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# **MINNESOTA STATE LOTTERY**

**Comprehensive Annual Financial Report**

**An Enterprise Fund of the State of Minnesota**

**For the Fiscal Year Ending June 30, 2004**

**Prepared by  
Joe Pahl  
Chief Financial Officer  
Finance Department**

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# **INTRODUCTORY SECTION**

December 30, 2004

Mr. Clint Harris  
Executive Director  
Minnesota State Lottery  
2645 Long Lake Road  
Roseville, Minnesota 55113



## INTRODUCTION

I am pleased to transmit to you the Comprehensive Annual Financial Report of the Minnesota State Lottery for the fiscal year ending June 30, 2004. The Finance Division of the Lottery prepared this report. Presented in this report is information about the Minnesota State Lottery, an agency of the State of Minnesota.

The Minnesota State Lottery was created in July 1989 pursuant to authority granted by the Minnesota Legislature. The Lottery is operated as a business enterprise within the framework of State laws and regulations. The Lottery's mission is to "offer fun, innovative and secure games that create excitement, reflect Minnesota values and maximize contributions to the State." Lottery net proceeds are dedicated to the General Fund and the Environment and Natural Resources Trust Fund and are used to enhance our State's natural resources including fish and game, parks, trails and zoos as well as K-12 and higher education, health and human services and criminal justice. This mission is being performed with the utmost integrity to ensure public confidence.

The Lottery is an enterprise fund of the State of Minnesota and is included in the State's Comprehensive Annual Financial Report. Lottery activity is reported using the enterprise fund type. The fund includes all activity for which the Minnesota State Lottery is financially accountable. No data related to any other State agency or fund is included.

The Comprehensive Annual Financial Report presents an overview of the Minnesota State Lottery. The report follows formal standards of the Government Finance Officers Association and is being presented in three sections:

**Introductory** - includes this formal transmittal letter describing the Minnesota State Lottery and its business activities, organization chart and the Certificate of Financial Reporting Excellence awarded for fiscal year 2003. This section is not audited because it contains subjective information.

**Financial** - begins with the independent auditor's report followed by the comparative financial statements for the Lottery and accompanying notes.

**Statistical** - contains selected financial, economic and demographic data including data specific to the Minnesota State Lottery as well as the national lottery industry.

The accuracy of the financial data and the completeness of the presentation, including all disclosures, is the responsibility of the Minnesota State Lottery. To the best of my knowledge and belief, the data is accurate and is reported in a manner designed to fairly

present the financial position, results of operations and cash flows of the Minnesota State Lottery. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included.

### **LOTTERY INDUSTRY**

In 1964, New Hampshire established the first state-run lottery to raise money for education. New York followed in 1967. Since then, there have been significant advancements in lottery gaming. In 1971, Automated Wagering implemented the world's first Online gaming system in New Jersey and Scientific Games developed the first secure Scratch ticket in 1973. With the technology in place and lotteries becoming more accepted throughout the United States, there has been a rapid expansion of lotteries and available lottery games. As of June 30, 2004, forty states and the District of Columbia operate a lottery.

Minnesota voted to amend the Minnesota Constitution in 1988 to authorize a state-run lottery. In 1989, the Minnesota Legislature approved lottery legislation thus establishing the 33<sup>rd</sup> lottery in the country. Governor Rudy Perpich appointed George R. Andersen, former Deputy Executive Director of the Pennsylvania State Lottery, as Minnesota's first Lottery Director in September 1989. Since the Minnesota State Lottery began operating in April 1990, it has provided to its beneficiaries \$1.2 billion through fiscal year 2004.

### **ECONOMIC CONDITION AND OUTLOOK<sup>1</sup>**

The performance of Minnesota's economy mirrored that of its U.S. counterparts during fiscal year 2004. While Minnesota's unemployment rate continued to be well below the national average, the state's performance on other economic measures was mixed. During fiscal year 2004, unemployment in Minnesota averaged 4.8 percent which is a full percentage point below the U.S. average of 5.8 percent. However, payroll employment grew by 1.1 percent in Minnesota, slightly slower than the 1.2 percent growth observed in national payroll employment. Minnesota's manufacturing sector showed some renewed strength with the state's manufacturing firms adding 7,400 jobs during fiscal year 2004, while nationally, 121,000 manufacturing jobs were lost during the same time period. At the end of fiscal year 2004, Minnesota's manufacturing employment was 10.6 percent below that observed at the start of the 2001 recession. Nationally, manufacturing employment was 15.4 percent below pre-recession levels.

Income growth in Minnesota also tracked the U.S. average, growing at an annual rate of 4.5 percent in fiscal year 2004, less than 0.1 percentage point below the national average. In calendar year 2003, Minnesota's personal income grew by 3.3 percent and personal income per capita by 2.6 percent. These growth rates were slightly greater than the U.S. average. Personal income per capita was \$34,309 in calendar year 2003, more than 8 percent above the national average. Minnesota now ranks eighth among states in per capita personal income.

Growth rates for Minnesota's economy and the U.S. economy during fiscal year 2005 are expected to be below those recorded last year as higher interest rates and energy price increases reduced U.S. real Gross Domestic Product (GDP) growth to a more sustainable rate of 3.6 percent in fiscal year 2005. Real GDP is now reported to have grown at an

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<sup>1</sup> Provided by the Minnesota Department of Revenue

annual rate of 4.5 percent during the 2004 fiscal year. Growth at that rate is generally not believed sustainable for the long term. Minnesota's payroll employment is projected to grow by 19,000 (0.7 percent) and total wage and salary disbursements by 4.5 percent. The state forecast calls for personal income growth of 4.6 percent in the 2005 fiscal year. Minnesota's manufacturing sector is projected to add about 6,000 jobs during fiscal year 2005 even though manufacturing jobs are expected to continue to decline nationally.

### **FINANCIAL INFORMATION**

**Enterprise Operations:** The Minnesota State Lottery operates only enterprise activities, namely sales of lottery tickets to the general public and the related supporting functions of administration, marketing, finance, security, licensing and data processing. No general government functions or operations are managed by the Lottery are included in this report. Sales in fiscal year 2004 were \$386,918,771.

**Budgetary Controls:** Budgetary controls for the Minnesota State Lottery are addressed through its enabling legislation that provides specific limitations on operation and administrative expenses. For budgetary purposes, the Minnesota State Lottery is classified as an unappropriated special revenue fund. An estimate of expected expenditures is filed annually with the Budget Division of the Department of Finance and is monitored throughout the year. In addition, Lottery financial management staff monitors compliance with Lottery statutes.

**Debt Administration:** The prize structure of certain Scratch Games operated solely by the Lottery included prizes in the form of lifetime annuities. Since 1991, the Lottery has awarded sixteen Scratch Game annuity prizes. The Lottery, prior to fiscal year 2004, had elected to fund payment of these annuities through the purchase of long term investments consisting of zero coupon government securities. The prize annuity obligations were recognized as liabilities equivalent to the estimated present value of the future prize payments discounted at interest rates for government securities. In fiscal year 2004, the Lottery sold the investments used to fund these prizes and purchased lifetime annuities in each winner's name from Principal Financial Group to satisfy its obligation related to the lifetime annuity prizes.

**Cash Management:** Minnesota Statutes, Section 349A.10, Subdivision 7(a), requires the Lottery to transfer all excess funds to a Lottery cash flow account in the State Treasury. Funds in this account earn interest that is credited monthly to the Lottery's account. State Treasury cash is invested by the State Board of Investment. Cash on deposit in the State Treasury is uninsured and uncollateralized. Cash on deposit with financial institutions is covered up to \$100,000 per institution by federal depository insurance. At times, cash balances may be in excess of the FDIC insurance limit. As a result, the financial institutions are required to pledge collateral to the Lottery in an amount equal to the funds in excess of the FDIC insurance limit. On June 30, 2004, the market value of the pledged collateral was \$3,176,663.

**Risk Management:** The Lottery participates in the State's Risk Management Fund for property, liability, crime and automobile insurance coverage. The Lottery pays annual premiums for this coverage. The State's Risk Management Fund covers all claims above the deductible.

**Internal Control Environment:** Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that the accounting system allows compilation of accurate and timely financial information. The structure is designed to provide reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the Lottery has segregated the following functions: personnel, purchasing and payroll, accounts payable and accounts receivable and general ledger. Data input and processing are separate from system programming and management provides approval and oversight. In addition, external auditors review areas of the operation and report their findings to the Lottery's Executive Director.

Since the Lottery manages a valuable ticket inventory and controls the disbursement of prizes, the following steps are taken to ensure that operations remain honest and secure:

- Hiring specialized security and law enforcement staff.
- Maintaining secure Lottery facilities and limiting access to them.
- Performing background checks on retailers, contractors and Lottery employees.
- Printing lottery tickets with special inks, dyes and security codes.
- Providing detailed procedures for our random Online drawings.
- Hiring an independent CPA firm to witness the drawings.
- Providing physical & logical access controls to our computer systems.
- Certification of the financial statements by the Acting Director and the Chief Financial Officer in consideration of Section 302 of the Sarbanes-Oxley Act of 2002.

The Lottery currently has 146 permanent, full-time employees distributed among the Roseville headquarters and the four regional offices.

### **LOTTERY PRODUCTS**

The Minnesota State Lottery has introduced eleven Online Games since its inception and numerous Scratch Games. A new type of game – G3™ Games (a Scratch/Online hybrid) – was introduced in fiscal year 2004. The Minnesota State Lottery currently provides players the opportunity to participate in five types of Online Games, two types of G3™ Games and a variety of Scratch Games.

**Daily 3®**, Minnesota's first and longest running game, is an Online Game introduced in August 1990. Players choose three numbers from 0 to 9 for prizes ranging from \$5 to \$500. Drawings are held seven days a week.

**G3™ Games** were developed and introduced by the Minnesota State Lottery in 2004. The game combines the instant win aspect of Scratch Games with the look of an Online Game. Generated by the Online terminal, the tickets are quick to produce and easy to redeem since players do not have to wait for a drawing to see if they win. The first G3™ Game, launched on February 3, 2004, was G3™ 1-card Bingo, a \$1 game with prizes ranging from \$1 to \$1,000. When players purchase a G3™ Bingo ticket, they receive a terminal-generated ticket that displays a single bingo play card and a series of "call numbers". Players mark the numbers on the bingo card that match any of the call numbers. If they

match five in any row, column or diagonal, they win \$1. Matching four corners wins \$5, a diamond pattern wins \$10, an "X" pattern wins \$25, a "Z" pattern wins \$100 and matching every number wins the top prize of \$1,000. On May 4, 2004, a second G3™ Game was introduced, G3™ 3-card Bingo. For \$5, G3 Bingo players receive three bingo play cards on one ticket and sixteen prize levels, including a top prize of \$25,000.

**Gopher 5®** is an Online Game introduced in May 1991. Players select five numbers from 1 to 42 and win by matching two of the first five numbers selected plus the bonus ball, three of the first five numbers selected, three of the first five numbers selected plus the bonus ball, four of the first five numbers selected and four of the first five numbers selected plus the bonus ball. The prizes awarded for the grand prize, matching the first five numbers selected, are determined on a pari-mutual basis starting at \$100,000 in the grand prize pool, with a minimum of \$100,000 paid to a single-winning ticket. Drawings are held twice weekly.

