

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

**(UNAUDITED)**

**FOR THE FOUR (4) MONTHS ENDED**

**OCTOBER 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

December 12, 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 four months ended October 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 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	
Joint Legislative Library	

**COLORADO LOTTERY**  
**FINANCIAL HIGHLIGHTS**  
**\$ IN MILLIONS**  
**FOR THE FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 four months ended October 31,			
	2008		2007	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$160.31		<b>\$148.18</b>	
Nonoperating revenue	0.70		<b>0.79</b>	
<b>TOTAL INCOME</b>	161.01		148.97	
<b>LESS:</b>				
<b>PRIZES</b>	\$97.75	61.0% (1)	<b>\$89.13</b>	60.1% (1)
<b>RETAILER COMMISSIONS AND BONUSES</b>	\$12.15	7.6% (1)	<b>\$10.96</b>	7.4% (1)
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	2.99		2.67	
Other Operating Expenses	7.49		6.38	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	10.48	6.5% (2)	9.05	6.1% (2)
	40.63		39.83	
<b>NET CHANGE IN NET ASSETS</b>	-0.28		-0.11	
<b>PROCEEDS DISTRIBUTION</b>	\$40.91	25.4% (2)	<b>\$39.94</b>	26.8% (2)

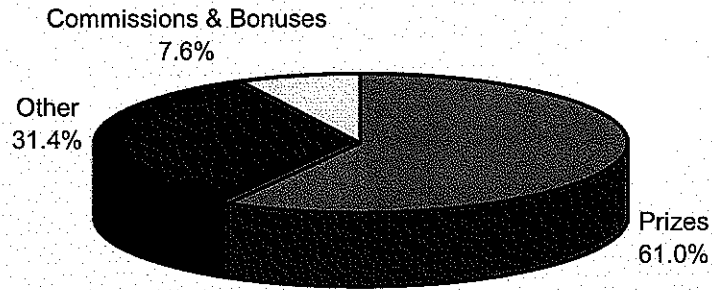
Note 1: Percent of gross ticket sales.

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.

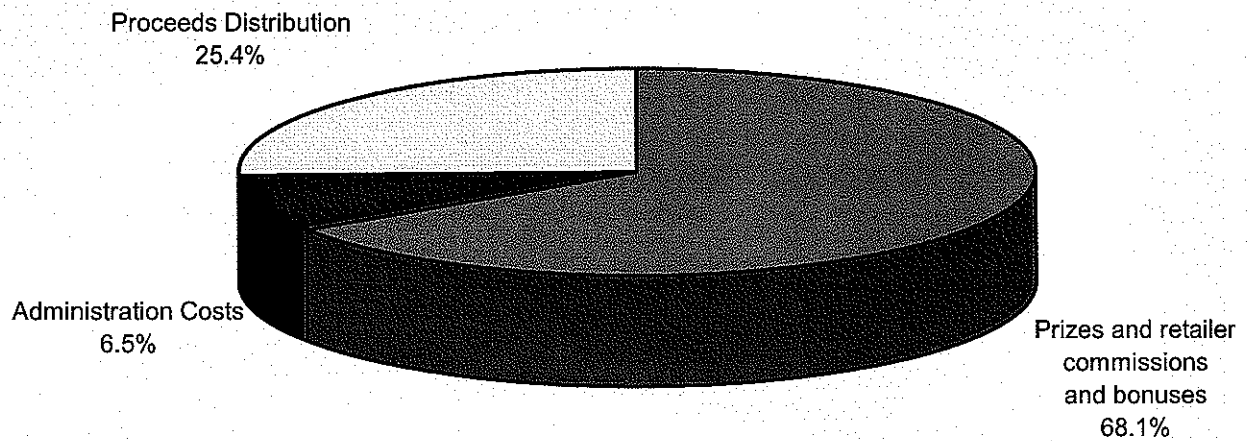
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE FOUR MONTHS  
ENDED OCTOBER 31, 2007

**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  
STATEMENTS OF NET ASSETS  
OCTOBER 31, 2007 AND 2006  
(UNAUDITED)

