

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

(UNAUDITED)

FOR THE FOUR (4) MONTHS ENDED

OCTOBER 31, 2008

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

DISTRIBUTION

Honorable Bill Ritter, Jr.	Governor
Ms. Cary Kennedy	State Treasurer
Rep. Terrance Carroll	Speaker of the House of Representatives
Sen. Peter Groff	President of the Senate
Sen. Josh Penry	Senate Minority Leader
Rep. Mike May	House Minority Leader
Mr. Dick Reeve	Chairman, Lottery Commissioner
Ms. Betty Martinez	Vice-Chairman, Lottery Commissioner
Ms. Robin Wise	Lottery Commissioner
Ms. Tracie L. Keesee	Lottery Commissioner
Mr. Dana Franzen, CPA	Lottery Commissioner
Ms. Roxy Huber	Executive Director, Department of Revenue
Mr. Jack Boehm	Director, Colorado Lottery
Mr. Tom Kitts	Deputy Director, Colorado Lottery
Mr. David McDermott	State Controller
Ms. Sally Symanski	State Auditor
Colorado State Publications Depository & Distribution Center	
Joint Legislative Library	

STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

Headquarters
212 W. 3rd Street, Suite 210
Pueblo, CO 81003
(719) 546-2400
(719) 546-5208 Fax



Bill Ritter, Jr.
Governor

Roxy Huber
Executive Director

Jack Boehm
Lottery Director

December 4, 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 four months ended October 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)**

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
Statements of Net Assets-Powerball Annuity Winners Trust Fund.....	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 FOUR (4) MONTHS ENDED OCTOBER 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 four months ended October 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 four months ended October 31,			
	2009		2008	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$163.48		\$160.31	
Nonoperating revenue	0.64		0.70	
TOTAL INCOME	164.12		161.01	
LESS:				
PRIZES	\$97.39	59.6% (1)	\$97.75	61.0% (1)
RETAILER COMMISSIONS AND BONUSES	\$12.20	7.5% (1)	\$12.15	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	3.29		2.99	
Other Operating Expenses	7.58		7.49	
TOTAL ADMINISTRATIVE COSTS (Note 3)	10.87	6.6% (2)	10.48	6.5% (2)
	43.66		40.63	
NET CHANGE IN NET ASSETS	-0.24		-0.28	
PROCEEDS DISTRIBUTION	\$43.90	26.7% (2)	\$40.91	25.4% (2)

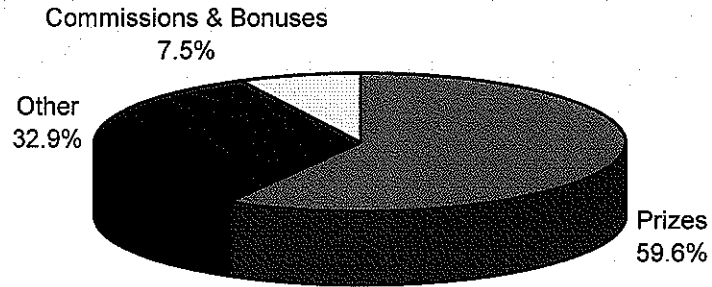
Note 1: Percent of gross ticket sales.

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.

