

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

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED

AUGUST 31, 2007

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Margaret Gordon
Lottery Director

October 17, 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 two months ended August 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)**

TABLE OF CONTENTS

Financial Highlights.....	1
Supplement to Financial Highlights.....	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 STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable Bill Ritter, Jr.	Governor
Ms. Cary Kennedy	State Treasurer
Rep. Andrew Romanoff	Speaker of the House of Representatives
Sen. Joan Fitz-Gerald	President of the Senate
Sen. Andrew McElhany	Senate Minority Leader
Rep. Mike May	House Minority Leader
Mr. Dick Reeve	Chairman, Lottery Commissioner
Ms. Robin Wise	Vice-Chairman, Lottery Commissioner
Ms. Betty Martinez	Lottery Commissioner
Mr. Jerry McMahan	Lottery Commissioner
Ms. Tracie L. Keesee	Lottery Commissioner
Ms. Roxy Huber	Executive Director, Department of Revenue
Ms. Peggy Gordon	Director, Colorado Lottery
Mr. Tom Kitts	Deputy Director, Colorado Lottery
Mr. Leslie Shenefelt	State Controller
Ms. Sally Symanski	State Auditor
Colorado State Publications Depository & Distribution Center	
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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE TWO (2) MONTHS ENDED AUGUST 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 two months ended August 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 two months ended August 31,			
	2008		2007	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$83.83		\$75.24	
Nonoperating revenue	0.66		0.36	
TOTAL INCOME	84.49		75.60	
LESS:				
PRIZES	\$50.10	59.8% (1)	\$45.18	60.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.29	7.5% (1)	\$5.70	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.45		1.38	
Other Operating Expenses	3.59		3.28	
TOTAL ADMINISTRATIVE COSTS (Note 3)	5.04	6.0% (2)	4.66	6.2% (2)
	23.06		20.06	
NET CHANGE IN NET ASSETS	-0.08		-0.02	
PROCEEDS DISTRIBUTION	\$23.14	27.4% (2)	\$20.08	26.6% (2)

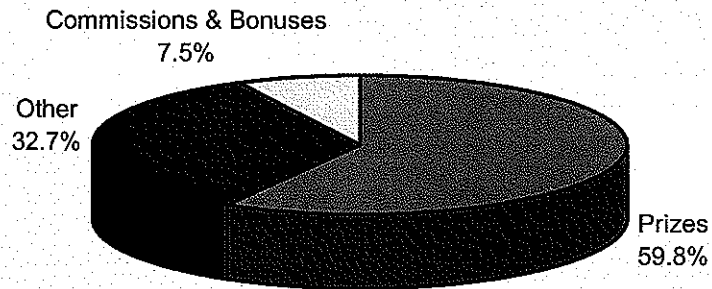
Note 1: Percent of gross ticket sales.

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.

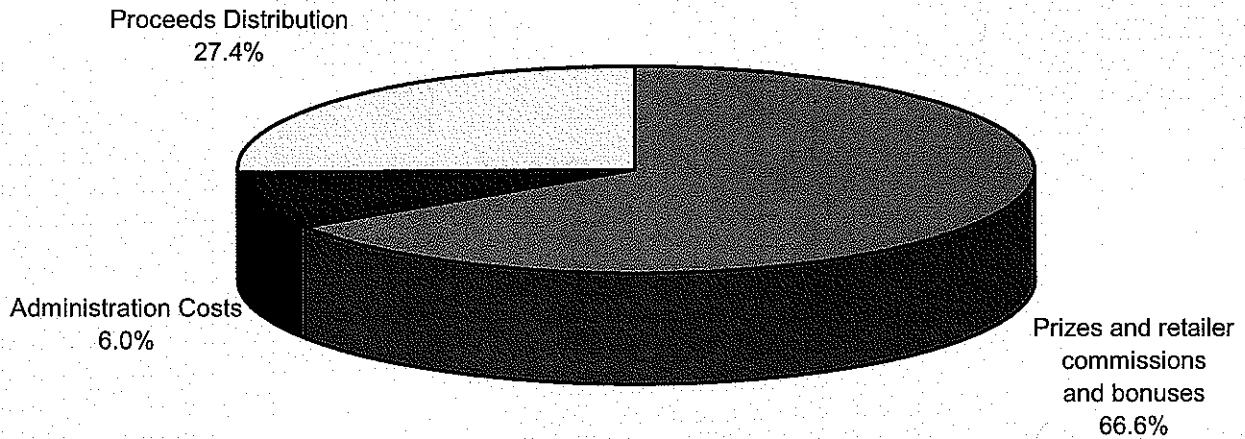
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS
ENDED AUGUST 31, 2007

