

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

**(UNAUDITED)**

**FOR THE ELEVEN MONTHS ENDED**

**MAY 31, 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

Jack Boehm  
Lottery Director

July 8, 2008

Members of the Lottery Commission and  
Mr. Jack Boehme, 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, 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)**

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COLORADO LOTTERY  
FINANCIAL HIGHLIGHTS  
\$ IN MILLIONS  
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2008 AND 2007

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, 2008 and 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 eleven months ended May 31,			
	2008		2007	
	Total	Actual Percent	Total	Actual Percent
<b>INCOME</b>				
Gross Ticket Sales	\$468.12		\$418.50	
Nonoperating revenue	2.15		2.33	
<b>TOTAL INCOME</b>	<b>470.27</b>		<b>420.83</b>	
<b>LESS:</b>				
<b>PRIZES</b>	<b>\$291.28</b>	<b>62.2% (1)</b>	<b>\$254.66</b>	<b>60.9% (1)</b>
<b>RETAILER COMMISSIONS AND BONUSES</b>	<b>\$35.51</b>	<b>7.6% (1)</b>	<b>\$31.17</b>	<b>7.4% (1)</b>
<b>ADMINISTRATIVE COSTS</b>				
Ticket Costs and Vendor Fees	9.17		7.37	
Other Operating Expenses	21.04		19.34	
<b>TOTAL ADMINISTRATIVE COSTS (Note 3)</b>	<b>30.21</b>	<b>6.4% (2)</b>	<b>26.71</b>	<b>6.3% (2)</b>
	113.27		108.29	
<b>NET CHANGE IN NET ASSETS</b>	<b>-0.37</b>		<b>-0.19</b>	
<b>PROCEEDS DISTRIBUTION</b>	<b>\$113.64</b>	<b>24.2% (2)</b>	<b>\$108.48</b>	<b>25.8% (2)</b>

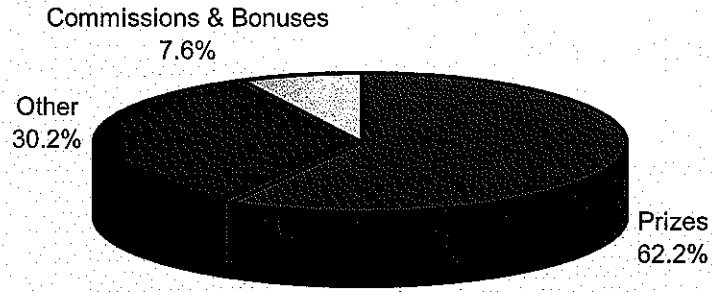
Note 1: Percent of gross ticket sales.

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.

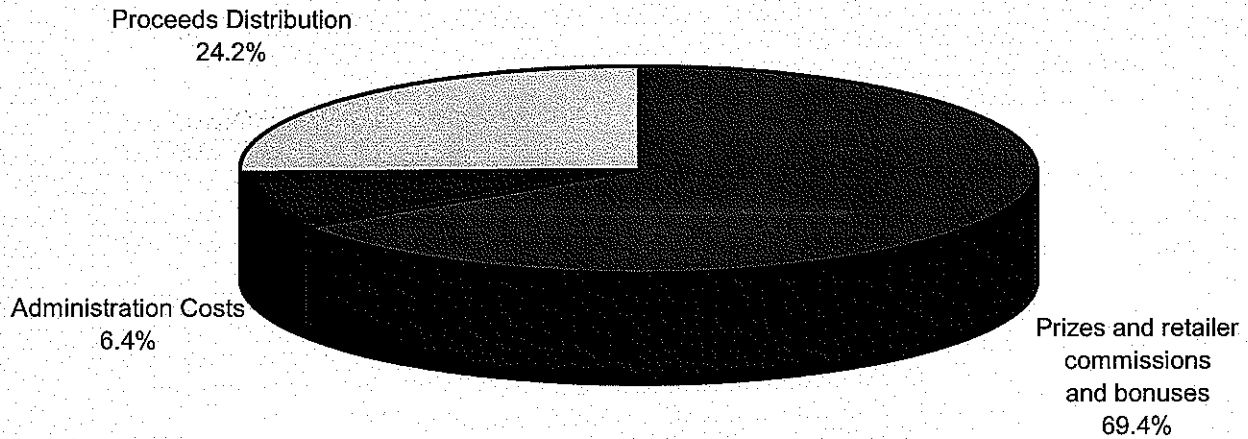
COLORADO LOTTERY  
SUPPLEMENT OF FINANCIAL HIGHLIGHTS  
FOR THE ELEVEN MONTHS  
ENDED MAY 31, 2008