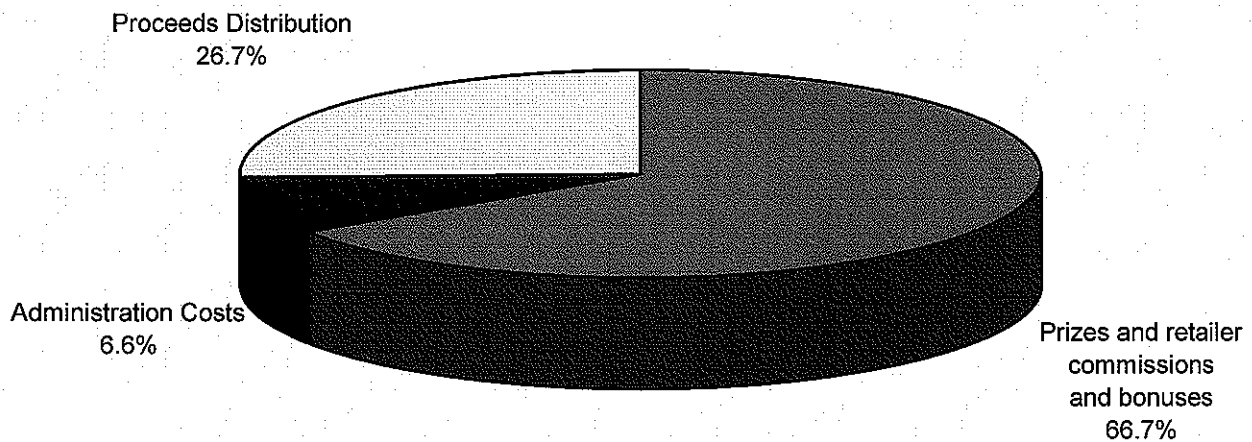
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FOUR MONTHS
ENDED OCTOBER 31, 2008

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
OCTOBER 31, 2008 AND 2007
(UNAUDITED)

ASSETS	2009	2008
Current Assets:		
Cash and Investments	\$ 45,736,034	\$ 42,842,309
Accounts Receivable, net of the allowance for doubtful accounts of \$242,350 in 2009 and \$237,547 in 2008	17,595,986	21,271,057
Consignment Inventory, at Cost	96,139	214,494
Warehouse Inventory, at Cost	811,538	792,542
Prepaid Expenses	248,794	320,356
Total Current Assets	64,488,490	65,440,758
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,100,000	1,300,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	434,194	448,093
Prepaid Prize Expense with MUSL	3,944,709	3,981,000
Total Reserve and Restricted Assets	5,478,903	5,729,093
Capital Assets:		
Equipment	3,159,600	3,162,610
Leasehold Improvements	11,978	11,978
Less Accumulated Depreciation and Amortization	(2,708,512)	(2,579,818)
Total Capital Assets	463,066	594,770
TOTAL ASSETS	\$ 70,430,459	\$ 71,764,621
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,550,622	1,995,216
Prize Liability	20,760,510	24,067,965
Payable to MUSL	116,761	270,249
Wages and Benefits	140,880	135,355
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	728,763	878,670
Funds Available for Distribution	43,892,209	40,920,388
Deferred Revenue	283,206	235,962
Total Current Liabilities	67,472,952	68,503,805
Long-Term Liabilities:		
Accrued Annual and Sick Leave	865,762	817,372
Expired Warrants Liability	94,485	100,581
Total Long-Term Liabilities	960,247	917,953
TOTAL LIABILITIES	68,433,199	69,421,758
NET ASSETS		
Investment in Capital Assets	463,066	594,770
Restricted-Licensed Agent Recovery Reserve	434,194	448,093
Unrestricted-Operating Reserve	1,100,000	1,300,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	1,997,260	2,342,863
TOTAL LIABILITIES AND NET ASSETS	\$ 70,430,459	\$ 71,764,621

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2008 AND 2007,
(UNAUDITED)

