

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

**(UNAUDITED)**

**FOR THE EIGHT (8) MONTHS ENDED**

**FEBRUARY 29, 2008**

**COLORADO LOTTERY  
FINANCIAL STATEMENTS  
(UNAUDITED)**

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# STATE OF COLORADO

**COLORADO LOTTERY DIVISION**  
Department of Revenue

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Bill Ritter, Jr.  
Governor

Roxy Huber  
Executive Director

Margaret Gordon  
Lottery Director

April 4, 2008

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 29, 2008, 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 Net Assets-Powerball Annuity Winners Trust Fund.....	4
Statements of Revenues, Expenses, and Changes in Fund Net Assets.....	5
Statements of Changes in Fund Net Assets-Powerball Annuity Winners Trust Fund.....	6
Schedule of Revenue and Costs for Completed and In-Progress Games.....	7
Schedule of Percent of Prize Expense to Gross Ticket Sales.....	7
Budget Status.....	8

COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the eight (8) months ended Feb 29, 2008 and Feb 28, 2007, 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 29 and 28,			
	2008		2007	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$333.30		\$297.79	
Nonoperating revenue	1.47		1.76	
<b>TOTAL INCOME</b>	<b>334.77</b>		<b>299.55</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$206.38</b>	<b>61.9% (1)</b>	<b>\$179.28</b>	<b>60.2% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$25.26</b>	<b>7.6% (1)</b>	<b>\$22.33</b>	<b>7.5% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	6.46		5.26	
Other Operating Expenses	15.45		13.91	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>21.91</b>	<b>6.5% (2)</b>	<b>19.17</b>	<b>6.4% (2)</b>
	81.22		78.77	
<b>NET CHANGE IN NET ASSETS</b>	<b>-0.34</b>		<b>-0.16</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$81.56</b>	<b>24.4% (2)</b>	<b>\$78.93</b>	<b>26.3% (2)</b>

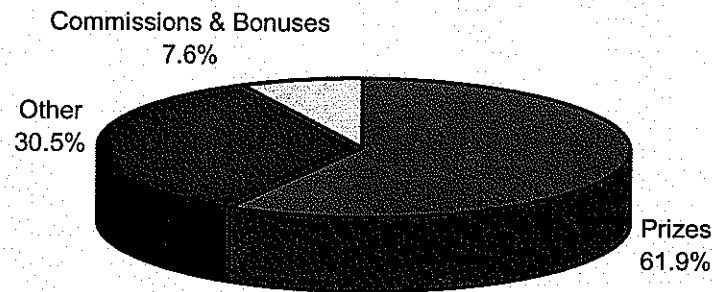
Note 1: Percent of gross ticket sales.

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.

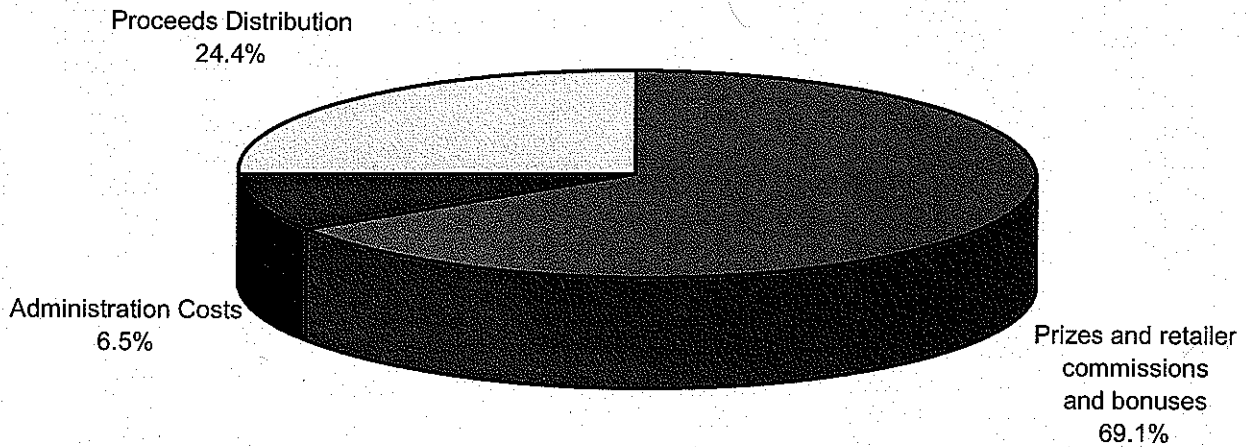
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE EIGHT (8) MONTHS  
ENDED FEBRUARY 29, 2008

