				FY 07	FY 06
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$191,451,321	\$24,864,327	\$70,121,690	\$11,357,509	\$297,794,847	\$468,761,808
PRIZE EXPENSE	(127,401,795)	(13,459,317)	(34,014,504)	(5,851,123)	(180,726,739)	(279,953,707)
POWERBALL PRIZE VARIANCE	N/A	N/A	1,451,329	N/A	1,451,329	(1,640,538)
NET REVENUE AFTER PRIZES	64,049,526	11,405,010	37,558,515	5,506,386	118,519,437	187,167,563
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(13,383,026)	(1,491,118)	(4,207,433)	(681,830)	(19,763,407)	(31,038,482)
Retailer Bonus	(1,843,818)	(163,008)	(453,604)	(106,708)	(2,200,560)	(3,632,434)
Cost of Tickets Sold	(1,374,531)	N/A	N/A	N/A	(1,374,531)	(2,907,934)
Telecomm Reimbursements	294,660	38,271	107,937	17,462	458,330	738,310
On-Line Vendor Fees	(2,794,562)	(363,147)	(1,025,829)	(165,734)	(4,349,272)	(7,558,106)
TOTAL	(19,101,277)	(1,979,002)	(5,578,929)	(936,810)	(27,596,018)	(44,398,646)
GROSS PROFIT ON SALE OF TICKETS	\$44,948,249	\$9,426,008	\$31,979,586	\$4,569,576	\$90,923,419	\$142,768,917
AVERAGE DAILY TICKET SALES	\$787,866	\$102,322	\$288,567	\$46,739	\$1,225,493	\$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 EIGHT (8) MONTHS ENDED FEBRUARY 28, 2007

	Games in Progress				Powerball Prize Variance	FY 07 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense	\$127,401,795	\$13,459,317	\$34,014,504	\$5,851,123	-\$1,451,329	\$179,275,410
(/)Ticket Sales	191,451,321	24,864,327	70,121,690	11,357,509	N/A	297,794,847
Prize %	66.55%	54.13%	48.51%	51.52%		60.20%

COLORADO LOTTERY
BUDGET STATUS
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 28, 2007

	FY07 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,491,301	\$5,540,172	\$2,951,129	65.2%
Amortization Equal	48,931	28,485	\$20,446	58.2%
Operating	1,359,597	826,687	\$532,910	60.8%
Vehicle Lease Payments	141,771	65,298	\$76,473	46.1%
Purch. Of Services-Computer Center	5,502	3,946	\$1,556	71.7%
Communications Services	2,437	1,625	\$812	66.7%
Research	250,000	75,672	\$174,328	30.3%
Payments to MNT	341,938	227,959	\$113,979	66.7%
Payments to Other Agencies	239,410	66,878	\$172,532	27.9%
Transfer to DOR	24,123	18,092	\$6,031	75.0%
Health and Life	420,725	312,870	\$107,855	74.4%
Short Term Disability	10,094	5,146	\$4,948	51.0%
Risk Management	22,656	15,104	\$7,552	66.7%
Workmen's Compensation	79,234	52,823	\$26,411	66.7%
Unemployment Benefits	1,958	0	\$1,958	0.0%
Travel	113,498	42,763	\$70,735	37.7%
Leased Space	797,239	410,848	\$386,391	51.5%
Leased Space-Grand Junction	6,945	3,425	\$3,520	49.3%
Indirect Costs	358,373	268,780	\$89,593	75.0%
Marketing, Communications & Sales	8,643,420	5,678,985	\$2,964,435	65.7%
CMAC Project	88,947	78,251	\$10,696	88.0%
Administrative Law Judge	824	549	\$275	66.6%
Multi-State Lottery Funds	177,433	99,865	\$77,568	56.3%
Ticket Costs-Scratch	3,490,740	1,374,531	\$2,116,209	39.4%
Retailer Compensation	41,865,380	22,330,545	\$19,534,835	53.3%
Prize Payments	327,844,375	181,379,601	\$146,464,774	55.3%
Powerball Prize Variance	8,142,000	4,176,158	\$3,965,842	51.3%
Vendor Fees	10,666,027	4,351,772	\$6,314,255	40.8%
Rollforwards	19,776	19,776	\$0	100.0%
TOTAL	\$413,654,654	\$227,456,606	\$186,198,048	54.99%

FY07 Staffing (FTE) 126.0 (Appropriated) 124.7 (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	180,726,739
Powerball Prize Variance	(1,451,329)
Commissions and Bonuses	22,330,545
Cost of Tickets & Vendor Fees	5,265,473
Operating Expenses	13,905,103
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	220,776,531
Plus: Powerball Variance classified as revenue	6,280,349
Telecommunications offset classified as revenue	458,330
Less: Non-appropriated expenses and other adjustments	
Depreciation	(104,322)
Accrued Annual and Sick Leave	(11,328)
Sub-Total	227,399,560
Plus: Capitalized Fixed Assets	57,046
	227,456,606

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 February 28, 2007 is 66 2/3 %.

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

