

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

(UNAUDITED)

FOR THE ELEVEN (11) MONTHS ENDED

MAY 31, 2007

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Margaret Gordon
Lottery Director

June 29, 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 eleven months ended May 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,

A handwritten signature in cursive script that reads "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 ELEVEN (11) MONTHS ENDED MAY 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 eleven months ended May 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 eleven months ended May 31,			
	2007		2006	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$418.50		\$432.48	
Nonoperating revenue	2.33		7.81	
TOTAL INCOME	420.83		440.29	
LESS:				
PRIZES	\$254.66	60.9% (1)	\$263.44	60.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$31.17	7.4% (1)	\$32.15	7.4% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	7.37		9.03	
Other Operating Expenses	19.34		18.40	
TOTAL ADMINISTRATIVE COSTS (Note 3)	26.71	6.3% (2)	27.43	6.2% (2)
	108.29		117.27	
NET CHANGE IN NET ASSETS	-0.19		-0.28	
PROCEEDS DISTRIBUTION	\$108.48	25.8% (2)	\$117.55	26.7% (2)

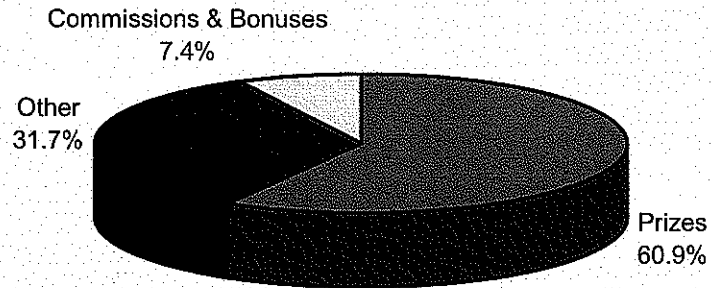
Note 1: Percent of gross ticket sales.

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.

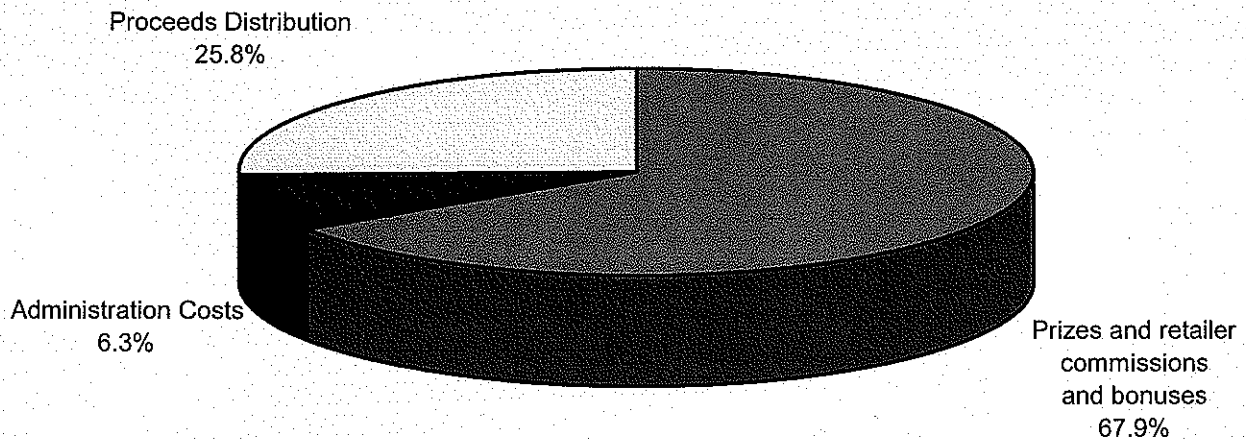
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ELEVEN MONTHS
ENDED MAY 31, 2007

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
STATEMENT OF NET ASSETS
MAY 31, 2007 AND 2006
(UNAUDITED)

