

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

(UNAUDITED)

FOR THE TWO (2) MONTHS ENDED

AUGUST 31, 2008

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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Department of Revenue

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Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Jack Boehm
Lottery Director

October 1, 2008

Members of the Lottery Commission and
Mr. Jack Boehm, 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, 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 TWO (2) MONTHS ENDED AUGUST 31, 2008 AND 2007

The table included below and the graphs included on page 13 present certain summarized operating results of the Colorado Lottery for the two (2) months ended August 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 two months ended August 31,			
	2009		2008	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$80.65		\$83.83	
Nonoperating revenue	0.34		0.66	
TOTAL INCOME	80.99		84.49	
LESS:				
PRIZES	\$48.34	59.9% (1)	\$50.10	59.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$6.14	7.6% (1)	\$6.29	7.5% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.64		1.45	
Other Operating Expenses	3.77		3.59	
TOTAL ADMINISTRATIVE COSTS (Note 3)	5.41	6.7% (2)	5.04	6.0% (2)
	21.10		23.06	
NET CHANGE IN NET ASSETS	-0.02		-0.08	
PROCEEDS DISTRIBUTION	\$21.12	26.1% (2)	\$23.14	27.4% (2)

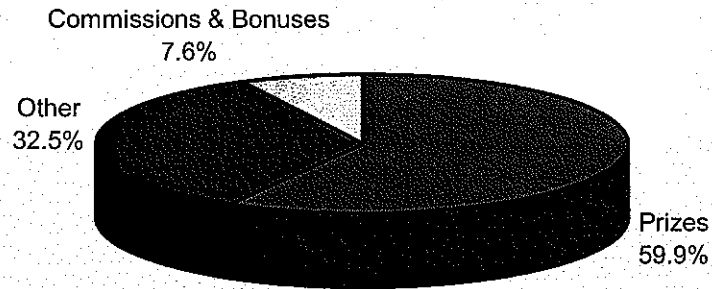
Note 1: Percent of gross ticket sales.

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.

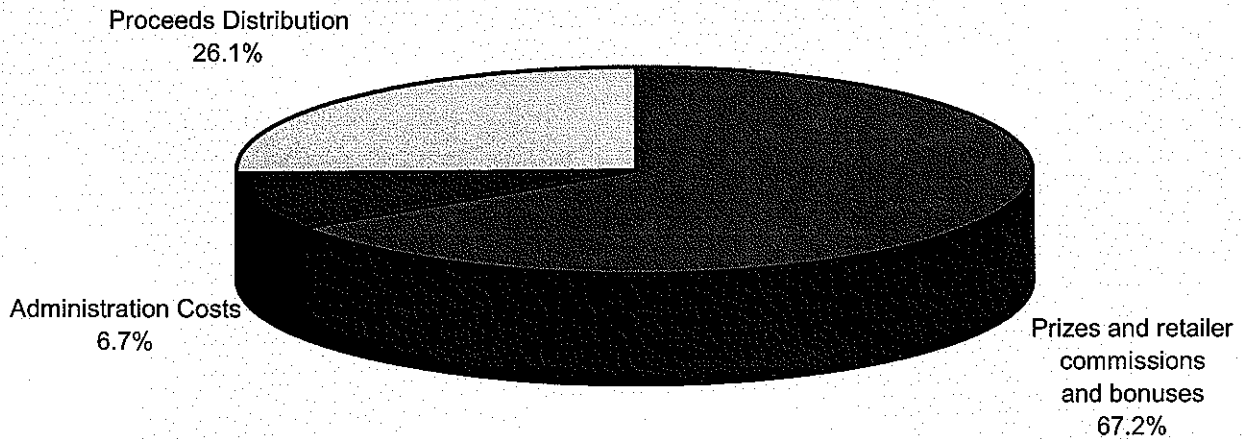
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE TWO MONTHS
ENDED AUGUST 31, 2008

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
AUGUST 31, 2008 AND 2007
(UNAUDITED)