**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  
MAY 31, 2008 AND 2007  
(UNAUDITED)

ASSETS	<u>2008</u>	<u>2007</u>
<b>Current Assets:</b>		
Cash and Investments	\$ 22,490,250	\$ 56,254,678
Accounts Receivable, net of the allowance for doubtful accounts of \$194,367 in 2008 and \$236,954 in 2007	17,929,936	16,250,890
Consignment Inventory, at Cost	95,221	114,981
Warehouse Inventory, at Cost	716,302	802,873
Prepaid Expenses	73,180	76,489
Total Current Assets	<u>41,304,889</u>	<u>73,499,911</u>
<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	461,846	415,927
Prepaid Prize Expense with MUSL	3,888,104	3,787,999
Total Reserve and Restricted Assets	<u>5,649,950</u>	<u>5,703,926</u>
<b>Capital Assets:</b>		
Equipment	3,159,600	3,759,933
Leasehold Improvements	11,978	14,053
Less Accumulated Depreciation and Amortization	<u>(2,662,776)</u>	<u>(3,126,303)</u>
Total Capital Assets	<u>508,802</u>	<u>647,683</u>
<b>TOTAL ASSETS</b>	<u>\$ 47,463,641</u>	<u>\$ 79,851,520</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	2,858,646	1,860,965
Prize Liability	21,948,684	21,369,397
Payable to MUSL	0	235,671
Wages and Benefits	116,289	180,563
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	569,339	1,085,048
Funds Available for Distribution	18,487,384	51,371,563
Deferred Revenue	246,276	230,092
Total Current Liabilities	<u>44,226,618</u>	<u>76,333,299</u>
<b>Long-Term Liabilities:</b>		
Accrued Annual and Sick Leave	865,795	846,707
Expired Warrants Liability	100,580	107,902
Total Long-Term Liabilities	<u>966,375</u>	<u>954,609</u>
<b>TOTAL LIABILITIES</b>	<u>45,192,993</u>	<u>77,287,910</u>
<b>NET ASSETS</b>		
Investment in Capital Assets	508,802	647,683
Restricted-Licensed Agent Recovery Reserve	461,846	415,927
Unrestricted-Operating Reserve	1,300,000	1,500,000
Unrestricted-Other	0	0
<b>TOTAL NET ASSETS</b>	<u>2,270,648</u>	<u>2,563,610</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 47,463,641</u>	<u>\$ 79,851,520</u>

COLORADO LOTTERY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2008 AND 2007  
(UNAUDITED)