**Hot Lotto®** was launched on April 7, 2002, in Iowa, Montana, New Hampshire, South Dakota, West Virginia and Minnesota. Hot Lotto® jackpots start at \$1 million and grow in \$50,000 increments until someone wins. In addition, there are six other prize levels ranging from \$2 to \$10,000. Each ticket costs \$1 per play, per draw. Players can opt for a quick pick or choose their own numbers. Players must pick five numbers from 1 to 39 and one number from 1 to 19 (the HOT ball). Players win the jackpot by matching all five numbers plus the HOT ball. Drawings take place twice weekly immediately after the Powerball® drawing.

**Northstar Cash®**, Minnesota's newest Online Game, was introduced on October 7, 2003. For \$1, players select five numbers from 1 to 31 for a chance to win the jackpot that starts at \$25,000 and grows until it is won. The jackpot is paid in cash and is divided up equally among all winning tickets if there is more than one winner. In addition, prizes of \$50, \$5 and \$1 are awarded for matching 4 of 5 numbers, 3 of 5 numbers and 2 of 5 numbers respectively. Drawings are held seven days a week immediately following the Daily 3® drawing.

**Powerball®** is an Online Game jointly operated by 28 state lotteries, all members of the Multi-State Lottery Association. Introduced in April 1992, Powerball® was revised in November 1997 and again in October 2002. Players pick two sets of numbers for each draw. The matrix is "1 of 53" for the first set and a Powerball® from "1 of 42" for the second set. The player must match all six numbers to win the jackpot which will start at \$10 million and grow until it is won. The jackpots are paid either in a cash lump sum equal to the discounted present value of the annuitized jackpot amount or over 30 years. The jackpot increases each drawing if no winning ticket has matched the first set of 5 numbers and matched the "Powerball®" number in the second set. Powerball® offers eight secondary prizes of fixed amounts ranging from \$3 to \$100,000. Drawings are held twice weekly on Wednesdays and Saturdays. Powerball® sales are approximately 30 percent of total fiscal year 2004 sales.

**Power Play®** was introduced in March 2001 and revised in October 2002 as an enhancement to Powerball®. For an extra \$1 per Powerball® play, players can multiply their prizes by two, three, four or five times the original prize amount (for all prizes except



the jackpot). A spinning wheel with fifteen slots numbered 2 through 5 has been added to Powerball® drawings to select the Power Play® number. If any of the player's numbers match the winning numbers and the Power Play® was purchased, the set Powerball® prize amount (except the jackpot) will be multiplied by the Power Play® number.

**Scratch Games** are played by scratching off the latex covering from the ticket play area. There are different ways to win in a Scratch Game including matching three like dollar amounts, symbols or letters or adding up numbers to a specified total. If the correct combination appears, the player becomes an "instant winner" without having to wait for the results of the drawing. The Scratch Game offers a wide variety of game themes and was our first product offered to players. Scratch Games provided approximately 56 percent of total fiscal year 2004 sales.

### **ACCOMPLISHMENTS AND SIGNIFICANT EVENTS**

In fiscal year 2004, the Minnesota State Lottery:

- Introduced 41 new Scratch Games with an average payout of 65.8 percent.
- Paid out total prizes amounting to \$225.5 million, a 58.3% payout.
- Paid retailers \$22.8 million in commissions and incentives.
- Generated over \$1.2 billion to the State of Minnesota since sales began on April 17, 1990, with proceeds benefiting the state's natural and economic environments.
- Transferred a record \$100.7 million to State of Minnesota beneficiaries. Funds were transferred as follows:
  - The General Fund received \$55.8 million.
  - The Environment and Natural Resources Trust Fund received \$26.7 million.
  - The Game and Fish Fund received \$9.1 million.
  - The Natural Resources Fund received \$9.1 million.
- Decreased operating expenses by 27 percent to \$23.2 million compared to \$31.8 million in fiscal year 2003. The decrease in operating expenses was due to cost cutting measures implemented in fiscal year 2004.
- Introduced a new generation of lottery games, the G3™ Games. The game combines the instant win aspect of Scratch Games with the look of an Online Game. Popularity of the game attributed to the fact that it has similar odds to a Scratch Game and that it is quick and easy to play. Sales of the two G3™ Games totaled \$5.4 million in fiscal year 2004.
- Introduced Northstar Cash®, the newest all-cash lotto game, on October 7, 2003. The game was designed with the daily player in mind, combining the excitement of a daily drawing with higher payouts. In fiscal year 2004, sales totaled \$6.3 million and produced over one million winning tickets including 44 jackpot prizes ranging from \$12,500 to \$179,711.

### **GFOA CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Minnesota State Lottery for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2003. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

### **FUTURE PROJECTS**

- The Lottery will continue to study technological innovations being implemented in other jurisdictions with an eye to their suitability in the Minnesota marketplace.
- The Lottery will test the use of instant ticket vending machines (ITVM) in large supermarket trade style accounts. This additional point of sale unit will allow retailers the ability to provide greater customer service, but with low outlays in labor costs.
- The Lottery will continue with the expanded market research that includes both quantitative and qualitative studies that are designed to increase our knowledge of our customers and to evaluate the effectiveness of our marketing and promotional activities.
- The Lottery will proceed to implement a Player's Club that will offer players winning number and jackpot information emails, as well as establish greater product loyalty through special promotions and customized communication.

### **INDEPENDENT AUDIT**

Minnesota Statutes require an annual audit by an independent certified public accountant. The independent auditor's opinion on the Lottery's financial statement for the year ending June 30, 2004, is included in the Financial Section of this report. There were no findings or recommendations.

### **ACKNOWLEDGEMENTS**

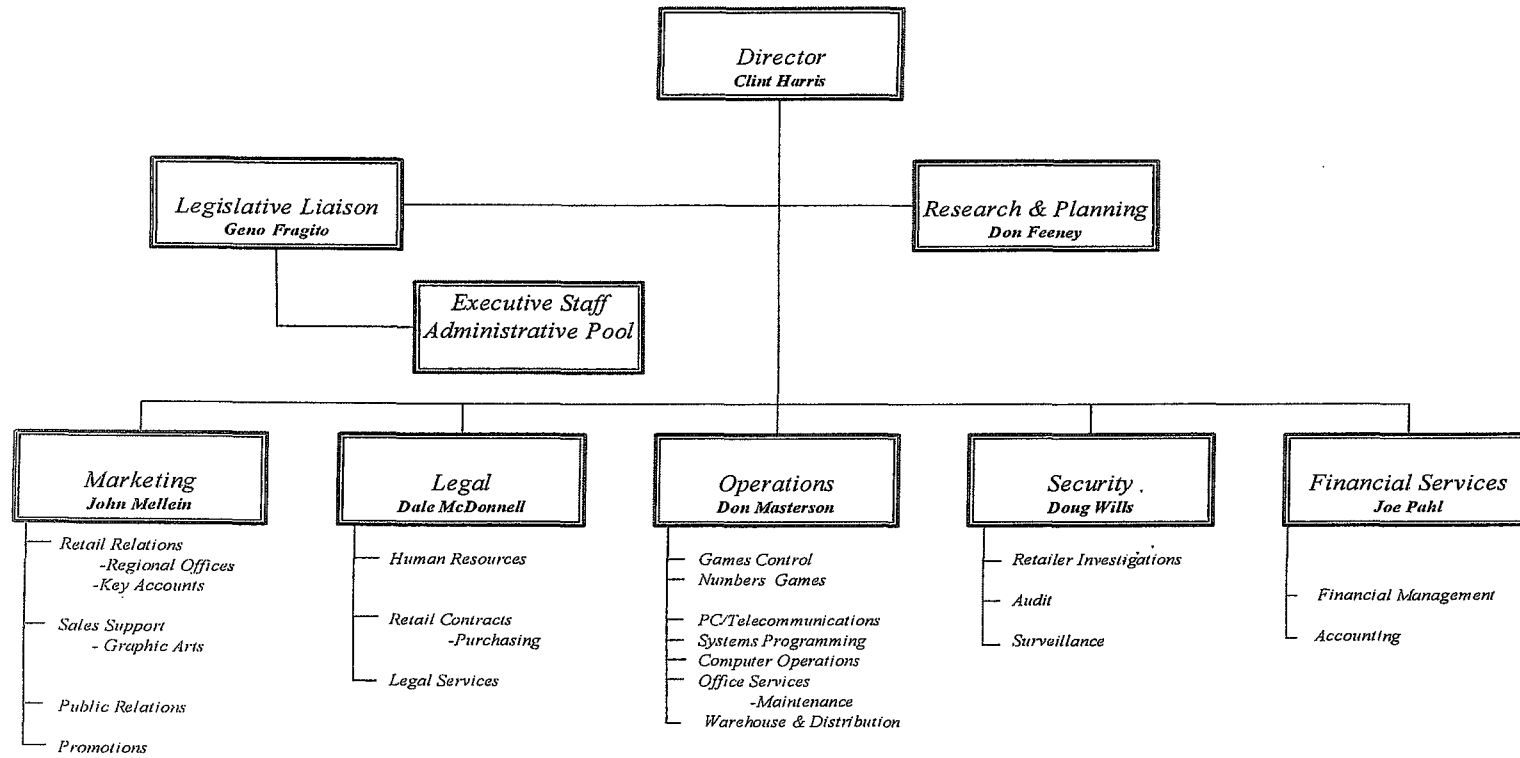
Preparation of this report could not have been accomplished without the efficient and dedicated efforts of the entire Finance Department with a special note of thanks to Steffany Davis, Julie Harrison, Mitchell Kapaun, Heidi Reeves, John Rugroden, Sharon Stidmon, Anita Haddorff and Karen Singer.

Publishing this Comprehensive Annual Financial Report reflects the Finance Department's commitment to maintain the Minnesota State Lottery's financial statements and record keeping systems in conformance with the highest standards of accountability.

Respectfully submitted,

Joe Pahl  
Chief Financial Officer

**MINNESOTA STATE LOTTERY**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Minnesota State Lottery

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



**FINANCIAL SECTION**

**SCHECHTER  
DOKKEN  
KANTER**  
CERTIFIED PUBLIC ACCOUNTANTS • ADVISORS

INDEPENDENT AUDITORS' REPORT

Schechter Dokken Kanter  
Andrews & Selcer Ltd

The Director  
Minnesota State Lottery  
Roseville, Minnesota

Suite 1600

We have audited the accompanying balance sheets of the Minnesota State Lottery as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets for the years then ended. These financial statements are the responsibility of the Minnesota State Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

100 Washington Avenue  
South

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Minneapolis, MN

55401-2192

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State Lottery as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Phone 612-332-5500

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004, on our consideration of the Minnesota State Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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The Management's Discussion and Analysis on pages 13 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

*Schechter Dokken Kanter  
Andrews & Selcer, Ltd*

August 13, 2004

MINNESOTA STATE LOTTERY  
MANAGEMENT DISCUSSION AND ANALYSIS

**Overview of the Financial Statements**

This report consists of two parts: management's discussion and analysis and the basic financial statements. Included below and on the following pages are the financial highlights, summary results of operations for the years ended June 30, 2004 and 2003, a condensed version of the Balance Sheets as of June 30, 2004 and 2003, and management's analysis of significant changes from last fiscal year to the current fiscal year.