ASSETS	2007	2006
Current Assets:		
Cash and Investments	\$ 56,254,678	\$ 51,853,814
Accounts Receivable, net of the allowance for doubtful accounts of \$250,236 2007 and \$229,055 in 2006	16,250,890	18,987,541
Consignment Inventory, at Cost	114,981	105,583
Warehouse Inventory, at Cost	802,873	809,980
Prepaid Expenses	76,489	94,714
Total Current Assets	73,499,911	71,851,632
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,600,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	415,927	388,330
Prepaid Prize Expense with MUSL	3,787,999	3,708,780
Total Reserve and Restricted Assets	5,703,926	5,697,110
Capital Assets:		
Equipment	3,759,933	3,902,716
Leasehold Improvements	14,053	14,053
Less Accumulated Depreciation and Amortization	(3,126,303)	(3,148,161)
Total Capital Assets	647,683	768,608
TOTAL ASSETS	\$ 79,851,520	\$ 78,317,350
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,860,965	2,395,193
Prize Liability	21,369,397	15,283,284
Payable to MUSL	235,671	182,677
Wages and Benefits	180,563	119,044
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,085,048	500,380
Funds Available for Distribution	51,371,563	55,836,483
Deferred Revenue	230,092	196,997
Total Current Liabilities	76,333,299	74,514,058
Long-Term Liabilities:		
Accrued Annual and Sick Leave	846,707	917,152
Expired Warrants Liability	107,902	129,202
Total Long-Term Liabilities	954,609	1,046,354
TOTAL LIABILITIES	77,287,910	75,560,412
NET ASSETS		
Investment in Capital Assets	647,683	768,608
Restricted-Licensed Agent Recovery Reserve	415,927	388,330
Unrestricted-Operating Reserve	1,500,000	1,600,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,563,610	2,756,938
TOTAL LIABILITIES AND NET ASSETS	\$ 79,851,520	\$ 78,317,350

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2007 AND 2006
(UNAUDITED)

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 418,495,143	\$ 432,483,590
DIRECT OPERATING EXPENSES		
Prize Expense	256,919,452	256,650,264
Powerball Prize Variance	(2,262,885)	2,047,495
Retailer Commissions and Bonuses	31,169,647	32,152,781
Cost of Tickets and Vendor Fees	<u>7,374,070</u>	<u>9,029,594</u>
GROSS PROFIT ON SALE OF TICKETS	<u>125,294,859</u>	<u>132,603,456</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	8,297,342	7,783,621
Administration Fees Paid to MUSL	83,151	105,273
Wages and Benefits	8,013,058	7,499,078
Professional Services	152,713	170,409
State Agencies Services	107,053	153,353
Department of Revenue Services	328,509	286,052
Travel	69,502	64,503
Equipment	96,385	81,281
Depreciation	143,792	167,499
Accrued Annual and Sick Leave	8,719	84,065
Space Rental	579,949	652,008
Rents for Equipment	31,175	24,569
Motorpool Leasing	297,954	306,972
Materials and Supplies	100,835	94,184
Telephone	94,957	112,098
On-Line Telecommunications	270,499	221,461
Data Processing Supplies and Services	40,196	22,431
Equipment Maintenance	206,351	202,117
Postage	48,404	47,587
Printing	25,153	17,285
Other	345,186	308,512
Total Other Operating Expenses	<u>19,340,883</u>	<u>18,404,358</u>
OPERATING INCOME	<u>105,953,976</u>	<u>114,199,098</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	622,871	1,715,586
Investment Income	1,709,400	1,359,867
Funds Distributed for Current Year	(57,103,189)	(61,721,434)
Funds Available for Distribution for Current Year	<u>(51,371,563)</u>	<u>(55,836,483)</u>
Total Nonoperating Revenues (Expenses)	<u>(106,142,481)</u>	<u>(114,482,464)</u>
NET INCOME (LOSS)	<u>\$ (188,505)</u>	<u>\$ (283,366)</u>
NET ASSETS, BEGINNING OF YEAR	2,752,115	3,040,304
Net Change in Net Assets	<u>(188,505)</u>	<u>(283,366)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,563,610</u>	<u>\$ 2,756,938</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2007