ASSETS	2009	2008
Current Assets:		
Cash and Investments	\$ 23,790,457	\$ 26,064,345
Accounts Receivable, net of the allowance for doubtful accounts of \$230,659 in 2009 and \$233,608 in 2008	19,047,497	20,404,668
Consignment Inventory, at Cost	102,734	124,810
Warehouse Inventory, at Cost	771,298	784,502
Prepaid Expenses	213,942	286,131
Total Current Assets	43,925,927	47,664,456
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,500,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	442,389	440,881
Prepaid Prize Expense with MUSL	3,927,201	3,981,000
Total Reserve and Restricted Assets	5,669,590	5,921,881
Capital Assets:		
Equipment	3,159,600	3,147,080
Leasehold Improvements	11,978	11,978
Less Accumulated Depreciation and Amortization	(2,691,060)	(2,554,883)
Total Capital Assets	480,518	604,175
TOTAL ASSETS	\$ 50,076,035	\$ 54,190,512
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,137,445	4,097,875
Prize Liability	22,232,319	21,505,706
Payable to MUSL	0	802,727
Wages and Benefits	68,707	54,551
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	1,068,046	870,367
Funds Available for Distribution	21,114,312	23,137,301
Deferred Revenue	274,194	277,608
Total Current Liabilities	46,895,024	50,746,134
Long-Term Liabilities:		
Accrued Annual and Sick Leave	863,619	798,741
Expired Warrants Liability	94,485	100,581
Total Long-Term Liabilities	958,104	899,322
TOTAL LIABILITIES	47,853,128	51,645,456
NET ASSETS		
Investment in Capital Assets	480,518	604,175
Restricted-Licensed Agent Recovery Reserve	442,389	440,881
Unrestricted-Operating Reserve	1,300,000	1,500,000
Unrestricted-Other	0	0
Total Net Assets	2,222,907	2,545,056
TOTAL LIABILITIES AND NET ASSETS	\$ 50,076,035	\$ 54,190,512

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2008 AND 2007
(UNAUDITED)

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 80,648,696	\$ 83,834,891
DIRECT OPERATING EXPENSES		
Prize Expense	48,177,357	51,367,692
Powerball Prize Variance	172,380	(1,266,507)
Retailer Commissions and Bonuses	6,143,327	6,289,768
Cost of Tickets and Vendor Fees	<u>1,635,509</u>	<u>1,452,138</u>
GROSS PROFIT ON SALE OF TICKETS	<u>24,520,123</u>	<u>25,991,800</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	1,443,278	1,386,683
Administration Fees Paid to MUSL	13,833	31,482
Wages and Benefits	1,585,101	1,455,734
Professional Services	15,798	76,155
State Agencies Services	12,166	42,544
Department of Revenue Services	92,779	76,482
Travel	15,376	14,946
Equipment	1,637	8,449
Depreciation	17,638	28,149
Accrued Annual and Sick Leave	39,355	(16,310)
Space Rental	119,727	116,195
Rents for Equipment	4,737	6,012
Motorpool Leasing	87,416	59,863
Materials and Supplies	22,985	17,071
Telephone	16,053	17,004
On-Line Telecommunications	44,483	54,036
Data Processing Supplies and Services	4,010	4,160
Equipment Maintenance	123,389	125,094
Postage	11,584	11,372
Printing	6,599	2,611
Other	88,619	76,379
Total Other Operating Expenses	<u>3,766,563</u>	<u>3,594,111</u>
OPERATING INCOME	<u>20,753,560</u>	<u>22,397,689</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	79,223	(35,027)
Investment Income	263,141	696,721
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(21,114,312)</u>	<u>(23,137,301)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,771,948)</u>	<u>(22,475,607)</u>
NET INCOME (LOSS)	<u>\$ (18,388)</u>	<u>\$ (77,918)</u>
NET ASSETS, BEGINNING OF YEAR	2,241,295	2,622,974
Net Change in Net Assets	<u>(18,388)</u>	<u>(77,918)</u>
NET ASSETS, END OF YEAR	<u>\$ 2,222,907</u>	<u>\$ 2,545,056</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF NET ASSETS
 AUGUST 31, 2008 AND 2007

(UNAUDITED)

	2009	2008
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	371,000	0
Long Term Assets:		
Long Term Investments-PB Annuity	9,506,566	0
TOTAL ASSETS	\$ 9,877,566	\$ 0
 NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	9,804,295	0
 Net Change in Net Assets	73,271	0
NET ASSETS, END OF PERIOD	\$ 9,877,566	\$ 0

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2008 AND 2007

(UNAUDITED)

	<u>2009</u>	<u>2008</u>
REVENUES		
Interest Income	\$ 73,271	\$ 0
Trust Fund Additions	<u>0</u>	<u>0</u>
TOTAL REVENUES	<u>73,271</u>	<u>0</u>
EXPENSES		
Trust Fund Deductions	<u>0</u>	<u>0</u>
NET CHANGE IN NET ASSETS	\$ <u><u>73,271</u></u>	\$ <u><u>0</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2008