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Gross Ticket Sales	\$ 468,115,694	\$ 418,495,143
<b>DIRECT OPERATING EXPENSES</b>		
Prize Expense	290,377,004	256,919,452
Powerball Prize Variance	900,200	(2,262,885)
Retailer Commissions and Bonuses	35,506,475	31,169,647
Cost of Tickets and Vendor Fees	<u>9,170,194</u>	<u>7,374,070</u>
<b>GROSS PROFIT ON SALE OF TICKETS</b>	<u>132,161,821</u>	<u>125,294,859</u>
<b>OTHER OPERATING EXPENSES</b>		
Marketing and Communications	8,250,509	8,297,342
Administration Fees Paid to MUSL	83,151	83,151
Wages and Benefits	8,090,005	8,013,058
Professional Services	322,735	152,713
State Agencies Services	98,284	107,053
Department of Revenue Services	420,864	328,509
Travel	97,171	69,502
Equipment	1,242,852	96,385
Depreciation	138,751	143,792
Accrued Annual and Sick Leave	49,995	8,719
Space Rental	635,562	579,949
Rents for Equipment	24,775	31,175
Motorpool Leasing	319,088	297,954
Materials and Supplies	87,066	100,835
Telephone	101,021	94,957
On-Line Telecommunications	382,017	270,499
Data Processing Supplies and Services	16,291	40,196
Equipment Maintenance	239,205	206,351
Postage	62,989	48,404
Printing	9,043	25,153
Other	364,349	345,186
Total Other Operating Expenses	<u>21,035,723</u>	<u>19,340,883</u>
<b>OPERATING INCOME</b>	<u>111,126,098</u>	<u>105,953,976</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue	267,444	622,871
Investment Income	1,886,227	1,709,400
Funds Distributed for Current Year	(95,144,711)	(57,103,189)
Funds Available for Distribution for Current Year	<u>(18,487,384)</u>	<u>(51,371,563)</u>
Total Nonoperating Revenues (Expenses)	<u>(111,478,424)</u>	<u>(106,142,481)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (352,326)</u>	<u>\$ (188,505)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,622,974	2,752,115
Net Change in Net Assets	<u>(352,326)</u>	<u>(188,505)</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 2,270,648</u>	<u>\$ 2,563,610</u>



COLORADO LOTTERY  
 POWERBALL ANNUITY WINNERS TRUST FUND  
 STATEMENTS OF NET ASSETS  
 MAY 31, 2008 AND 2007  
 (UNAUDITED)

	2008	2007
ASSETS		
Current Assets:		
Interest Receivable	\$ 274,845	\$ 0
Long Term Assets:		
Long Term Investments-PB Annuity	9,746,633	0
TOTAL ASSETS	\$ 10,021,478	\$ 0
NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	0	0
Net Change in Net Assets	10,021,478	0
NET ASSETS, END OF PERIOD	\$ 10,021,478	\$ 0

**COLORADO LOTTERY**  
**POWERBALL ANNUITY WINNERS TRUST FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE ELEVEN (11) MONTHS ENDED MAY 31, 2008 AND 2007**  
**(UNAUDITED)**

	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>		
Interest Income	\$ 274,845	\$
Trust Fund Additions	<u>9,746,633</u>	<u>                    </u>
<b>TOTAL REVENUES</b>	<u>10,021,478</u>	<u>0</u>
 <b>EXPENSES</b>		
Trust Fund Deductions	<u>0</u>	<u>0</u>
<b>NET CHANGE IN NET ASSETS</b>	<u>\$ 10,021,478</u>	<u>\$ 0</u>

**COLORADO LOTTERY**  
**SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES**  
**FOR THE ELEVEN MONTHS ENDED MAY 31, 2008**

	Games in Progress				FY 08	FY 07
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$309,361,625	\$38,315,906	\$102,844,096	\$17,594,067	\$468,115,694	\$418,495,143
PRIZE EXPENSE	(212,472,823)	(20,801,738)	(47,554,892)	(9,547,551)	(290,377,004)	(256,919,452)
POWERBALL PRIZE VARIANCE	N/A	N/A	(900,200)	N/A	(900,200)	2,262,885
NET REVENUE AFTER PRIZES	<u>96,888,802</u>	<u>17,514,168</u>	<u>54,389,004</u>	<u>8,046,516</u>	<u>176,838,490</u>	<u>163,838,576</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(21,611,191)	(2,299,366)	(6,171,762)	(1,055,677)	(31,137,996)	(27,809,051)
Retailer Bonus	(3,278,771)	(250,259)	(674,804)	(164,645)	(4,368,479)	(3,360,596)
Cost of Tickets Sold	(2,365,551)	N/A	N/A	N/A	(2,365,551)	(1,907,189)
Telecomm Reimbursements	434,284	53,795	144,366	24,699	657,144	636,012
On-Line Vendor Fees	<u>(4,937,662)</u>	<u>(605,410)</u>	<u>(1,638,086)</u>	<u>(280,629)</u>	<u>(7,461,787)</u>	<u>(6,102,893)</u>
TOTAL	<u>(31,758,891)</u>	<u>(3,101,240)</u>	<u>(8,340,286)</u>	<u>(1,476,252)</u>	<u>(44,676,669)</u>	<u>(38,543,717)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$65,129,911</u>	<u>\$14,412,928</u>	<u>\$46,048,718</u>	<u>\$6,570,264</u>	<u>\$132,161,821</u>	<u>\$125,294,859</u>
AVERAGE DAILY TICKET SALES	<u>\$920,719</u>	<u>\$114,035</u>	<u>\$306,084</u>	<u>\$52,363</u>	<u>\$1,393,201</u>	<u>\$1,249,239</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 MONTHS ENDED MAY 31, 2008**