ASSETS	2008	2007
<b>Current Assets:</b>		
Cash and Investments	\$ 42,842,309	\$ 38,097,628
Accounts Receivable, net of the allowance for doubtful accounts of \$237,547 2008 and \$218,035 in 2007	21,271,057	19,302,050
Consignment Inventory, at Cost	214,494	133,588
Warehouse Inventory, at Cost	792,542	717,041
Prepaid Expenses	320,356	669,330
Total Current Assets	65,440,758	58,919,637
<b>Reserve and Restricted Assets:</b>		
Cash and Investments-Operating Reserve	1,300,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	448,093	400,429
Prepaid Prize Expense with MUSL	3,981,000	3,657,698
Total Reserve and Restricted Assets	5,729,093	5,558,127
<b>Capital Assets:</b>		
Equipment	3,162,610	3,760,761
Leasehold Improvements	11,978	14,053
Less Accumulated Depreciation and Amortization	(2,579,818)	(3,034,582)
Total Capital Assets	594,770	740,232
<b>TOTAL ASSETS</b>	<b>\$ 71,764,621</b>	<b>\$ 65,217,996</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	1,995,216	2,148,116
Prize Liability	24,067,965	18,635,968
Payable to MUSL	270,249	0
Wages and Benefits	135,355	50,762
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	878,670	578,637
Funds Available for Distribution	40,920,388	39,935,556
Deferred Revenue	235,962	265,878
Total Current Liabilities	68,503,805	61,614,917
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	817,372	854,516
Expired Warrants Liability	100,581	107,902
Total Long-Term Liabilities	917,953	962,418
<b>TOTAL LIABILITIES</b>	<b>69,421,758</b>	<b>62,577,335</b>
<b>NET ASSETS</b>		
Investment in Capital Assets	594,770	740,232
Restricted-Licensed Agent Recovery Reserve	448,093	400,429
Unrestricted-Operating Reserve	1,300,000	1,500,000
Unrestricted-Other	0	0
Total Net Assets	2,342,863	2,640,661
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 71,764,621</b>	<b>\$ 65,217,996</b>

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF NET ASSETS  
 OCTOBER 31, 2007 AND 2006  
 (UNAUDITED)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Interest Receivable	\$ 23,808	\$ 0
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,746,633</u>	<u>0</u>
TOTAL ASSETS	\$ <u><u>9,770,441</u></u>	\$ <u><u>0</u></u>
NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	0	0
Net Change in Net Assets	<u>9,770,441</u>	<u>0</u>
NET ASSETS, END OF PERIOD	\$ <u><u>9,770,441</u></u>	\$ <u><u>0</u></u>



COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2007 AND 2006  
 (UNAUDITED)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 160,312,416	\$ 148,175,654
DIRECT OPERATING EXPENSES		
Prize Expense	97,988,571	88,939,503
Powerball Prize Variance	(236,876)	194,530
Retailer Commissions and Bonuses	12,147,024	10,959,926
Cost of Tickets and Vendor Fees	<u>2,985,363</u>	<u>2,671,717</u>
GROSS PROFIT ON SALE OF TICKETS	<u>47,428,334</u>	<u>45,409,978</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	2,818,614	2,206,535
Administration Fees Paid to MUSL	42,964	42,964
Wages and Benefits	2,908,305	2,961,818
Professional Services	124,654	63,221
State Agencies Services	52,484	51,217
Department of Revenue Services	152,960	119,458
Travel	31,180	25,541
Equipment	440,573	58,049
Depreciation	53,084	51,292
Accrued Annual and Sick Leave	1,013	13,793
Space Rental	231,573	193,808
Rents for Equipment	11,334	8,750
Motorpool Leasing	118,440	110,171
Materials and Supplies	29,837	24,585
Telephone	34,471	34,594
On-Line Telecommunications	108,928	115,687
Data Processing Supplies and Services	6,677	33,138
Equipment Maintenance	151,746	112,808
Postage	20,019	16,626
Printing	3,871	8,242
Other	148,728	126,233
Total Other Operating Expenses	<u>7,491,455</u>	<u>6,378,530</u>
OPERATING INCOME	<u>39,936,879</u>	<u>39,031,448</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	(14,983)	198,314
Investment Income	718,381	594,340
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(40,920,388)	(39,935,556)
Total Nonoperating Revenues (Expenses)	<u>(40,216,990)</u>	<u>(39,142,902)</u>
NET INCOME (LOSS)	<u>\$ (280,111)</u>	<u>\$ (111,454)</u>
NET ASSETS, BEGINNING OF YEAR	2,622,974	2,752,115
Net Change in Net Assets	<u>(280,111)</u>	<u>(111,454)</u>
NET ASSETS, END OF PERIOD	<u>\$ 2,342,863</u>	<u>\$ 2,640,661</u>

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN NET ASSETS  
 OCTOBER 31, 2007 AND 2006  
 (UNAUDITED)

	2008	2007
REVENUES		
Interest Income - Exempt	\$ 23,808	\$
Trust Fund Additions	9,746,633	
TOTAL REVENUES	9,770,441	0
EXPENSES		
Trust Fund Deductions	0	0
NET CHANGE IN NET ASSETS	\$ 9,770,441	\$ 0

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE FOUR MONTHS ENDED OCTOBER 31, 2007