**Financial Highlights**

Minnesota State Lottery gross receipts for fiscal year 2004 were up 10 percent or \$361.77 million compared to \$328.95 million in fiscal year 2003. Total funds raised for the State (General Fund, Environmental Fund, and other programs) were up 26.8 percent and consisted of the following items:

	<u>2004</u>	<u>2003</u>
Net proceeds to the State	\$ 66,703,798	\$ 48,120,080
In-lieu-of-sales tax	25,149,720	22,868,079
Compulsive gambling contribution	1,896,000	1,796,000
Unclaimed prizes to the State	<u>6,960,534</u>	<u>6,619,107</u>
	<u>\$100,710,052</u>	<u>\$ 79,403,266</u>

Since its inception in 1990, the Lottery has raised over \$1.2 billion for the state.

Operating income and net proceeds were up significantly over last year: 36.0 percent and 38.6 percent, respectively, due to a 10 percent increase of Gross Receipts and a significant reduction of operating expenses in fiscal year 2004.

Operating expenses in fiscal year 2004 decreased 27 percent to \$23.17 million compared to \$31.76 million in fiscal year 2003. The decrease in operating expenses was due to cost cutting measures implemented in fiscal year 2004 along with a more favorable contract with a new Online vendor.

## Summary Results of Operations

	<u>2004</u>	<u>2003</u>
Gross receipts	\$361,769,051	\$328,948,525
Prizes, commissions and ticket costs	<u>263,499,525</u>	<u>241,978,907</u>
Gross profit	98,269,526	86,969,618
Operating expenses	<u>23,170,227</u>	<u>31,764,158</u>
Operating income	75,099,299	55,205,460
Non-operating revenues (expense):		
Interest earned on investments	461,033	1,329,727
Payments to State	<u>75,560,332</u>	<u>56,535,187</u>
Total non-operating revenue (expense)	<u>(75,099,299)</u>	<u>(55,205,460)</u>
Net Income	<u>\$ 0</u>	<u>\$ 0</u>

## Summary Results of Operations – Highlights

Lottery Revenues - The following is a summary of Lottery revenues in each of the following years:

	<u>2004</u>	<u>2003</u>
Scratch ticket sales	\$ 215,696,083	\$ 210,919,223
Online ticket sales:		
Daily 3	13,250,961	14,123,024
Gopher 5	18,333,018	15,828,015
Powerball	114,291,526	99,052,849
Power Play	3,233,759	2,885,867
Hot Lotto	10,421,797	9,007,626
Northstar Cash	6,268,682	0
Generation 3	<u>5,422,945</u>	<u>0</u>
Total operating revenue	386,918,771	351,816,604
Less in-lieu-of-sales tax	<u>25,149,720</u>	<u>22,868,079</u>
Gross receipts	<u>\$ 361,769,051</u>	<u>\$ 328,948,525</u>



Gross receipts - Increased by 10 percent due to the increase in the sales of all Lottery games offered with the exception of Daily 3 as well as the introduction of two new Online games which contributed over \$11 million in additional sales in fiscal year 2004. The increase in Powerball sales was attributable to the larger jackpots experienced as a result of the change in the odds of the game.

Gross profit - Increased from \$86.97 million in fiscal year 2003 to \$98.27 million in fiscal year 2004, or 12.99%. Gross profit increased 3.01% more than gross receipts because of a more profitable sales mix. Direct costs for Online sales were approximately 16.37% less than the direct costs related to Scratch Game ticket sales for fiscal year 2004.

Unclaimed prizes and compulsive gambling - Appropriations to provide support for compulsive gambling in Minnesota increased by \$100,000. Unclaimed prizes to the State increased by \$341,427 due to a higher percentage of prizes going unclaimed relative to the prior year.

Budget - The Lottery had statutory authorization for operating costs of \$27,419,000. However, actual operating costs for the fiscal year were \$23,170,227. The difference between authorized and actual operating costs, or \$4,248,773, was included in Net Proceeds Paid to State Treasury throughout the fiscal year.

## Balance Sheets

	<u>2004</u>	<u>2003</u>
<b>Assets:</b>		
Cash and cash equivalents	\$17,134,901	\$19,441,653
Receivables	6,222,444	6,138,421
Prize annuity investments	0	3,467,327
Capital assets & other assets	<u>2,144,098</u>	<u>5,169,344</u>
	<u>\$25,501,443</u>	<u>\$34,216,745</u>
<b>Liabilities and fund equity:</b>		
Due to State and State Agencies	\$10,642,463	\$11,307,622
Accounts payable and accrued expenses	4,372,032	8,681,484
Current accrued prizes & prize annuity liabilities	10,486,948	10,109,328
Long term accrued prizes & prize annuity liabilities	0	4,118,311
Net assets	<u>0</u>	<u>0</u>
	<u>\$25,501,443</u>	<u>\$34,216,745</u>

## Balance Sheet Highlights

The Lottery is required to advance net proceeds to the state of Minnesota and therefore fund equity remains unchanged from year to year. In general, short term assets and liabilities will fluctuate with the activity of games being played.

Cash and cash equivalents - Decrease of \$2.3 million due to a corresponding decrease in Accounts Payable and In-Lieu-of-Sales-Tax on the liability side of the balance sheet.

Receivables - There was little change in accounts receivables in fiscal year 2004 relative to fiscal year 2003.

Accounts payable and accrued expenses, and current accrued prizes & prize annuity liabilities - Decrease of \$4.3 million due to the State requiring an early payment of sales tax for June and a general reduction in expenditures in fiscal year 2004 relative to fiscal year 2003.

During fiscal year 2004, the Lottery sold its prize annuity investments and purchased lifetime annuities to cover the lifetime annuity liabilities. As a result, the corresponding prize annuity investment as well as the prize annuity liability have been reduced to zero.

Capital Assets and Other Assets - Additions to capital assets in fiscal year 2004 were \$233 thousand mainly consisting of computer hardware and software purchases and warehouse equipment. Retirement of capital assets were \$350 thousand net of depreciation consisting of computer and Omnilink machines as well as vehicles and leasehold improvements. Other assets decreased by \$2.2 million primarily due to a prepayment for the compulsive gambling fund in 2003, and no payment in 2004.

Due to State and State Agencies - Decrease of \$665 thousand is due mainly to the effect of higher sales in June of fiscal year 2003 relative to sales in June of fiscal year 2004.

**MINNESOTA STATE LOTTERY  
BALANCE SHEETS  
JUNE 30, 2004 and 2003**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
Cash and Cash Equivalents (Note 3)	\$ 17,134,901	\$ 19,441,653
Accounts Receivable	6,222,444	6,138,421
Scratch Ticket Inventory	687,372	463,487
Merchandise Prize Inventory	7,701	386,921
Prepaid Expense (Note 9)	515,322	2,730,190
Prize Annuity Investments (Note 4)	0	3,467,327
Capital Assets, Net (Note 5)	<u>933,703</u>	<u>1,588,746</u>
Total Assets	<u>\$ 25,501,443</u>	<u>\$ 34,216,745</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Net Proceeds Due to State (Note 7)	\$ 3,665,821	\$ 4,658,550
Unclaimed Prizes Due to State (Note 6)	6,960,534	6,619,107
Due to Other State Agencies	16,108	29,965
Accounts Payable	3,244,043	4,540,064
In-Lieu-of-Sales Tax Payable	16,000	1,958,163
Prize Liability	10,486,948	9,877,328
Compensated Absences Payable	908,212	1,233,186
Deferred Revenue	203,777	950,071
Current Prize Annuity Payable (Note 4)	0	232,000
Long Term prize Annuity Payable (Note 4)	<u>0</u>	<u>4,118,311</u>
Total Liabilities	25,501,443	34,216,745
 Commitments and Contingencies (Note 8 and 9)		
 <b>Net Assets</b>		
Net Assets (Note 7)	<u>0</u>	<u>0</u>
Total Liabilities and Net Assets	<u>\$ 25,501,443</u>	<u>\$ 34,216,745</u>

See Accompanying Notes to Financial Statements

**MINNESOTA STATE LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>Operating Revenues:</b>		
Scratch Ticket Sales	\$ 215,696,083	\$ 210,919,223
Online Ticket Sales	171,222,688	140,897,381
	<u>386,918,771</u>	<u>351,816,604</u>
Total Operating Revenues	386,918,771	351,816,604
Less: In-Lieu-of-Sales Tax	<u>25,149,720</u>	<u>22,868,079</u>
Gross Receipts	<u>361,769,051</u>	<u>328,948,525</u>
<b>Direct Costs:</b>		
Scratch Ticket Prizes	141,353,134	137,051,292
Online Ticket Prizes	84,175,584	67,671,773
Online Vendor Expense	10,506,715	9,931,627
Ticket Costs	4,649,504	5,273,205
Retailer Commissions and Incentives (Note 10)	<u>22,814,588</u>	<u>22,051,010</u>
Total Direct Costs	<u>263,499,525</u>	<u>241,978,907</u>
Gross Profit	<u>98,269,526</u>	<u>86,969,618</u>
<b>Operating Expenses: (Note 11)</b>		
Advertising (Note 11)	5,069,953	7,503,607
Salaries and Benefits (Note 12)	11,003,729	12,271,807
Promotion	2,563,982	3,622,305
Purchased Services	864,956	1,540,656
Communication	469,978	850,314
Occupancy Costs (Note 8)	1,932,388	1,974,079
Supplies and Materials	561,877	567,527
Computer and Omnipoint Maintenance	131,739	384,216
Depreciation	538,051	1,879,687
Other Expense	913,298	1,169,960
Gain on Settlement of Prize Annuity (Note 4)	<u>(879,724)</u>	
Total Operating Expenses	<u>23,170,227</u>	<u>31,764,158</u>
<b>Operating Income</b>	<u>75,099,299</u>	<u>55,205,460</u>
<b>Nonoperating Revenue (Expense)</b>		
Interest Earned on Investments	461,033	1,329,727
Payments to State:		
Compulsive Gambling Contribution from Prize Fund (Note 9)	(1,896,000)	(1,796,000)
Unclaimed Prizes to State (Note 6)	(6,960,534)	(6,619,107)
Net Proceeds to State (Note 7)	<u>(66,703,798)</u>	<u>(48,120,080)</u>
Total Nonoperating Revenue (Expense)	<u>(75,099,299)</u>	<u>(55,205,460)</u>
<b>Net Income:</b>	<u>0</u>	<u>0</u>
<b>Net Assets at Beginning of Year (Note 7)</b>	<u>0</u>	<u>0</u>
<b>Net Assets at End of Year (Note 7)</b>	<u>\$ 0</u>	<u>\$ 0</u>