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
AUGUST 31, 2007 AND 2006
(UNAUDITED)

ASSETS	2008	2007
Current Assets:		
Cash and Investments	\$ 26,064,345	\$ 49,266,521
Accounts Receivable, net of the allowance for doubtful accounts of \$233,608 2008 and \$215,477 in 2007	20,404,668	15,422,102
Consignment Inventory, at Cost	124,810	110,661
Warehouse Inventory, at Cost	784,502	738,424
Prepaid Expenses	286,131	280,893
Total Current Assets	47,664,456	65,818,601
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,600,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	440,881	392,398
Prepaid Prize Expense with MUSL	3,981,000	3,708,780
Total Reserve and Restricted Assets	5,921,881	5,701,178
Capital Assets:		
Equipment	3,147,080	3,910,341
Leasehold Improvements	11,978	14,053
Less Accumulated Depreciation and Amortization	(2,554,883)	(3,188,118)
Total Capital Assets	604,175	736,276
TOTAL ASSETS	\$ 54,190,512	\$ 72,256,055
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,097,875	1,409,013
Prize Liability	21,505,706	17,196,251
Payable to MUSL	802,727	64,358
Wages and Benefits	54,551	55,580
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	870,367	762,952
Funds Available for Distribution	23,137,301	48,879,641
Deferred Revenue	277,608	216,129
Total Current Liabilities	50,746,134	68,583,924
Long-Term Liabilities:		
Accrued Annual and Sick Leave	798,741	835,555
Expired Warrants Liability	100,581	107,902
Total Long-Term Liabilities	899,322	943,457
TOTAL LIABILITIES	51,645,456	69,527,381
NET ASSETS		
Investment in Capital Assets	604,175	736,276
Restricted-Licensed Agent Recovery Reserve	440,881	392,398
Unrestricted-Operating Reserve	1,500,000	1,600,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,545,056	2,728,674
TOTAL LIABILITIES AND NET ASSETS	\$ 54,190,512	\$ 72,256,055

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2007 AND 2006
(UNAUDITED)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 83,834,891	\$ 75,237,374
DIRECT OPERATING EXPENSES		
Prize Expense	51,367,692	44,733,684
Powerball Prize Variance	(1,266,507)	448,802
Retailer Commissions and Bonuses	6,289,768	5,699,285
Cost of Tickets and Vendor Fees	<u>1,452,138</u>	<u>1,382,015</u>
GROSS PROFIT ON SALE OF TICKETS	<u>25,991,800</u>	<u>22,973,588</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	1,386,683	1,087,578
Administration Fees Paid to MUSL	31,482	31,482
Wages and Benefits	1,455,734	1,465,616
Professional Services	76,155	40,786
State Agencies Services	42,544	37,569
Department of Revenue Services	76,482	59,730
Travel	14,946	11,864
Equipment	8,449	40,402
Depreciation	28,149	25,400
Accrued Annual and Sick Leave	(16,310)	(4,290)
Space Rental	116,195	83,490
Rents for Equipment	6,012	3,502
Motorpool Leasing	59,863	53,547
Materials and Supplies	17,071	14,906
Telephone	17,004	18,988
On-Line Telecommunications	54,036	114,833
Data Processing Supplies and Services	4,160	29,730
Equipment Maintenance	125,094	67,361
Postage	11,372	16,571
Printing	2,611	5,984
Other	76,379	72,734
Total Other Operating Expenses	<u>3,594,111</u>	<u>3,277,783</u>
OPERATING INCOME	<u>22,397,689</u>	<u>19,695,805</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	(35,027)	43,318
Investment Income	696,721	320,773
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(23,137,301)</u>	<u>(20,083,337)</u>
Total Nonoperating Revenues (Expenses)	<u>(22,475,607)</u>	<u>(19,719,246)</u>
NET INCOME (LOSS)	<u>\$ (77,918)</u>	<u>\$ (23,441)</u>
NET ASSETS, BEGINNING OF YEAR	2,622,974	2,752,115
Net Change in Net Assets	<u>(77,918)</u>	<u>(23,441)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,545,056</u>	<u>\$ 2,728,674</u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2007