	2009	2008
OPERATING REVENUES		
Gross Ticket Sales	\$ 163,482,020	\$ 160,312,416
DIRECT OPERATING EXPENSES		
Prize Expense	97,362,562	97,988,571
Powerball Prize Variance	37,975	(236,876)
Retailer Commissions and Bonuses	12,200,876	12,147,024
Cost of Tickets and Vendor Fees	3,290,710	2,985,363
GROSS PROFIT ON SALE OF TICKETS	50,589,897	47,428,334
OTHER OPERATING EXPENSES		
Marketing and Communications	3,085,044	2,818,614
Administration Fees Paid to MUSL	47,665	42,964
Wages and Benefits	3,127,754	2,908,305
Professional Services	61,692	124,654
State Agencies Services	55,220	52,484
Department of Revenue Services	185,557	152,960
Travel	47,948	31,180
Equipment	7,500	506,166
Depreciation	35,090	53,084
Accrued Annual and Sick Leave	41,997	1,013
Space Rental	237,922	231,573
Rents for Equipment	9,061	11,334
Motorpool Leasing	169,556	118,440
Materials and Supplies	36,042	29,837
Telephone	33,708	34,471
On-Line Telecommunications	88,966	108,928
Data Processing Supplies and Services	7,994	6,677
Equipment Maintenance	156,606	151,746
Postage	13,392	20,019
Printing	2,962	3,871
Other	131,077	148,728
Total Other Operating Expenses	7,582,753	7,557,048
OPERATING INCOME	43,007,144	39,871,286
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	98,606	50,610
Investment Income	542,424	718,381
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	(43,892,209)	(40,920,388)
Total Nonoperating Revenues (Expenses)	(43,251,179)	(40,151,397)
NET INCOME(LOSS)	\$ (244,035)	\$ (280,111)
NET ASSETS, BEGINNING OF YEAR	2,241,295	2,622,974
Net Change in Net Assets	(244,035)	(280,111)
NET ASSETS, END OF PERIOD	\$ 1,997,260	\$ 2,342,863

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

(UNAUDITED)

	2009	2008
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	386,000	371,000
Long Term Assets:		
Long Term Investments-PB Annuity	9,342,145	9,042,445
TOTAL ASSETS	\$ 9,728,145	\$ 9,413,445
NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	9,804,295	0
Net Change in Net Assets	(76,150)	9,413,445
NET ASSETS, END OF PERIOD	\$ 9,728,145	\$ 9,413,445

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2008 AND 2007

(UNAUDITED)

	2009	2008
REVENUES		
Interest Income	\$ 294,850	\$ 23,808
Trust Fund Additions	0	9,389,637
TOTAL REVENUES	294,850	9,413,445
EXPENSES		
Trust Fund Deductions	371,000	0
NET CHANGE IN NET ASSETS	\$ (76,150)	\$ 9,413,445

COLORADO LOTTERY
 SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
 FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2008

	Games in Progress				FY 09	FY 08
	Scratch	Lotto	Powerball	Cash 5	Total	Scratch and On-Line
TICKET SALES	\$106,239,466	\$16,715,989	\$33,745,528	\$6,781,037	\$163,482,020	\$160,312,416
PRIZE EXPENSE	(70,163,309)	(7,999,756)	(15,756,116)	(3,443,381)	(97,362,562)	(97,988,571)
POWERBALL PRIZE VARIANCE	N/A	N/A	(37,975)	N/A	(37,975)	236,876
NET REVENUE AFTER PRIZES	<u>36,076,157</u>	<u>8,716,233</u>	<u>17,951,437</u>	<u>3,337,656</u>	<u>66,081,483</u>	<u>62,560,721</u>
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)						
Retailer Commission	(7,422,504)	(1,003,206)	(2,024,204)	(406,059)	(10,855,973)	(10,619,690)
Retailer Bonus	(952,905)	(110,553)	(218,004)	(63,441)	(1,344,903)	(1,527,334)
Cost of Tickets Sold	(732,061)	N/A	N/A	N/A	(732,061)	(879,116)
Telecomm Reimbursements	162,832	25,606	51,713	10,398	250,549	237,006
On-Line Vendor Fees	(1,826,082)	(287,251)	(579,597)	(116,268)	(2,809,198)	(2,343,253)
TOTAL	<u>(10,770,720)</u>	<u>(1,375,404)</u>	<u>(2,770,092)</u>	<u>(575,370)</u>	<u>(15,491,586)</u>	<u>(15,132,387)</u>
GROSS PROFIT ON SALE OF TICKETS	<u>\$25,305,437</u>	<u>\$7,340,829</u>	<u>\$15,181,345</u>	<u>\$2,762,286</u>	<u>\$50,589,897</u>	<u>\$47,428,334</u>
AVERAGE DAILY TICKET SALES	<u>\$863,735</u>	<u>\$135,902</u>	<u>\$274,354</u>	<u>\$55,130</u>	<u>\$1,329,122</u>	<u>\$1,303,353</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 (4) MONTHS ENDED OCTOBER 31, 2008