See Accompanying Notes to Financial Statements

**MINNESOTA STATE LOTTERY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 386,088,453	\$ 349,482,320
Cash Received from Other Income	109,725	188,917
Payments to State (In-Lieu-of-Sales Tax)	(27,091,883)	(22,661,190)
Payments to Employees	(11,328,704)	(12,194,624)
Payments to Suppliers	(27,270,306)	(31,311,138)
Payments to Retailers	(22,924,313)	(22,192,549)
Payments to Prize Winners	<u>(229,269,409)</u>	<u>(203,643,547)</u>
Net Cash Provided by Operating Activities	<u>68,313,563</u>	<u>57,668,189</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Net Proceeds Paid to State	(67,696,527)	(46,472,463)
Compulsive Gambling Contribution Transfer	0	(3,692,000)
Unclaimed Prizes Transfer	<u>(6,619,107)</u>	<u>(5,115,452)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(74,315,634)</u>	<u>(55,279,915)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchases of Capital Assets	<u>(233,042)</u>	<u>(1,039,670)</u>
Net Cash Used by Capital Financing Activities	<u>(233,042)</u>	<u>(1,039,670)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Redemption or sale of Prize Annuity Investments	3,467,328	232,000
Investment Income	<u>461,033</u>	<u>716,262</u>
Net Cash Provided by Investing Activities	<u>3,928,361</u>	<u>948,262</u>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>(2,306,752)</b>	<b>2,296,866</b>
<b>Beginning of Year Cash and Cash Equivalents</b>	<u>19,441,653</u>	<u>17,144,787</u>
<b>End of Year Cash and Cash Equivalents</b>	<u>\$ 17,134,901</u>	<u>\$ 19,441,653</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 75,099,299	\$ 55,205,460
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation	538,051	1,879,687
Loss on disposal of capital assets	350,034	
Net Change in Assets and Liabilities:		
Inventory	155,335	(25,234)
Other Assets	234,844	(3,317,725)
Current Liabilities	(4,323,309)	2,523,763
Prize Awards Payable	<u>(3,740,691)</u>	<u>1,402,238</u>
Net Cash Provided by Operating Activities	<u>\$ 68,313,563</u>	<u>\$ 57,668,189</u>
<b>Noncash Investing Activities</b>		
Net increase in the fair value of investments	<u>\$ 0</u>	<u>\$ 613,464</u>

MINNESOTA STATE LOTTERY  
NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

**1. ORGANIZATION OF THE MINNESOTA STATE LOTTERY**

In 1988, Minnesotans voted to amend their Constitution to authorize a state-run lottery. In 1989, the Legislature approved and the Governor signed Minnesota Statutes Chapter 349A into law, officially creating the Minnesota State Lottery, the 33<sup>rd</sup> lottery in the country.

The Minnesota State Lottery (the Lottery), an enterprise fund of the State of Minnesota, is under the supervision and control of the Director of the Lottery, who is appointed by the Governor with the advice and consent of the Senate. Lottery operations began on October 9, 1989 when the first Lottery staff was hired. The Lottery sold its first Scratch tickets on April 17, 1990. The sale of Daily 3 and LottoAmerica Online tickets began on August 14, 1990. LottoAmerica was the first Multi-State Lottery Association (MUSL) game. The Lottery's sales mix currently consists of Scratch tickets and Online games: Daily 3, Northstar Cash, G3 Bingo, Gopher 5, Powerball, Power Play, and Hot Lotto.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Lottery is an agency of the State of Minnesota using proprietary type enterprise accounting. The financial statements are prepared in accordance with generally accepted accounting principles as applicable to governmental units. Following are the more significant accounting policies:

(a) Basis of Accounting

The financial statements of the Lottery have been prepared on the accrual basis of accounting.

Revenues are recorded when they are earned and expenses are recognized as incurred.

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, provides that proprietary and similar trust funds should apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB

Pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and Accounting Research Bulletins (ARB). As permitted by GASB Statement No. 20, the Lottery has elected not to apply FASB statements or interpretations issued on or after November 30, 1989, unless the GASB specifically adopts such statements or interpretations.

(b) Accounting Standard: GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement established new financial reporting requirements for state and local governments. This statement also requires budgetary comparison schedules to be presented as supplementary information. The Lottery is not legally required to adopt a budget and therefore budgetary comparison schedules are not included as supplementary information.

(c) Measurement Focus

A proprietary fund is accounted for using the "economic resources" measurement focus. This means that all assets and liabilities associated with its activity are included on its balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

(d) Revenue Recognition

Packs of Scratch tickets are distributed to retail sales outlets. Scratch ticket sales are recognized as revenue upon settlement of ticket packs by retailers and are recorded at the sale price to the consumer. Sales of Online tickets are recognized as revenue on the date of the draw for which the tickets were purchased. Revenues from future Online ticket draw sales are deferred until the date of the draw for which the tickets were purchased.

(e) Cash and Cash Equivalents

Cash and cash equivalents include an amount in demand deposits as well as funds held in the State Treasury and invested by the State Board of Investment.

(f) Prizes and Reserves

Scratch ticket prize expense is recognized in accordance with the predetermined prize structure for each game and is accrued when revenue is recognized. High tier prizes for certain Scratch ticket games may also be structured and paid as an annuity. An estimate of the annuity prize payout is established based on actuarial tables, and the expense is incorporated into the prize pool structure.

Prize expense for Daily 3 is recorded based upon the actual winners on the date of the draw. The prize expense for Northstar Cash is recorded at 50 percent of draw sales and Gopher 5 prize expense is recorded at 57 percent of draw sales. An additional percentage of Gopher 5 sales is expensed to provide a reserve for guaranteed grand prize amounts. Prize expenses for Powerball, Power Play and Hot Lotto are recorded at 50 percent of draw sales in accordance with the MUSL prize structure.

The Powerball, Power Play, and Hot Lotto prizes are paid with funds held by MUSL. MUSL has established separate prize pool reserves for Powerball, Power Play, and Hot Lotto to support payment of prizes in light of the remote possibility of claims greatly exceeding the expected amounts. In the event that the Lottery ceases to participate in one of these games, the Lottery may make claim to assets, if any, in the related prize pool reserve.

Included in the Lottery Prize Liability for fiscal year 2004 is a \$436,267 prize reserve which reflects funds due to the State Treasury that have been set aside in the lottery prize fund by the Director in accordance with Minnesota Statutes, Section 349A.10, subdivision 2(b) to assure proper funding for future lottery prizes.

(g) Scratch Ticket Inventory

Scratch ticket inventories are carried at cost using the specific identification method. Tickets are charged to operating expense over the estimated life of each Scratch game.

(h) Prize Annuity Investments

During fiscal 1998, the Lottery adopted GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. At the adoption of GASB Statement No. 31, the Lottery reported the prize annuity investments at fair value using quoted market prices. Changes in the fair value of the investment are reported as nonoperating revenue or expense.

During fiscal year 2004, the Lottery sold its prize annuity investments and purchased lifetime annuities to satisfy the lifetime annuity liabilities.

(i) Capital Assets

Assets costing a thousand dollars or more are capitalized and are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method using estimated useful lives from three to seven years. Computer equipment, PCs and printers are depreciated over three years. Vehicles, other than the warehouse truck, are depreciated over four years. Office equipment, Online draw equipment and signs are depreciated over five years. Office furniture and the warehouse truck and equipment are depreciated over seven years. Leasehold improvements are depreciated on a straight-line basis over the shorter of the useful life or length of the lease. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

(j) In-Lieu-of-Sales Tax

From every dollar in Lottery sales, the Lottery sets aside six and one-half cents as in-lieu-of-sales tax and remits that amount monthly to the Commissioner of



Revenue as required by Minnesota Statutes, Section 297A.259. Pursuant to Minnesota Statutes, Section 297A.94, subdivision 1(e) for fiscal year 2003, thirteen percent of the in-lieu-of-sales-tax is credited to the General Fund, the remaining 87% of the in-lieu-of-sales-tax is credited to the Game and Fish Fund and the Natural Resources Fund to be used for natural resources projects as specified by law. Minnesota Laws 2003, Chapter 128, Article 1, Section 154, provides that for FY04 and thereafter, 27.57% of the in-lieu-of-sales-tax is credited to the General Fund and the remaining 72.43% is credited to the Game and Fish Fund and the Natural Resources Fund to be used for natural resources projects as specified by law.

(k) Compensated Absences

A liability is recognized for unpaid vacation, compensatory hours, vested severance and anticipated severance pay when earned. Severance pay for non-vested employees is calculated based on a fiscal year 2004 estimate that 50% will become vested.

(l) Income Taxes

The Lottery, as an agency of the State of Minnesota, is exempt from federal and state income taxes. Accordingly, the Lottery makes no provision for income taxes.

(m) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Certain 2003 amounts were reclassified to conform to 2004 presentation.

### 3. CASH AND CASH EQUIVALENTS

Minnesota Statutes, Section 349A.10, subdivision 7(a), requires the Lottery transfer all funds to a Lottery cash flow account in the State Treasury. Funds necessary to cover cash needs are transferred as needed from State Treasury to the Lottery fund. Funds in this account earn interest, which is credited monthly to the Lottery's account. Cash on deposit in the State Treasury is uninsured. Cash on deposit with financial institutions is covered up to \$100,000 per institution by the federal depository insurance. At times, cash balances may be in excess of the FDIC insurance limit. As a result, the financial institutions are required to pledge collateral

to the lottery in an amount equal to the funds in excess of the FDIC insurance limit. At June 30, 2004, the market value of the pledged collateral was \$3,176,663.

The following table summarizes the Lottery's cash and cash equivalents at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Cash (checks issued but not yet presented for payment)	\$ (692,189)	\$ (89,486)
Cash on Deposit with the State Treasury	<u>17,827,090</u>	<u>19,531,139</u>
Total Cash and Cash Equivalents	<u>\$17,134,901</u>	<u>\$ 19,441,653</u>

Available cash in the State Treasury is invested by the State Board of Investment. In accordance with Minnesota Statutes, Section 11A.24, the State Board of Investment must invest in obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. Lottery funds on deposit in the State Treasury cannot be tied to specific investment securities.

#### **4. PRIZE ANNUITY INVESTMENTS AND PAYABLES**

The prize structure of certain Scratch Games operated solely by the Lottery included prizes in the form of lifetime annuities. Since 1991, the Lottery has awarded sixteen Scratch Game annuity prizes. The Lottery, prior to fiscal year 2004, had elected to fund payment of these annuities through the purchase of long term investments consisting of zero coupon government securities. The prize annuity obligations were recognized as liabilities equivalent to the estimated present value of the future prize payments discounted at interest rates for government securities.

In fiscal year 2004, the Lottery sold the investments used to fund these prizes, and it purchased lifetime annuities in each winner's name from Principal Financial Group to satisfy its obligation related to the lifetime annuity prizes. Although Principal is responsible for paying the annuities, the Lottery could ultimately be responsible in the event of default by Principal (see Note 8). The net gain recognized with this decision was \$742,344 which consisted of a realized loss of \$137,380 (included investment income) on the investments sale and a gain of \$879,724 on the difference between the recorded liability and the amount paid for the annuities from Principal.