	Games in Progress				FY 08	FY 07
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$48,876,023	\$7,201,823	\$24,686,274	\$3,070,771	83,834,891	\$455,916,812
PRIZE EXPENSE	(32,662,863)	(4,084,926)	(12,946,064)	(1,673,839)	(51,367,692)	(280,000,739)
POWERBALL PRIZE VARIANCE	N/A	N/A	1,266,507	N/A	1,266,507	3,084,334
NET REVENUE AFTER PRIZES	16,213,160	3,116,897	13,006,717	1,396,932	33,733,706	179,000,407
COMMISSIONS, BONUSSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(3,412,680)	(432,770)	(1,483,628)	(184,102)	(5,513,180)	(30,292,703)
Retailer Bonus	(537,921)	(47,135)	(162,645)	(28,887)	(776,588)	(3,375,679)
Cost of Tickets Sold	(347,316)	N/A	N/A	N/A	(347,316)	(2,142,602)
Telecomm Reimbursements	69,698	10,269	35,208	4,376	119,551	691,716
On-Line Vendor Fees	(713,289)	(105,242)	(361,070)	(44,772)	(1,224,373)	(6,648,858)
TOTAL	(4,941,508)	(574,878)	(1,972,135)	(253,385)	(7,741,906)	(41,768,126)
GROSS PROFIT ON SALE OF TICKETS	\$11,271,652	\$2,542,019	\$11,034,582	\$1,143,547	\$25,991,800	\$137,232,281
AVERAGE DAILY TICKET SALES	\$788,323	\$116,158	\$398,166	\$49,529	\$1,352,176	\$1,249,087

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 TWO (2) MONTHS ENDED AUGUST 31, 2007

	Games in Progress				Powerball	FY 08
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$32,662,863	\$4,084,926	\$12,946,064	\$1,673,839	-\$1,266,507	\$50,101,185
(/) Ticket Sales	48,876,023	7,201,823	24,686,274	3,070,771	N/A	83,834,891
Prize %	66.83%	56.72%	52.44%	54.51%		59.76%

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2007

	FY08 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,838,092	\$1,416,704	\$7,421,388	16.0%
Amortization Equal	86,110	11,203	\$74,907	13.0%
Suppl Amortization Equalization	17,940	0	\$17,940	0.0%
Workmen's Compensation	69,045	11,508	\$57,537	16.7%
Unemployment Benefits	976	0	\$976	0.0%
Health and Life	555,542	86,969	\$468,573	15.7%
Short Term Disability	9,329	1,473	\$7,856	15.8%
Operating	1,203,156	317,558	\$885,598	26.4%
Leased Space	725,755	115,210	\$610,545	15.9%
Leased Space-Grand Junction	7,981	985	\$6,996	12.3%
Risk Management	29,763	4,961	\$24,802	16.7%
Vehicle Lease Payments	145,297	21,432	\$123,865	14.8%
Variable Vehicle	155,734	0	\$155,734	0.0%
Travel	113,498	14,947	\$98,551	13.2%
Purch. Of Services-Computer Center	2,698	435	\$2,263	16.1%
Marketing, Communications & Sales	8,643,420	1,363,383	\$7,280,037	15.8%
Communications Services	2,183	364	\$1,819	16.7%
Payments to MNT	313,985	52,328	\$261,657	16.7%
Payments to Other Agencies	239,410	38,732	\$200,678	16.2%
Legal Services	36,136	3,812	\$32,324	10.5%
Indirect Costs	458,880	76,465	\$382,415	16.7%
Ticket Costs-Scratch	3,549,040	347,316	\$3,201,724	9.8%
Research	250,000	23,300	\$226,700	9.3%
Vendor Fees	9,811,513	1,225,876	\$8,585,637	12.5%
Prize Payments	306,413,810	51,367,692	\$255,046,118	16.8%
Retailer Compensation	38,609,220	6,289,768	\$32,319,452	16.3%
Multi-State Lottery Funds	177,433	20,000	\$157,433	11.3%
CMAC Project	10,697	0	\$10,697	0.0%
Powerball Prize Variance	4,220,000	1,417,516	\$2,802,484	33.6%
Rollforwards	37,695	0	\$37,695	0.0%
TOTAL	<u>384,734,338</u>	<u>64,229,937</u>	<u>320,466,706</u>	<u>16.69%</u>

FY08 Staffing (FTE) 126.0 (Appropriated) 123.2 (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	51,367,692
Powerball Prize Variance	(1,266,507)
Commissions and Bonuses	6,289,768
Cost of Tickets & Vendor Fees	1,452,138
Operating Expenses	3,594,111
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>61,437,202</u>
Plus: Powerball Variance classified as revenue	2,684,023
Telecommunications offset classified as revenue	119,551
Less: Non-appropriated expenses and other adjustments	
Depreciation	(28,149)
Accrued Annual and Sick Leave	16,310
Sub-Total	<u>64,228,937</u>
Plus: Capitalized Fixed Assets	1,000
	<u>64,229,937</u>

Note 1 - FY08 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through August 31, 2007 is 16.2/3%.

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