**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  
FEBRUARY 29, 2008 AND FEBRUARY 28, 2007  
(UNAUDITED)

ASSETS	2008	2007
Current Assets:		
Cash and Investments	\$ 22,538,555	\$ 45,830,081
Accounts Receivable, net of the allowance for doubtful accounts of \$262,813 in 2008 and \$238,425 in 2007	19,623,426	22,191,935
Consignment Inventory, at Cost	106,500	80,467
Warehouse Inventory, at Cost	551,958	803,508
Prepaid Expenses	149,895	149,322
Total Current Assets	42,970,334	69,055,313
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	442,402	406,725
Prepaid Prize Expense with MUSL	4,170,000	3,804,300
Total Reserve and Restricted Assets	5,912,402	5,711,025
Capital Assets:		
Equipment	3,162,610	3,759,933
Leasehold Improvements	11,978	14,053
Less Accumulated Depreciation and Amortization	(2,630,640)	(3,086,834)
Total Capital Assets	543,948	687,152
TOTAL ASSETS	\$ 49,426,684	\$ 75,453,489
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,044,020	2,186,823
Prize Liability	23,133,359	19,580,943
Payable to MUSL	340,562	330,860
Wages and Benefits	112,633	159,171
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,148,166	999,192
Funds Available for Distribution	20,115,228	48,413,820
Deferred Revenue	288,254	230,227
Total Current Liabilities	46,182,222	71,901,036
Long-Term Liabilities:		
Accrued Annual and Sick Leave	857,531	850,673
Expired Warrants Liability	100,580	107,903
Total Long-Term Liabilities	958,111	958,576
TOTAL LIABILITIES	47,140,333	72,859,612
NET ASSETS		
Investment in Capital Assets	543,948	687,152
Restricted-Licensed Agent Recovery Reserve	442,402	406,725
Unrestricted-Operating Reserve	1,300,000	1,500,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	2,286,350	2,593,877

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF NET ASSETS  
 FEBRUARY 29, 2008 AND FEBRUARY 28, 2007  
 (UNAUDITED)

	2008	2007
ASSETS		
Current Assets:		
Interest Receivable	\$ 167,258	\$ 0
Long Term Assets:		
Long Term Investments-PB Annuity	9,746,633	0
TOTAL ASSETS	\$ 9,913,891	\$ 0
 NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	0	0
Net Change in Net Assets	9,913,891	0
NET ASSETS, END OF PERIOD	\$ 9,913,891	\$ 0



COLORADO LOTTERY  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007  
 (UNAUDITED)

	2008	2007
OPERATING REVENUES		
Gross Ticket Sales	\$ 333,303,545	\$ 297,794,847
DIRECT OPERATING EXPENSES		
Prize Expense	206,345,916	180,726,739
Powerball Prize Variance	32,812	(1,451,329)
Retailer Commissions and Bonuses	25,258,455	22,330,545
Cost of Tickets and Vendor Fees	6,459,528	5,265,473
GROSS PROFIT ON SALE OF TICKETS	95,206,834	90,923,419
OTHER OPERATING EXPENSES		
Marketing and Communications	5,823,898	5,754,657
Administration Fees Paid to MUSL	65,928	65,928
Wages and Benefits	5,847,841	5,883,302
Professional Services	166,585	101,095
State Agencies Services	77,287	84,970
Department of Revenue Services	305,921	268,779
Travel	61,249	42,763
Equipment	1,223,502	91,629
Depreciation	103,906	104,322
Accrued Annual and Sick Leave	39,838	11,328
Space Rental	461,118	414,273
Rents for Equipment	18,521	21,944
Motorpool Leasing	231,489	217,776
Materials and Supplies	65,158	56,115
Telephone	69,713	68,376
On-Line Telecommunications	348,312	231,376
Data Processing Supplies and Services	13,929	40,177
Equipment Maintenance	196,868	163,975
Postage	42,759	26,937
Printing	10,570	21,935
Other	272,683	233,446
Total Other Operating Expenses	15,447,075	13,905,103
OPERATING INCOME	79,759,759	77,018,316
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	72,685	548,601
Investment Income	1,397,744	1,211,081
Funds Distributed for Current Year	(61,451,584)	(30,522,416)
Funds Available for Distribution for Current Year	(20,115,228)	(48,413,820)
Total Nonoperating Revenues (Expenses)	(80,096,383)	(77,176,554)
NET INCOME (LOSS)	\$ (336,624)	\$ (158,238)
NET ASSETS, BEGINNING OF YEAR	2,622,974	2,752,115
Net Change in Net Assets	(336,624)	(158,238)
NET ASSETS, END OF PERIOD	\$ 2,286,350	\$ 2,593,877

COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF CHANGES IN NET ASSETS  
 FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007  
 (UNAUDITED)

	2008	2007
REVENUES		
Interest Income	\$ 167,258	\$
Trust Fund Additions	9,746,633	
TOTAL REVENUES	9,913,891	0
EXPENSES		
Trust Fund Deductions	0	0
NET CHANGE IN NET ASSETS	\$ 9,913,891	\$ 0