	Games in Progress				FY 08	FY 07
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$101,430,808	\$15,023,231	\$37,736,870	\$6,121,507	160,312,416	\$455,916,812
PRIZE EXPENSE	(69,028,485)	(7,688,659)	(17,962,623)	(3,308,804)	(97,988,571)	(280,000,739)
POWERBALL PRIZE VARIANCE	N/A	N/A	236,876	N/A	236,876	3,084,334
NET REVENUE AFTER PRIZES	<u>32,402,323</u>	<u>7,334,572</u>	<u>20,011,123</u>	<u>2,812,703</u>	<u>62,560,721</u>	<u>179,000,407</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(7,086,325)	(901,463)	(2,264,276)	(367,626)	(10,619,690)	(30,292,703)
Retailer Bonus	(1,125,652)	(98,276)	(246,113)	(57,293)	(1,527,334)	(3,375,679)
Cost of Tickets Sold	(879,116)	N/A	N/A	N/A	(879,116)	(2,142,602)
Telecomm Reimbursements	149,956	22,210	55,790	9,050	237,006	691,716
On-Line Vendor Fees	(1,482,701)	(219,550)	(551,467)	(89,535)	(2,343,253)	(6,648,858)
TOTAL	<u>(10,423,838)</u>	<u>(1,197,079)</u>	<u>(3,006,066)</u>	<u>(505,404)</u>	<u>(15,132,387)</u>	<u>(41,768,126)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$21,978,485</u>	<u>\$6,137,493</u>	<u>\$17,005,057</u>	<u>\$2,307,299</u>	<u>\$47,428,334</u>	<u>\$137,232,281</u>
AVERAGE DAILY TICKET SALES	<u>\$824,641</u>	<u>\$122,140</u>	<u>\$306,804</u>	<u>\$49,768</u>	<u>\$1,303,353</u>	<u>\$1,249,087</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 FOUR MONTHS ENDED OCTOBER 31, 2007

	Games in Progress				Powerball	FY 08
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$69,028,485	\$7,688,659	\$17,962,623	\$3,308,804	-\$236,876	\$97,751,695
(/) Ticket Sales	101,430,808	15,023,231	37,736,870	6,121,507	N/A	160,312,416
Prize %	<u>68.05%</u>	<u>51.18%</u>	<u>47.60%</u>	<u>54.05%</u>		<u>60.98%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2007

	FY08 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,838,092	\$2,762,275	\$6,075,817	31.3%
Amortization Equal	86,110	22,107	\$64,003	25.7%
Suppl Amortization Equalization	17,940	0	\$17,940	0.0%
Workmen's Compensation	69,045	23,015	\$46,030	33.3%
Unemployment Benefits	976	0	\$976	0.0%
Health and Life	555,542	174,602	\$380,940	31.4%
Short Term Disability	9,329	2,913	\$6,416	31.2%
Operating	1,203,156	503,097	\$700,059	41.8%
Leased Space	725,755	229,603	\$496,152	31.6%
Leased Space-Grand Junction	7,981	1,970	\$6,011	24.7%
Risk Management	29,763	9,921	\$19,842	33.3%
Vehicle Lease Payments	145,297	42,771	\$102,526	29.4%
Variable Vehicle	155,734	0	\$155,734	0.0%
Travel	113,498	31,239	\$82,259	27.5%
DOR Postage Allocation	1,990	0	\$1,990	0.0%
Purch. Of Services-Computer Center	2,698	871	\$1,827	32.3%
Marketing, Communications & Sales	8,643,420	2,795,314	\$5,848,106	32.3%
Communications Services	2,183	728	\$1,455	33.3%
Payments to MNT	313,985	104,656	\$209,329	33.3%
Payments to Other Agencies	239,410	48,078	\$191,332	20.1%
Legal Services	36,136	4,405	\$31,731	12.2%
Indirect Costs	458,880	152,960	\$305,920	33.3%
Ticket Costs-Scratch	3,529,350	879,116	\$2,650,234	24.9%
Research	250,000	23,300	\$226,700	9.3%
Vendor Fees	10,875,511	2,782,657	\$8,092,854	25.6%
Prize Payments	336,721,380	97,988,571	\$238,732,809	29.1%
Retailer Compensation	41,773,750	12,147,024	\$29,626,726	29.1%
Multi-State Lottery Funds	177,433	42,964	\$134,469	24.2%
CMAC Project	10,697	0	\$10,697	0.0%
Powerball Prize Variance	9,752,000	2,540,782	\$7,211,218	26.1%
Rollforwards	37,695	37,695	\$0	100.0%
<b>TOTAL</b>	<u>424,784,736</u>	<u>123,352,634</u>	<u>301,432,102</u>	<u>29.04%</u>

FY08 Staffing (FTE) 126.0 (Appropriated) 119.7 (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	97,988,571
Powerball Prize Variance	(236,876)
Commissions and Bonuses	12,147,024
Cost of Tickets & Vendor Fees	2,985,363
Operating Expenses	7,491,455

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 120,375,537

Plus: Powerball Variance classified as revenue	2,777,658
Telecommunications offset classified as revenue	237,006

Less: Non-appropriated expenses and other adjustments	
Depreciation	(53,084)
Accrued Annual and Sick Leave	(1,013)

Sub-Total 123,336,104

Plus: Capitalized Fixed Assets	16,530
	<u>123,352,634</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 October 31, 2007 is 33 1/3%.

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