	Games in Progress				FY 09	FY 08
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$54,810,694	\$7,664,413	\$14,874,563	\$3,299,026	\$80,648,696	\$83,834,891
PRIZE EXPENSE	(36,217,160)	(3,453,716)	(6,878,036)	(1,628,445)	(48,177,357)	(51,367,692)
POWERBALL PRIZE VARIANCE	N/A	N/A	(172,380)	N/A	(172,380)	1,266,507
NET REVENUE AFTER PRIZES	<u>18,593,534</u>	<u>4,210,697</u>	<u>7,824,147</u>	<u>1,670,581</u>	<u>32,298,959</u>	<u>33,733,706</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(3,827,055)	(459,682)	(891,301)	(197,654)	(5,375,692)	(5,513,180)
Retailer Bonus	(588,710)	(50,635)	(97,516)	(30,774)	(767,635)	(776,588)
Cost of Tickets Sold	(374,269)	N/A	N/A	N/A	(374,269)	(347,316)
Telecomm Reimbursements	84,337	11,793	22,887	5,076	124,093	119,551
On-Line Vendor Fees	(941,907)	(131,622)	(255,209)	(56,595)	(1,385,333)	(1,224,373)
TOTAL	<u>(5,647,604)</u>	<u>(630,146)</u>	<u>(1,221,139)</u>	<u>(279,947)</u>	<u>(7,778,836)</u>	<u>(7,741,906)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$12,945,930</u>	<u>\$3,580,551</u>	<u>\$6,603,008</u>	<u>\$1,390,634</u>	<u>\$24,520,123</u>	<u>\$25,991,800</u>
AVERAGE DAILY TICKET SALES	<u>\$884,043</u>	<u>\$123,620</u>	<u>\$239,912</u>	<u>\$53,210</u>	<u>\$1,300,785</u>	<u>\$1,352,176</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 TWO (2) MONTHS ENDED AUGUST 31, 2008

	Games in Progress				Powerball	FY 09
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$36,217,160	\$3,453,716	\$6,878,036	\$1,628,445	\$172,380	\$48,349,737
(/)/Ticket Sales	<u>54,810,694</u>	<u>7,664,413</u>	<u>14,874,563</u>	<u>3,299,026</u>	<u>N/A</u>	<u>80,648,696</u>
Prize %	<u>66.08%</u>	<u>45.06%</u>	<u>46.24%</u>	<u>49.36%</u>		<u>59.95%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE TWO (2) MONTHS ENDED AUGUST 31, 2008

	FY09 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,129,437	\$1,459,753	\$7,669,684	16.0%
Amortization Equal	121,243	16,724	104,519	13.8%
Suppl Amortization Equalization	56,835	5,973	50,862	10.5%
Workmen's Compensation	63,645	10,607	53,038	16.7%
Health and Life	635,126	104,108	531,018	16.4%
Short Term Disability	9,851	1,541	8,310	15.6%
Operating	1,203,156	341,765	861,391	28.4%
DOR Postage Allocation	9,248	0	9,248	0.0%
Variable Vehicle	244,200	0	244,200	0.0%
Leased Space	715,271	118,738	596,533	16.6%
Leased Space-Grand Junction	6,902	989	5,913	14.3%
Risk Management	30,453	5,076	25,377	16.7%
Vehicle Lease Payments	146,003	22,623	123,380	15.5%
Travel	113,498	15,376	98,122	13.5%
Purch. Of Services-Computer Center	3,128	272	2,856	8.7%
Marketing, Communications & Sales	11,671,710	1,409,317	10,262,393	12.1%
Communications Services	2,034	339	1,695	16.7%
Payments to MNT	374,676	43,629	331,047	11.6%
Payments to Other Agencies	239,410	6,928	232,482	2.9%
Legal Services	35,364	5,239	30,125	14.8%
Indirect Costs	556,672	92,779	463,893	16.7%
Ticket Costs-Scratch	4,670,880	374,269	4,296,611	8.0%
Research	250,000	33,961	216,039	13.6%
Vendor Fees	12,467,489	1,385,333	11,082,156	11.1%
Prize Payments	392,580,940	48,177,357	344,403,583	12.3%
Retailer Compensation	48,090,160	6,143,327	41,946,833	12.8%
Multi-State Lottery Funds	177,433	13,833	163,600	7.8%
CMAC Project	2,415,000	0	2,415,000	0.0%
Powerball Prize Variance	12,708,000	1,065,795	11,642,205	8.4%
TOTAL	<u>\$498,727,764</u>	<u>\$60,855,651</u>	<u>\$426,229,908</u>	<u>12.20%</u>

FY09 Staffing (FTE) 126.0 (Appropriated) 122.300 (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	48,177,357
Powerball Prize Variance	172,380
Commissions and Bonuses	6,143,327
Cost of Tickets & Vendor Fees	1,635,509
Operating Expenses	3,766,563
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>59,895,136</u>
Plus: Powerball Variance classified as revenue	893,415
Telecommunications offset classified as revenue	124,093
Less: Non-appropriated expenses and other adjustments	
Depreciation	(17,638)
Accrued Annual and Sick Leave	(39,355)
Loss on Disposal of Equipment classified as revenue	0
Sub-Total	<u>60,855,651</u>
Plus: Capitalized Fixed Assets	0
	<u><u>60,855,651</u></u>

Note 1 - FY09 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, 2008 is 16 2/3%.

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

October 1, 2008

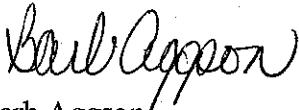
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Respectfully submitted,



Barb Aggson
Controller, Colorado Lottery
Colorado Department of Revenue