COLORADO LOTTERY  
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008

	Games in Progress				FY 08	FY 07
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$222,426,439	\$28,801,798	\$69,619,389	\$12,455,919	\$333,303,545	\$297,794,847
PRIZE EXPENSE	(152,261,473)	(15,015,507)	(32,287,488)	(6,781,448)	(206,345,916)	(180,726,739)
POWERBALL PRIZE VARIANCE	N/A	N/A	32,812	N/A	32,812	1,451,329
NET REVENUE AFTER PRIZES	<u>70,164,966</u>	<u>13,786,291</u>	<u>37,364,713</u>	<u>5,674,471</u>	<u>126,990,441</u>	<u>118,519,437</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(15,539,246)	(1,729,053)	(4,179,989)	(747,327)	(22,195,615)	(19,763,407)
Retailer Bonus	(2,306,191)	(188,594)	(451,366)	(116,689)	(3,062,840)	(2,567,138)
Cost of Tickets Sold	(1,787,918)	N/A	N/A	N/A	(1,787,918)	(1,374,531)
Telecomm Reimbursements	316,541	40,985	99,094	17,741	474,361	458,330
On-Line Vendor Fees	<u>(3,443,748)</u>	<u>(442,111)</u>	<u>(1,067,774)</u>	<u>(192,338)</u>	<u>(5,145,971)</u>	<u>(4,349,272)</u>
TOTAL	<u>(22,760,562)</u>	<u>(2,318,773)</u>	<u>(5,600,035)</u>	<u>(1,038,613)</u>	<u>(31,717,983)</u>	<u>(27,596,018)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$47,404,404</u>	<u>\$11,467,518</u>	<u>\$31,764,678</u>	<u>\$4,635,858</u>	<u>\$95,272,458</u>	<u>\$90,923,419</u>
AVERAGE DAILY TICKET SALES	<u>\$911,584</u>	<u>\$118,040</u>	<u>\$285,325</u>	<u>\$51,049</u>	<u>\$1,365,998</u>	<u>\$1,225,493</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 EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008

	Games in Progress				Powerball Prize Variance	FY 08 Total
	Scratch	Lotto	Powerball	Cash 5		
Prize Expense (/) Ticket Sales	\$152,261,473 222,426,439	\$15,015,507 28,801,798	\$32,287,488 69,619,389	\$6,781,448 12,455,919	-\$32,812 N/A	\$206,313,104 333,303,545
Prize %	<u>68.45%</u>	<u>52.13%</u>	<u>46.38%</u>	<u>54.44%</u>		<u>61.90%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE EIGHT (8) MONTHS ENDED FEBRUARY 29, 2008

	FY08 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,823,421	\$5,508,187	\$3,315,234	62.4%
Amortization Equal	86,110	48,903	37,207	56.8%
Suppl Amortization Equalization	17,940	5,626	12,314	31.4%
Workmen's Compensation	52,018	46,030	5,988	88.5%
Unemployment Benefits	976	0	976	0.0%
Health and Life	531,569	348,641	182,928	65.6%
Short Term Disability	8,811	5,841	2,970	66.3%
Operating	1,203,156	888,109	315,047	73.8%
DOR Postage Allocation	1,990	1,195	795	60.1%
Leased Space	725,755	457,179	268,576	63.0%
Leased Space-Grand Junction	7,981	3,939	4,042	49.4%
Risk Management	24,152	19,842	4,310	82.2%
Vehicle Lease Payments	130,002	83,801	46,201	64.5%
Variable Vehicle	155,734	0	155,734	0.0%
Travel	113,498	61,254	52,244	54.0%
Purch. Of Services-Computer Center	3,252	1,741	1,511	53.5%
Marketing, Communications & Sales	8,643,420	5,722,598	2,920,822	66.2%
Communications Services	1,851	1,455	396	78.6%
Payments to MNT	362,552	209,312	153,240	57.7%
Payments to Other Agencies	239,410	65,403	174,007	27.3%
Legal Services	36,136	11,883	24,253	32.9%
Indirect Costs	458,880	305,862	153,018	66.7%
Ticket Costs-Scratch	3,529,350	1,787,918	1,741,432	50.7%
Research	250,000	101,300	148,700	40.5%
Vendor Fees	10,875,511	6,398,515	4,476,996	58.8%
Prize Payments	336,721,380	206,345,916	130,375,464	61.3%
Retailer Compensation	41,773,750	25,258,455	16,515,295	60.5%
Multi-State Lottery Funds	177,433	65,928	111,505	37.2%
CMAC Project	10,697	0	10,697	0.0%
Powerball Prize Variance	9,752,000	4,920,546	4,831,454	50.5%
Rollforwards	37,695	37,695	0	100.0%
<b>TOTAL</b>	<u>\$424,756,430</u>	<u>\$258,713,074</u>	<u>\$166,043,356</u>	<u>60.91%</u>

FY08 Staffing (FTE) 126.0 (Appropriated) 120.1 (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	206,345,916
Powerball Prize Variance	32,812
Commissions and Bonuses	25,258,455
Cost of Tickets & Vendor Fees	6,459,528
Operating Expenses	15,447,075
<b>Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings</b>	<u>253,543,786</u>
Plus: Powerball Variance classified as revenue	4,887,734
Telecommunications offset classified as revenue	474,361
Less: Non-appropriated expenses and other adjustments	
Depreciation	(103,906)
Accrued Annual and Sick Leave	(39,838)
Loss on Disposal of Equipment classified as revenue	(65,593)
<b>Sub-Total</b>	<u>258,696,544</u>
Plus: Capitalized Fixed Assets	16,530
	<u>258,713,074</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 February 29, 2008 is 66 2/3 %.

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