	Games in Progress				Powerball	FY 08
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$212,472,823	\$20,801,738	\$47,554,892	\$9,547,551	\$900,200	\$291,277,204
(/)/Ticket Sales	309,361,625	38,315,906	102,844,096	17,594,067	N/A	468,115,694
Prize %	<u>68.68%</u>	<u>54.29%</u>	<u>46.24%</u>	<u>54.27%</u>		<u>62.22%</u>

COLORADO LOTTERY  
BUDGET STATUS  
FOR THE ELEVEN MONTHS ENDED MAY 31, 2008

	FY08 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,823,421	\$7,734,744	\$1,088,677	87.7%
Amortization Equal	86,110	72,753	13,357	84.5%
Suppl Amortization Equalization	17,940	14,143	3,797	78.8%
Workmen's Compensation	52,018	50,521	1,497	97.1%
Unemployment Benefits	976	809	167	82.9%
Health and Life	521,660	478,521	43,139	91.7%
Short Term Disability	8,811	8,078	733	91.7%
Operating	1,203,156	1,011,098	192,058	84.0%
DOR Postage Allocation	25,619	3,512	22,107	13.7%
Variable Vehicle	155,734	155,734	0	100.0%
Leased Space	725,755	630,146	95,609	86.8%
Leased Space-Grand Junction	7,981	5,416	2,565	67.9%
Risk Management	24,152	23,075	1,077	95.5%
Vehicle Lease Payments	130,002	114,909	15,093	88.4%
Travel	113,498	97,173	16,325	85.6%
Purch. Of Services-Computer Center	3,252	148	3,104	4.6%
Marketing, Communications & Sales	8,643,420	8,051,758	591,662	93.2%
Communications Services	1,851	1,752	99	94.7%
Payments to MNT	362,552	242,590	119,962	66.9%
Payments to Other Agencies	239,410	81,000	158,410	33.8%
Legal Services	34,636	17,283	17,353	49.9%
Indirect Costs	458,880	420,641	38,239	91.7%
Ticket Costs-Scratch	3,529,350	2,365,551	1,163,799	67.0%
Research	250,000	198,750	51,250	79.5%
Vendor Fees	10,875,511	8,714,331	2,161,180	80.1%
Prize Payments	336,721,380	290,377,004	46,344,376	86.2%
Retailer Compensation	41,773,750	35,506,475	6,267,275	85.0%
Multi-State Lottery Funds	177,433	92,820	84,613	52.3%
CMAC Project	10,697	0	10,697	0.0%
Powerball Prize Variance	9,752,000	7,476,670	2,275,330	76.7%
Rollforwards	37,695	37,695	0	100.0%
<b>TOTAL</b>	<b><u>\$424,768,650</u></b>	<b><u>\$363,985,100</u></b>	<b><u>\$60,783,550</u></b>	<b><u>85.69%</u></b>

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	290,377,004
Powerball Prize Variance	900,200
Commissions and Bonuses	35,506,475
Cost of Tickets & Vendor Fees	9,170,194
Operating Expenses	21,035,723

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 356,989,596

Plus: Powerball Variance classified as revenue	6,576,470
Telecommunications offset classified as revenue	657,144

Less: Non-appropriated expenses and other adjustments	
Depreciation	(138,751)
Accrued Annual and Sick Leave	(49,995)
Loss on Disposal of Equipment classified as revenue	(65,894)

Sub-Total 363,968,570

Plus: Capitalized Fixed Assets	16,530
	<u>363,985,100</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 May 31, 2008 is 91 2/3%.

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