## 5. CAPITAL ASSETS

Summary of changes in capital assets for the year ended June 30, 2003 and 2004 are as follows:

	June 30, 2003	Additions	Deletions	June 30, 2004
<b>Depreciable Capital Assets:</b>				
Omnalink Equipment	\$3,541,126		(\$3,541,126)	\$0
Office Equipment & Furniture	2,248,818	13,074	(25,755)	2,236,137
PC & Printer Equipment	1,820,197		(421,809)	1,398,388
Leasehold Improvements	2,356,235	21,425	(707,253)	1,670,407
Vehicles	1,197,693		(218,114)	979,579
Computer Equipment	1,157,971	85,681	(59,189)	1,184,463
Online Drawing Equipment	642,485	52,013		694,498
Signs	196,691			196,691
Warehouse Equipment	182,921	46,008	(27,154)	201,775
To Be Placed in Service	0	14,841		14,841
Total	13,344,137	233,042	(5,000,400)	8,576,779
<b>Less - accumulated depreciation:</b>				
Omnalink Equipment	(3,541,126)		3,541,126	0
Office Equipment & Furniture	(2,015,139)	(91,440)	25,757	(2,080,822)
PC & Printer Equipment	(1,714,607)	(57,385)	421,410	(1,350,582)
Leasehold Improvements	(1,722,874)	(165,665)	358,850	(1,529,689)
Vehicles	(1,059,814)	(92,844)	216,881	(935,777)
Computer Equipment	(1,099,785)	(31,449)	59,188	(1,072,046)
Online Drawing Equipment	(233,104)	(95,594)		(328,698)
Signs	(195,125)	(1,445)		(196,570)
Warehouse Equipment	(173,817)	(2,229)	27,154	(148,892)
Total accumulated depreciation	(11,755,391)	(538,051)	4,650,366	(7,643,076)
<b>Net Capital Assets</b>	<b>\$1,588,746</b>	<b>(\$305,009)</b>	<b>(\$350,034)</b>	<b>\$933,703</b>

	June 30, 2002	Additions	Deletions	June 30, 2003
<b>Depreciable Capital Assets:</b>				
Omnalink Equipment	\$3,541,126			\$3,541,126
Office Equipment & Furniture	2,237,651	73,581	(62,414)	2,248,818
PC & Printer Equipment	1,735,990	84,207		1,820,197
Leasehold Improvements	1,976,396	379,839		2,356,235
Vehicles	1,217,464		(19,771)	1,197,693
Computer Equipment	1,096,349	61,622		1,157,971
Online Drawing Equipment	203,522	438,963		642,485
Signs	196,691			196,691
Warehouse Equipment	179,158	3,763		182,921
To Be Placed in Service	2,305	(2,305)		0
<b>Total</b>	<b>12,386,652</b>	<b>1,039,670</b>	<b>(82,185)</b>	<b>13,344,137</b>
<b>Less - accumulated depreciation:</b>				
Omnalink Equipment	(2,226,101)	(1,315,025)		(3,541,126)
Office Equipment & Furniture	(1,960,241)	(117,312)	62,414	(2,015,139)
PC & Printer Equipment	(1,606,811)	(107,796)		(1,714,607)
Leasehold Improvements	(1,551,130)	(171,744)		(1,722,874)
Vehicles	(979,241)	(100,344)	19,771	(1,059,814)
Computer Equipment	(1,067,429)	(32,356)		(1,099,785)
Online Drawing Equipment	(203,522)	(29,582)		(233,104)
Signs	(193,680)	(1,445)		(195,125)
Warehouse Equipment	(169,734)	(4,083)		(173,817)
<b>Total accumulated depreciation</b>	<b>(9,957,889)</b>	<b>(1,879,687)</b>	<b>82,185</b>	<b>(11,755,391)</b>
<b>Net Capital Assets</b>	<b>\$2,428,763</b>	<b>(\$840,017)</b>	<b>\$0</b>	<b>\$1,588,746</b>

## 6. UNCLAIMED PRIZES

Through fiscal year 2003, Minnesota Statutes, Section 349A.08, subdivision 5 required that the Lottery transfer to the State Treasury 70% of unclaimed prize money at the end of each fiscal year. The transferred unclaimed prize funds are allocated as follows: 40% transferred to the Environment and Natural Resources Trust Fund and 60% to the General Fund. The remaining 30% of unclaimed prizes must be added by the Lottery to prize pools of subsequent Lottery games. The unclaimed prizes due to the State are \$6,960,534 and \$6,619,107 on June 30, 2004 and 2003, respectively. This law was changed effective July 1, 2003. Pursuant to Minnesota Laws 2003, 1<sup>st</sup> Special Session, Chapter 1, Article 2, Section 101, all unclaimed prizes will be transferred to the General Fund at the end of the fiscal year. As of June 30, 2004 the Lottery has approximately \$2,000,000 of unclaimed prize money accumulated before July 1, 2003 which is being held in trust and is recorded in Prize Liability on the balance sheet.

**7. NET ASSETS**

Within 30 days after the end of each month the Lottery is required by Minnesota Statutes, Section 349A.10, subdivision 5 to deposit the net proceeds in the State Treasury. The monthly transfer of net proceeds leaves a zero balance in Net Assets. The amount to be paid for the month ended June 30, 2004 and 2003 were \$3,665,821 and \$4,658,550, respectively, shown as Net Proceeds Due to State on the accompanying balance sheets.

**8. COMMITMENTS AND CONTINGENCIES**

(a) Risk Management

The Lottery is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The Lottery participates in the State's Risk Management Fund for property, liability, crime and automobile insurance coverage. The Lottery pays annual premiums for this coverage. The State's Risk Management Fund covers all claims above the deductible. The Lottery has not experienced any settlements in excess of coverage in the past three years.

The areas of insurance coverage, limits and deductibles as of June 30, 2004 are as follows:

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Property	\$ 5,848,589	\$ 1,000
Auto		
Bodily Injury & Property Damage	\$300,000/\$1,000,000	\$ 500
Primary Crime		
Employee Dishonesty, Money & Securities	\$ 25,000	\$ 1,000
General Liability	\$300,000/\$1,000,000	None
Excess Crime		
Employee Dishonesty	\$ 1,000,000	\$ 25,000
Forgery or Alteration	\$ 1,000,000	\$ 500
Computer Fraud	\$ 1,000,000	\$ 5,000
Wire Transfer	\$ 1,000,000	\$ 5,000
Robbery and Safe Burglary	\$ 50,000	\$ 100

The Lottery also participates in the State's workers' compensation coverage. The State is a member of the Workers' Compensation Reinsurance Association that pays for workers' compensation claims in excess of \$450,000. The Lottery is responsible for all workers' compensation claims below \$450,000. The Lottery accrues for workers' compensation claims when it is probable that a loss has occurred and the amount can be reasonably estimated. The Lottery does not have a workers' compensation accrual as of June 30, 2004 or 2003.

The Lottery purchased sixteen lifetime annuities from Principal Financial Group. If Principal Financial Group were to default on those obligations these policies would be covered under a "Guaranty Fund Law" which is administered by the State of Minnesota. The amount guaranteed per annuity is \$300,000. The Lottery may be ultimately responsible for the lifetime annuities, however management feels that the possibility of Principal Financial Group defaulting on its obligations in a material sum in excess of the \$300,000 guaranteed by the State is remote.

(b) Operating Leases

The Lottery is committed under various leases for building and office space. The leases are classified as operating leases for accounting purposes. For the years ended June 30, 2004 and 2003, the lease expense was \$1,595,391 and \$1,636,828, respectively. This is net of sublease rental income of \$139,893 in fiscal year 2003. Sublease rental income is included within occupancy costs on the financial statements. Future minimum lease payments for existing lease agreements are:

<u>Year Ending June 30</u>	<u>Amount</u>
2005	1,320,007
2006	1,332,672
2007	1,357,571
2008	1,302,803
2009	1,338,563
Thereafter	<u>4,922,034</u>
Total	<u>\$11,573,650</u>

**9. COMPULSIVE GAMBLING CONTRIBUTION PROVIDED FROM PRIZE FUND**

Minnesota Laws 1998, Chapter 407, Article 8, Section 11 directed the Lottery to pay \$340,000 annually from the prize fund to a special Indian gaming account in the State Treasury. Funds in this account are transferred to the Department of Human Services for compulsive gambling programs.

Minnesota Laws 2003, 1<sup>st</sup> Special Session, Chapter 14 Article 13C, Section 2, subdivisions 9(d) and 10 appropriated \$1,556,000 in fiscal year 2004 and 2005 from the prize fund to the Department of Human Services for statewide compulsive gambling programs.

The compulsive gambling contribution of \$1,896,000 due in fiscal year 2004 as required by Minnesota Laws 1998 Chapter 407, Article 8, Section 11, and Minnesota Laws 2003, First Special Session, Chapter 14, Article 13C, Section 2, subdivisions 9(d) and 10, was transferred at the end of fiscal year 2003 resulting in a prepaid transfer at June 30, 2003.

#### **10. RETAILER COMMISSIONS**

Minnesota Laws of 1998, Chapter 366, Section 73 amended Minnesota Statutes Chapter 349A.16 by adding a provision that mandated increased retailer commissions in two ways. The provision increased the sales commission to 5.5% from 5.0% and added a cashing commission of one percent on the amount of each winning ticket cashed by that retailer. Both commission increases were effective July 1, 1998.

#### **11. STATUTORY LIMITATION ON OPERATING AND ADVERTISING EXPENSES**

Gross revenue is defined in law as ticket sales and all other income less in-lieu-of-sales tax. Direct costs include all prize payouts, retailer commissions and incentives, online vendor and instant ticket costs. Operating costs include all other expenses of the Lottery.

Minnesota Statutes, Section 349A.10, subdivision 3, limits the Lottery's advertising costs to 2.75 percent and operating costs to 15 percent of gross revenue. The Lottery is in compliance with the statutory limits on advertising and operating costs. Advertising costs as a percentage of gross revenue were 1.40 percent and 2.28 percent for the years ended June 30, 2004 and 2003, respectively. Operating costs as a percentage of gross revenue were 6.40 percent and 9.66 percent for the years ended June 30, 2004 and 2003, respectively.

Minnesota Laws 2003, 1<sup>st</sup> Special Session, Chapter 1, Article 1, Section 23, as amended by Minnesota Laws 2004, Chapter 233, Section 6, provides that notwithstanding Minnesota Statutes, section 349A.10, the operating costs of the Lottery may not exceed \$27,419,000 in fiscal year 2004 and \$27,419,000 in fiscal year 2005. Further, Minnesota Laws 2004, Chapter 233, Section 3 amended Minnesota Statutes, section 349A.10, subdivision 6 to provide that operating expenses do not include expenses that are a direct function of lottery sales, including amounts paid to produce and deliver scratch lottery games and amounts paid to an outside vendor to operate and maintain an online gaming system.

## 12. RETIREMENT PLANS

The Lottery is involved in two pension programs as follows:

(a) General Plan - Defined Benefit Pension Plan - Statewide:

### Plan Description

The Lottery contributes to the Minnesota State Retirement System (MSRS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the MSRS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to qualifying plan members and beneficiaries. Benefit provisions are established and may be amended by state statute and vest after three years of credited service. MSRS issues a publicly available financial report that includes financial statements and required supplementary information for MSRS. That report may be obtained by contacting MSRS.