	Games in Progress				Powerball	FY 09
	Scratch	Lotto	Powerball	Cash 5	Prize Variance	Total
Prize Expense	\$70,163,309	\$7,999,756	\$15,756,116	\$3,443,381	\$37,975	\$97,400,537
(/)/Ticket Sales	106,239,466	16,715,989	33,745,528	6,781,037	N/A	163,482,020
Prize %	<u>66.04%</u>	<u>47.86%</u>	<u>46.69%</u>	<u>50.78%</u>		<u>59.58%</u>

COLORADO LOTTERY
BUDGET STATUS
FOR THE FOUR (4) MONTHS ENDED OCTOBER 31, 2008

	FY09 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,129,437	\$2,902,258	\$6,227,179	31.8%
Amortization Equal	121,243	32,794	88,449	27.0%
Suppl Amortization Equalization	56,835	11,713	45,122	20.6%
Workmen's Compensation	63,645	21,215	42,430	33.3%
Health and Life	635,126	209,059	426,067	32.9%
Short Term Disability	9,851	3,060	6,791	31.1%
Operating	1,203,156	515,588	687,568	42.9%
DOR Postage Allocation	3,898	0	3,898	0.0%
Variable Vehicle	184,200	0	184,200	0.0%
Leased Space	714,971	235,783	479,188	33.0%
Leased Space-Grand Junction	6,902	2,139	4,763	31.0%
Risk Management	30,453	10,151	20,302	33.3%
Vehicle Lease Payments	146,003	45,198	100,805	31.0%
Travel	113,498	47,947	65,551	42.2%
Purch. Of Services-Computer Center	3,128	1,088	2,040	34.8%
Marketing, Communications & Sales	11,671,710	3,051,082	8,620,628	26.1%
Communications Services	2,034	678	1,356	33.3%
Payments to MNT	374,676	87,258	287,418	23.3%
Payments to Other Agencies	239,410	48,657	190,753	20.3%
Legal Services	35,364	6,563	28,801	18.6%
Indirect Costs	556,672	185,557	371,115	33.3%
Ticket Costs-Scratch	4,670,880	735,812	3,935,068	15.8%
Research	250,000	33,961	216,039	13.6%
Vendor Fees	12,467,489	2,811,699	9,655,790	22.6%
Prize Payments	392,580,940	97,362,562	295,218,378	24.8%
Retailer Compensation	48,090,160	12,200,876	35,889,284	25.4%
Multi-State Lottery Funds	177,433	47,665	129,768	26.9%
CMAC Project	2,415,000	0	2,415,000	0.0%
Powerball Prize Variance	12,708,000	2,477,992	10,230,008	19.5%
TOTAL	<u>\$498,662,114</u>	<u>\$123,088,355</u>	<u>\$365,343,751</u>	<u>24.68%</u>

FY09 Staffing (FTE) 126.0 (Appropriated) 118.867 (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	97,362,562
Powerball Prize Variance	37,975
Commissions and Bonuses	12,200,876
Cost of Tickets & Vendor Fees	3,290,710
Operating Expenses	7,582,753

Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings 120,474,876

Plus: Powerball Variance classified as revenue	2,440,017
Telecommunications offset classified as revenue	250,549

Less: Non-appropriated expenses and other adjustments	
Depreciation	(35,090)
Accrued Annual and Sick Leave	(41,997)
Loss on Disposal of Equipment classified as revenue	0

Sub-Total 123,088,355

Plus: Capitalized Fixed Assets	0
	<u>123,088,355</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 October 31, 2008 is 33 1/3%.

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