	Games in Progress				FY 07	FY 06
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$273,015,403	\$35,541,577	\$93,993,894	\$15,944,269	418,495,143	\$468,761,808
PRIZE EXPENSE	(183,648,559)	(18,717,478)	(46,080,904)	(8,472,511)	(256,919,452)	(279,953,707)
POWERBALL PRIZE VARIANCE	N/A	N/A	2,262,885	N/A	2,262,885	(1,640,538)
NET REVENUE AFTER PRIZES	<u>89,366,844</u>	<u>16,824,099</u>	<u>50,175,875</u>	<u>7,471,758</u>	<u>163,838,576</u>	<u>187,167,563</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(19,080,115)	(2,131,952)	(5,640,165)	(956,819)	(27,809,051)	(31,038,482)
Retailer Bonus	(2,367,385)	(232,828)	(610,528)	(149,855)	(3,360,596)	(3,632,434)
Cost of Tickets Sold	(1,907,189)	N/A	N/A	N/A	(1,907,189)	(2,907,934)
Telecomm Reimbursements	414,934	53,998	142,848	24,232	636,012	738,310
On-Line Vendor Fees	(3,981,648)	(518,064)	(1,370,560)	(232,621)	(6,102,893)	(7,558,106)
TOTAL	<u>(26,921,403)</u>	<u>(2,828,846)</u>	<u>(7,478,405)</u>	<u>(1,315,063)</u>	<u>(38,543,717)</u>	<u>(44,398,646)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$62,445,441</u>	<u>\$13,995,253</u>	<u>\$42,697,470</u>	<u>\$6,156,695</u>	<u>\$125,294,859</u>	<u>\$142,768,917</u>
AVERAGE DAILY TICKET SALES	<u>\$814,971</u>	<u>\$106,094</u>	<u>\$280,579</u>	<u>\$47,595</u>	<u>\$1,249,239</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 ELEVEN (11) MONTHS ENDED MAY 31, 2007

	Games in Progress				Powerball	FY 07
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$183,648,559	\$18,717,478	\$46,080,904	\$8,472,511	-\$2,262,885	\$254,656,567
(/) Ticket Sales	<u>273,015,403</u>	<u>35,541,577</u>	<u>93,993,894</u>	<u>15,944,269</u>	<u>N/A</u>	<u>418,495,143</u>
Prize %	<u>67.27%</u>	<u>52.66%</u>	<u>49.03%</u>	<u>53.14%</u>		<u>60.85%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2007

	FY07 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,491,301	\$7,589,720	\$901,581	89.4%
Amortization Equal	48,931	39,568	\$9,363	80.9%
Operating	1,359,597	1,137,813	\$221,784	83.7%
Capital Outlay	22,945	0	\$22,945	0.0%
Vehicle Lease Payments	110,768	88,941	\$21,827	80.3%
Purch. Of Services-Computer Center	1,787	1,787	\$0	100.0%
Communications Services	2,315	2,142	\$173	92.5%
Research	250,000	106,172	\$143,828	42.5%
Payments to MNT	278,414	265,801	\$12,613	95.5%
Payments to Other Agencies	239,410	84,898	\$154,512	35.5%
Transfer to DOR	24,123	22,113	\$2,010	91.7%
Health and Life	420,725	420,725	\$0	100.0%
Short Term Disability	10,094	7,033	\$3,061	69.7%
Risk Management	33,884	29,661	\$4,223	87.5%
Workmen's Compensation	57,408	56,262	\$1,146	98.0%
Unemployment Benefits	1,958	0	\$1,958	0.0%
Travel	113,498	69,500	\$43,998	61.2%
Leased Space	797,239	575,239	\$222,000	72.2%
Leased Space-Grand Junction	6,945	4,710	\$2,235	67.8%
Indirect Costs	358,373	328,509	\$29,864	91.7%
Marketing, Communications & Sales	8,643,420	8,191,170	\$452,250	94.8%
CMAC Project	88,947	78,251	\$10,696	88.0%
Administrative Law Judge	824	755	\$69	91.6%
Multi-State Lottery Funds	177,433	118,474	\$58,959	66.8%
Ticket Costs-Scratch	3,490,740	1,907,189	\$1,583,551	54.6%
Retailer Compensation	41,865,380	31,169,647	\$10,695,733	74.5%
Prize Payments	327,844,375	256,919,452	\$70,924,923	78.4%
Powerball Prize Variance	8,142,000	6,808,833	\$1,333,167	83.6%
Vendor Fees	10,666,027	6,109,291	\$4,556,736	57.3%
Rollforwards	19,776	19,776	\$0	100.0%
TOTAL	<u>413,568,637</u>	<u>322,153,432</u>	<u>91,415,205</u>	<u>77.90%</u>

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	256,919,452
Powerball Prize Variance	(2,262,885)
Commissions and Bonuses	31,169,647
Cost of Tickets & Vendor Fees	7,374,070
Operating Expenses	19,340,883
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>312,541,167</u>
Plus: Powerball Variance classified as revenue	9,071,718
Telecommunications offset classified as revenue	636,012
Less: Non-appropriated expenses and other adjustments	
Depreciation	(143,792)
Accrued Annual and Sick Leave	(8,719)
Sub-Total	<u>322,096,386</u>
Plus: Capitalized Fixed Assets	57,046
	<u>322,153,432</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 May 31, 2007 is 91 2/3%.

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