### Funding Policy

Plan members are required to contribute 4.0% of their annual covered salary and the Lottery is required to contribute at an actuarially-determined rate. The Lottery's current rate is 4.0% of annual covered payroll. The contribution requirements of plan members and the Lottery are established and may be amended by state statute.

The Lottery's contributions to MSRS for the years ending June 30, 2004, 2003, and 2002 were equal to the required contribution for each year, as follows:

	June 30		
	2004	2003	2002
MSRS	\$317,619	\$353,201	\$350,006

(b) Unclassified Plan - Defined Contribution Plan - Statewide:

### Plan Description

The Lottery contributes to the MSRS, which is a multiple-employer defined contribution plan administered by the MSRS. The plan provides retirement and disability benefits, and death benefits to qualifying plan members and beneficiaries. Benefit provisions are established and may be amended by state statute and vest immediately. MSRS issues a publicly available financial report that includes financial statements and required supplementary information for MSRS. That report may be obtained by contacting MSRS.



### Funding Policy

Plan members are required to contribute 4.0% of their annual covered salary and the Lottery is required to contribute 6.0% of the annual covered payroll. The contribution requirements of plan members and the Lottery are established and may be amended by state statute.

The Lottery's contributions to MSRS for the years ending June 30, 2004, 2003 and 2002 were equal to the required contributions for each year, as follows:

	June 30		
	2004	2003	2002
MSRS	\$47,363	\$46,572	\$46,917



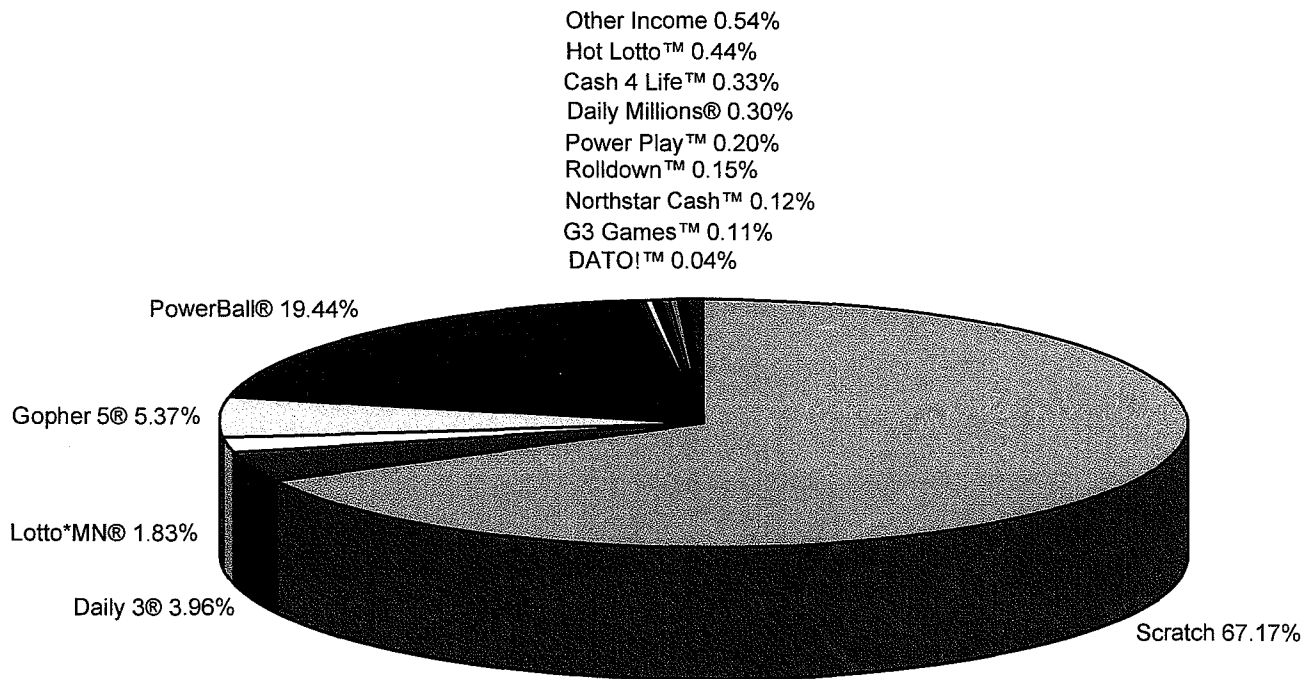
**STATISTICAL SECTION**

**MINNESOTA STATE LOTTERY  
REVENUES  
FISCAL YEARS 1990 THROUGH 2004**

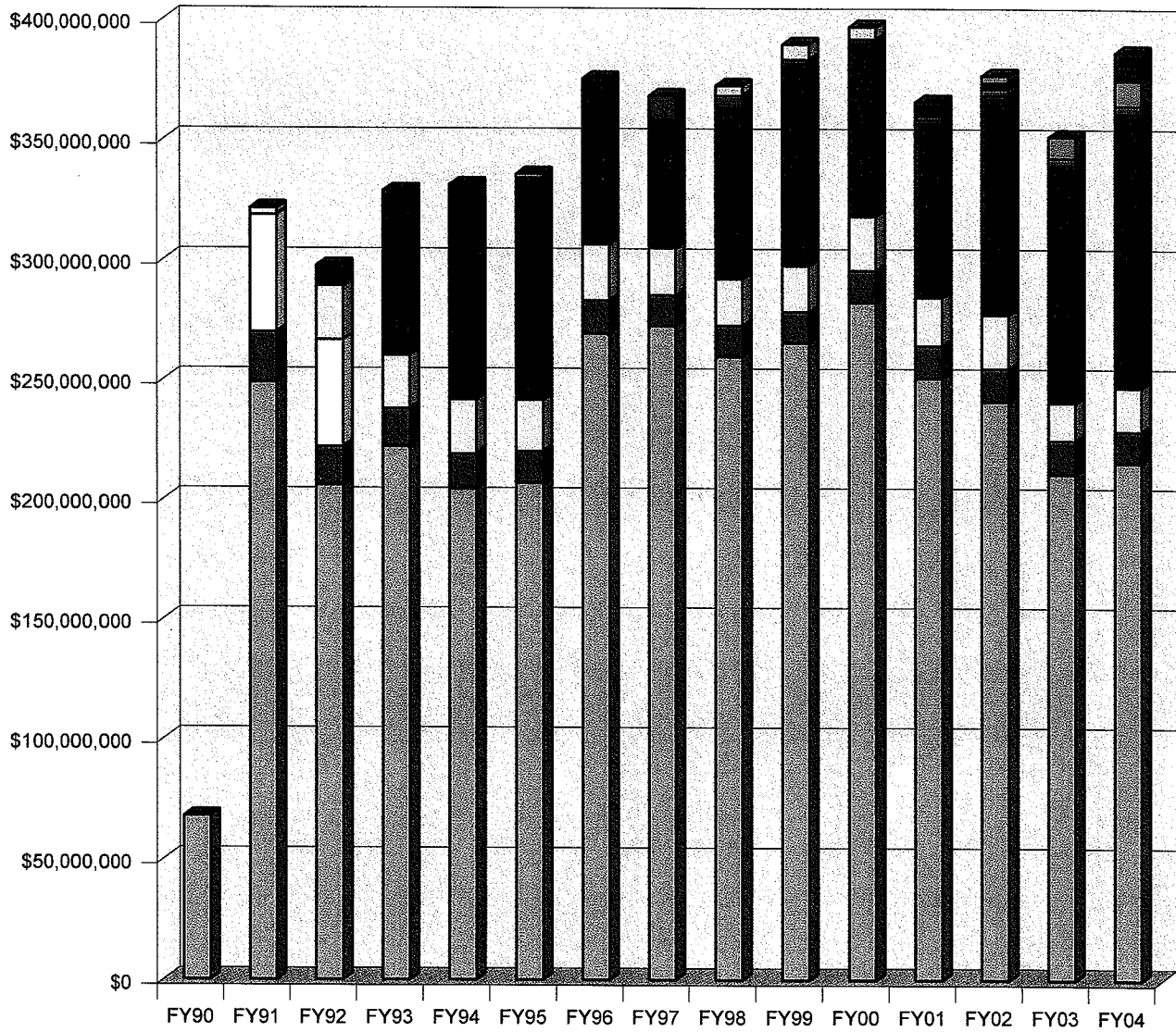
	FY 1990 - 95	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY2002	FY2003	FY2004	Total
<b>SALES</b>											
Scratch	\$1,155,551,065	\$269,291,063	\$272,486,589	\$259,781,643	\$265,549,320	\$282,463,298	\$250,865,115	\$241,051,521	\$210,919,223	\$215,696,083	\$3,423,654,920
On-line											
Daily 3®	81,129,050	13,877,032	12,908,174	12,948,508	12,966,295	13,388,057	13,487,976	13,894,476	14,123,024	13,250,961	201,973,552
Lotto*Minnesota®	93,451,587	0	0	0	0	0	0	0	0	0	93,451,587
Gopher 5®	91,948,439	23,458,743	19,726,304	19,594,487	19,250,067	22,632,839	20,301,105	22,441,409	15,828,015	18,333,018	273,514,426
PowerBall®	258,778,967	69,023,304	53,133,760	71,274,501	85,818,887	73,666,431	74,129,094	91,485,515	99,052,849	114,291,526	990,654,834
DATO!™	2,242,888	0	0	0	0	0	0	0	0	0	2,242,888
Daily Millions™	0	0	10,261,858	5,071,498	0	0	0	0	0	0	15,333,356
Cash for Life™	0	0	0	4,201,735	6,427,238	5,135,800	801,336	0	0	0	16,566,109
Rolldown™	0	0	0	0	0	0	5,121,573	2,562,366	0	0	7,683,939
Power Play™	0	0	0	0	0	0	1,477,566	2,733,759	2,885,867	3,233,759	10,330,951
Slots Plus	0	0	0	0	0	0	0	7,260	0	0	7,260
Hot Lotto™	0	0	0	0	0	0	0	2,955,749	9,007,626	10,421,797	22,385,172
Northstar Cash™	0	0	0	0	0	0	0	0	0	6,268,682	6,268,682
<b>Total Online</b>	<b>527,550,930</b>	<b>106,359,079</b>	<b>96,030,096</b>	<b>113,090,728</b>	<b>124,462,487</b>	<b>114,823,127</b>	<b>115,318,650</b>	<b>136,080,534</b>	<b>140,897,381</b>	<b>165,799,743</b>	<b>1,640,412,755</b>
G3 Games™	0	0	0	0	0	0	0	0	0	5,422,945	5,422,945
<b>Total Sales</b>	<b>\$1,683,101,995</b>	<b>\$375,650,142</b>	<b>\$368,516,685</b>	<b>\$372,872,371</b>	<b>\$390,011,807</b>	<b>\$397,286,425</b>	<b>\$366,183,765</b>	<b>\$377,132,055</b>	<b>\$351,816,604</b>	<b>\$386,918,771</b>	<b>\$5,069,490,620</b>
<b>OTHER INCOME</b>	<b>7,230,409</b>	<b>2,844,708</b>	<b>4,308,808</b>	<b>2,094,293</b>	<b>2,032,879</b>	<b>2,995,873</b>	<b>2,521,411</b>	<b>1,532,522</b>	<b>1,471,265</b>	<b>570,758</b>	<b>27,602,925</b>
<b>TOTAL REVENUES</b>	<b>\$1,690,332,404</b>	<b>\$378,494,850</b>	<b>\$372,825,493</b>	<b>\$374,966,664</b>	<b>\$392,044,686</b>	<b>\$400,282,298</b>	<b>\$368,705,176</b>	<b>\$378,664,577</b>	<b>\$353,287,869</b>	<b>\$387,489,529</b>	<b>\$5,097,093,545</b>

**MINNESOTA STATE LOTTERY  
REVENUE DISTRIBUTION  
FISCAL YEARS 1990 THROUGH 2004**

**TOTAL REVENUES \$5,097,093,545**



# MINNESOTA STATE LOTTERY SALES BY PRODUCT FISCAL YEARS 1990 THROUGH 2004

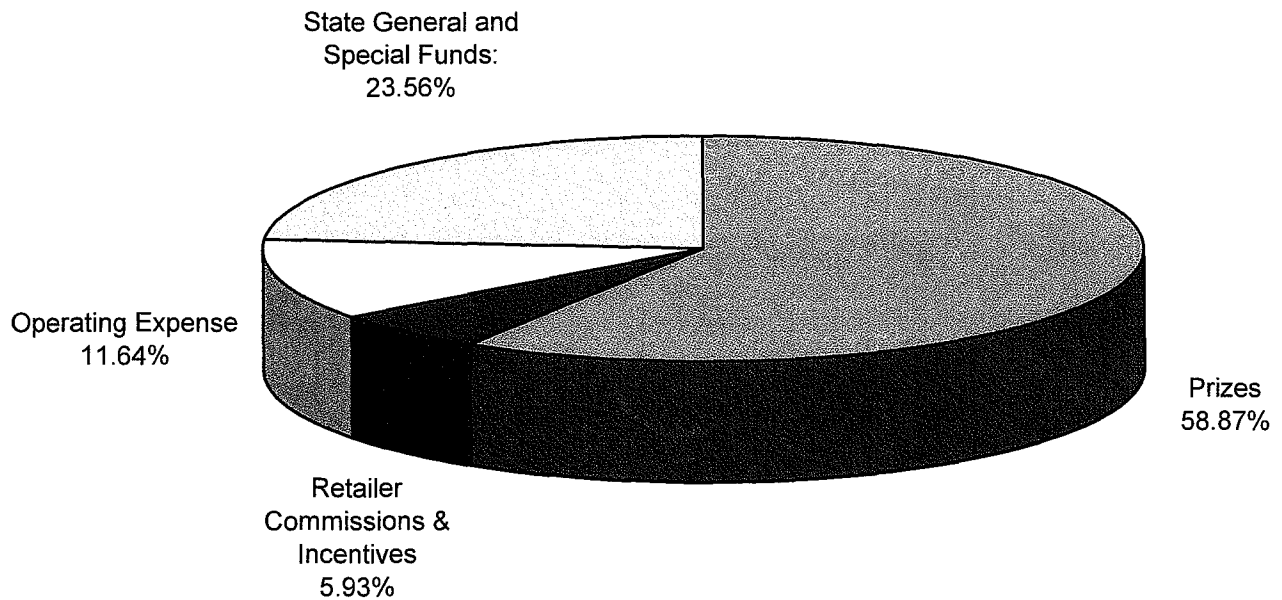


**MINNESOTA STATE LOTTERY  
EXPENSES AND PAYMENTS  
FISCAL YEARS 1990 THROUGH 2004**

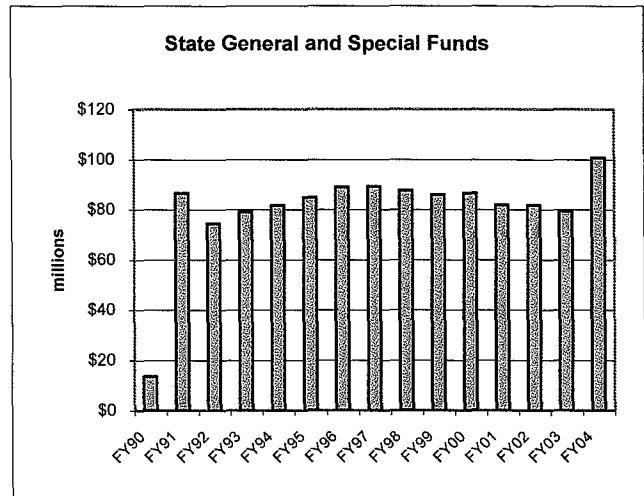
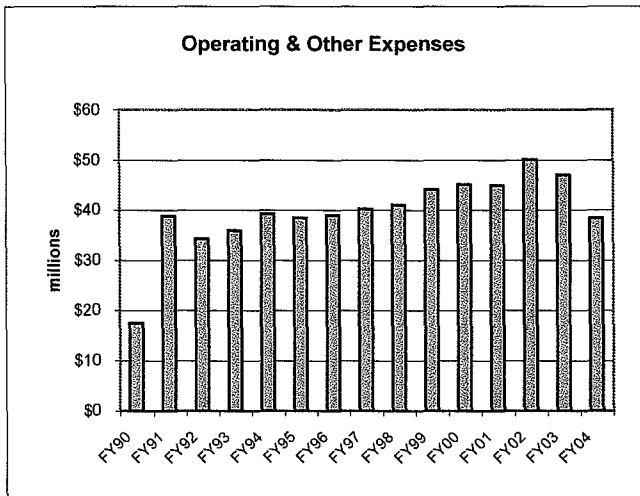
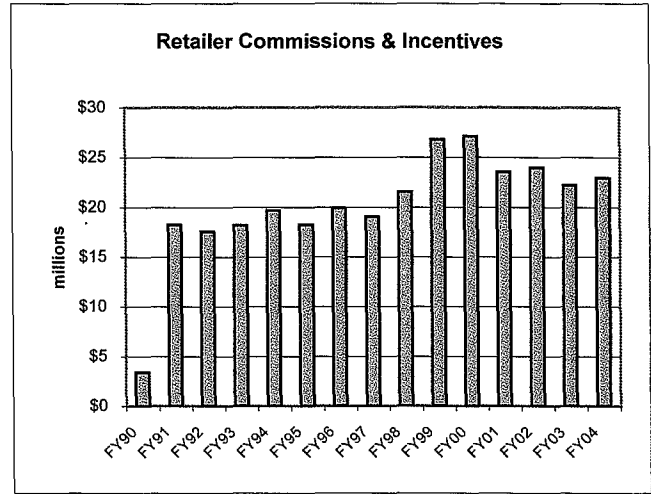
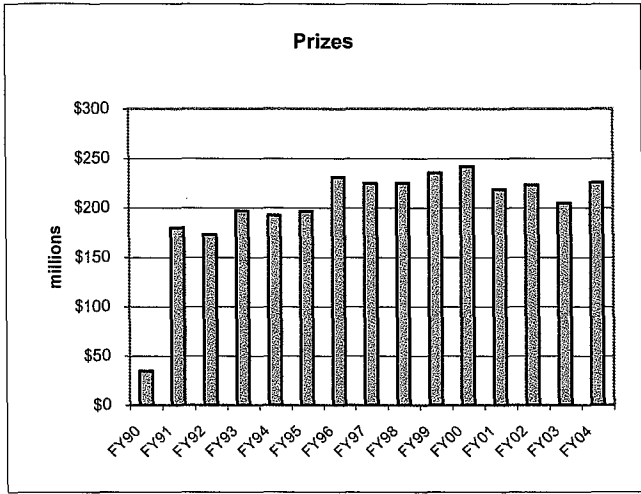
	FY 1990 - 95	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY2002	FY2003	FY2004	Total
<b>EXPENSES</b>											
Prizes	\$971,582,943	\$230,848,350	\$224,447,929	\$224,962,901	\$235,320,417	\$241,517,453	\$218,564,733	\$223,032,780	\$204,723,065	\$225,528,718	\$3,000,529,289
Retailer Commissions and Incentives	95,227,005	19,904,003	19,044,874	21,532,246	26,759,658	27,134,266	23,532,411	23,945,926	22,192,549	22,924,313	302,197,251
Operating & Other Expenses	203,833,666	38,907,477	40,194,741	40,989,288	44,072,933	45,110,770	44,866,477	50,006,250	46,968,989	38,326,445	593,277,036
<b>Total Expenses</b>	<b>\$1,270,643,614</b>	<b>\$289,659,830</b>	<b>\$283,687,544</b>	<b>\$287,484,435</b>	<b>\$306,153,008</b>	<b>\$313,762,489</b>	<b>\$286,963,621</b>	<b>\$296,984,956</b>	<b>\$273,884,603</b>	<b>\$286,779,476</b>	<b>\$3,896,003,577</b>
<b>PAYMENTS TO STATE</b>											
Net Proceeds	307,082,404	61,171,579	59,297,797	56,662,195	52,829,596	52,153,388	50,140,301	49,507,584	48,120,080	66,703,798	803,668,723
In Lieu of Sales Tax	107,455,109	24,417,263	23,953,615	24,236,714	25,350,752	25,823,618	23,801,945	24,513,584	22,868,079	25,149,720	327,570,399
Unclaimed Prizes	1,355,277	2,556,178	4,396,537	5,008,320	5,196,330	6,642,803	5,761,308	5,115,452	6,619,107	6,960,534	49,611,847
Compulsive Gambling	2,875,000	540,000	1,340,000	1,425,000	2,365,000	1,750,000	1,888,000	2,543,000	1,796,000	1,896,000	18,418,000
Other	921,000	150,000	150,000	150,000	150,000	150,000	150,000	0	0	0	1,821,000
<b>Total Payments to State</b>	<b>\$419,688,790</b>	<b>\$88,835,020</b>	<b>\$89,137,949</b>	<b>\$87,482,229</b>	<b>\$85,891,678</b>	<b>\$86,519,809</b>	<b>\$81,741,554</b>	<b>\$81,679,620</b>	<b>\$79,403,266</b>	<b>\$100,710,053</b>	<b>\$1,201,089,968</b>

**MINNESOTA STATE LOTTERY  
EXPENSES AND PAYMENTS  
DISTRIBUTION  
FISCAL YEARS 1990 THROUGH 2004**

**TOTAL EXPENSES AND PAYMENTS \$5,097,093,545**

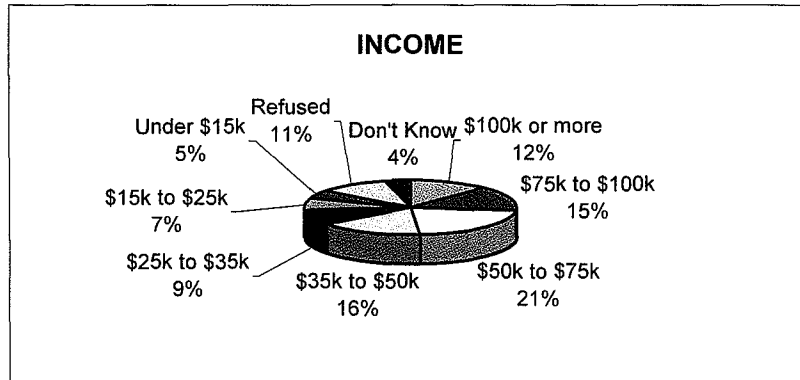
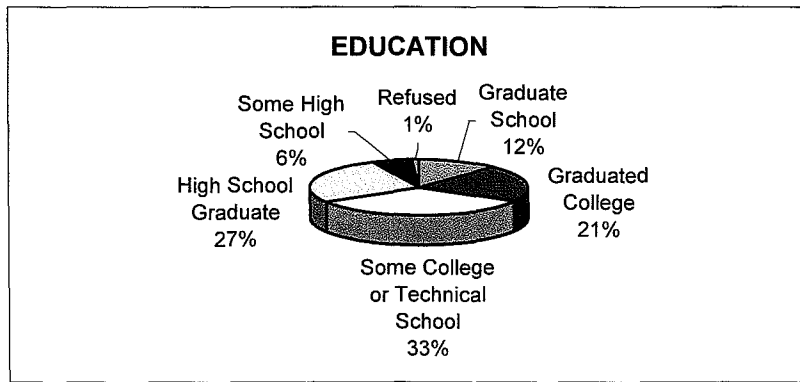
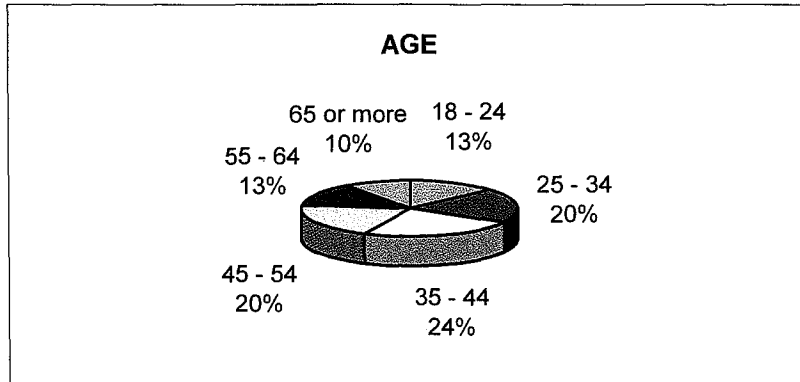


# MINNESOTA STATE LOTTERY EXPENSES AND PAYMENTS FISCAL YEARS 1990 THROUGH 2004





# MINNESOTA STATE LOTTERY PLAYER DEMOGRAPHICS



Source: Minnesota Gambling Survey  
2004  
By Minnesota State Lottery and St. Cloud State University

LOTTERY STATEMENT OF OPERATIONS  
FISCAL YEAR 2003\*  
(\$ in Millions)

State	Population (1) (in millions)	Total Revenues	Prizes	Retailer Commission	Expenses	Net Income	Prizes as % Total Rev.	Ret. Com. as % Total Rev.	Expenses as % Total Rev.	Net Income as % Revenues	Per Capita Revenues	Per Capita Prizes	Per Capita Expenses	Per Capita Net Income
Arizona	5.6	\$323.0	\$177.2	\$21.4	\$31.3	\$93.0	54.9%	6.6%	9.7%	28.8%	\$57.88	\$31.76	\$5.61	\$16.67
California	35.5	2,936.0	1,451.8	189.8	172.5	1,121.9	49.4%	6.5%	5.9%	38.2%	82.82	40.95	4.87	31.65
Colorado	4.6	393.7	226.9	29.5	32.3	105.0	57.6%	7.5%	8.2%	26.7%	86.54	49.87	7.10	23.08
Connecticut	3.5	867.5	523.9	48.4	38.2	257.1	60.4%	5.8%	4.4%	29.6%	249.28	150.55	10.97	73.87
Delaware (2)	0.8	102.4	52.8	6.0	12.4	31.2	51.5%	5.8%	12.1%	30.5%	128.00	65.94	15.55	39.04
D.C.	0.6	238.3	123.6	14.7	27.9	72.1	51.8%	6.2%	11.7%	30.3%	425.55	220.64	49.88	128.80
Florida	17.0	3,002.1	1,555.9	160.9	131.9	1,153.5	51.8%	5.4%	4.4%	38.4%	176.49	91.47	7.75	67.81
Georgia	8.7	2,474.2	1,389.2	172.9	145.0	767.2	56.1%	7.0%	5.9%	31.0%	284.92	159.97	16.69	88.34
Idaho	1.4	98.3	56.6	5.7	14.0	22.0	57.6%	5.8%	14.2%	22.3%	70.19	40.42	9.99	15.69
Illinois	12.7	1,590.2	885.2	79.1	89.8	536.1	55.7%	5.0%	5.6%	33.7%	125.68	69.96	7.10	42.37
Indiana	6.2	665.6	396.2	45.5	48.3	175.6	59.5%	6.8%	7.3%	26.4%	107.45	63.96	7.79	28.35
Iowa	2.9	189.7	104.2	11.8	26.3	47.4	54.9%	6.2%	13.9%	25.0%	64.43	35.39	8.93	16.11
Kansas	2.7	203.9	107.7	11.7	20.7	63.8	52.8%	5.8%	10.2%	31.3%	74.90	39.54	7.60	23.44
Kentucky	4.1	691.6	402.2	41.5	49.7	198.2	58.1%	6.0%	7.2%	28.7%	167.99	97.68	12.08	48.15
Louisiana	4.5	313.8	155.9	17.1	29.8	111.1	49.7%	5.4%	9.5%	35.4%	69.79	34.68	6.62	24.70
Maine	1.3	166.8	98.1	11.8	16.6	40.3	58.8%	7.1%	10.0%	24.1%	127.79	75.20	12.72	30.84
Maryland	5.5	1,322.1	743.4	87.1	53.0	438.5	56.2%	6.6%	4.0%	33.2%	240.03	134.97	9.63	79.61
Massachusetts	6.4	4,204.6	3,008.4	238.7	68.0	889.5	71.6%	5.7%	1.6%	21.2%	653.60	467.65	10.57	138.27
Michigan	10.1	1,682.7	899.7	121.8	98.1	563.2	53.5%	7.2%	5.8%	33.5%	166.95	89.26	9.73	55.87
Minnesota	5.1	353.3	205.1	22.2	46.7	79.4	58.0%	6.3%	13.2%	22.5%	69.83	40.53	9.22	15.69
Missouri	5.7	731.5	434.6	44.5	43.3	209.3	59.4%	6.1%	5.9%	28.6%	128.25	76.19	7.59	36.69
Montana	0.9	34.7	17.6	2.0	7.6	7.5	50.6%	5.9%	22.0%	21.5%	37.83	19.15	8.33	8.12
Nebraska	1.7	81.4	43.0	4.7	13.8	20.0	52.8%	5.7%	16.9%	24.5%	46.82	24.72	7.94	11.48
N. Hampshire	1.3	223.6	130.0	12.0	15.1	66.6	58.1%	5.4%	6.7%	29.8%	173.75	101.01	11.69	51.72
New Jersey	8.6	2,115.1	1,171.5	114.8	74.8	754.0	55.4%	5.4%	3.5%	35.6%	244.86	135.62	8.66	87.29
New Mexico	1.9	133.6	74.0	9.4	17.1	33.1	55.4%	7.1%	12.8%	24.8%	71.27	39.46	9.12	17.66
New York	19.2	5,519.4	3,061.7	324.9	222.1	1,910.6	55.5%	5.9%	4.0%	34.6%	287.62	159.55	11.58	99.56
Ohio	11.4	2,154.0	1,208.2	137.0	100.8	708.0	56.1%	6.4%	4.7%	32.9%	188.37	105.66	8.82	61.91
Oregon (2)	3.6	355.2	234.7	31.2	28.7	60.6	66.1%	8.8%	8.1%	17.1%	99.80	65.93	8.07	17.03
Pennsylvania	12.4	2,143.1	1,124.6	110.8	111.2	796.5	52.5%	5.2%	5.2%	37.2%	173.32	90.95	8.99	64.42
R. Island (2)	1.1	239.9	139.8	25.6	7.4	67.2	58.3%	10.7%	3.1%	28.0%	222.99	129.91	6.91	62.42
S. Carolina	4.1	726.3	415.7	51.1	40.2	219.3	57.2%	7.0%	5.5%	30.2%	175.14	100.25	9.89	52.88
S. Dakota (2)	0.8	28.9	15.8	1.6	4.8	6.7	54.7%	5.6%	16.8%	23.1%	37.88	20.73	6.27	8.76
Texas	22.1	3,131.5	1,845.2	156.6	161.9	967.9	58.9%	5.0%	5.2%	30.9%	141.58	83.43	7.32	43.76
Vermont	0.6	79.9	51.4	4.6	7.7	16.2	64.3%	5.7%	9.6%	20.3%	129.05	83.04	12.39	26.20
Virginia	7.4	1,145.2	638.2	63.0	68.8	375.2	55.7%	5.5%	6.0%	32.8%	155.04	86.40	9.31	50.80
Washington	6.1	493.6	298.0	28.9	36.6	130.1	60.4%	5.9%	7.4%	26.4%	80.51	48.60	5.98	21.22
W. Virginia (2)	1.8	190.9	114.7	13.5	20.1	42.7	60.1%	7.1%	10.5%	22.4%	105.48	63.34	11.09	23.60
Wisconsin	5.5	445.8	248.5	30.8	33.5	133.1	55.7%	6.9%	7.5%	29.8%	81.47	45.42	6.11	24.31
<b>Total/Average</b>	<b>255.3</b>	<b>41,793.4</b>	<b>23,830.8</b>	<b>2,504.5</b>	<b>2,167.8</b>	<b>13,290.3</b>	<b>56.6%</b>	<b>6.0%</b>	<b>5.2%</b>	<b>28.7%</b>	<b>154.13</b>	<b>89.22</b>	<b>10.16</b>	<b>45.08</b>
<b>VLTs (only)</b>														
Delaware (3)	0.8	525.7		255.0	27.7	243.0		48.5%	5.3%	46.2%	657.08		\$34.65	\$303.73
Oregon (3)	3.6	8,135.2	7,634.6	159.6	42.2	298.8	93.8%	2.0%	0.5%	3.7%	2,285.82	2,145.15	11.87	83.95
R. Island (3)	1.1	1,051.4	736.7	145.4		169.4	70.1%	13.8%		16.1%	977.15	684.62		157.39
S. Dakota (3)	0.8	619.6	406.0	106.1	1.5	105.9	65.5%	17.1%	0.2%	17.1%	810.99	531.43	2.02	138.64
W. Virginia (3)	1.8	10,345.4	9,455.6	512.1	9.4	368.3	91.4%	5.0%	0.1%	3.6%	5,715.69	5,224.07	5.18	203.49
<b>Total/Average</b>	<b>8.0</b>	<b>20,677.3</b>	<b>18,232.8</b>	<b>1,178.2</b>	<b>80.9</b>	<b>1,185.4</b>	<b>80.2%</b>	<b>17.3%</b>	<b>1.5%</b>	<b>17.3%</b>	<b>2,089.34</b>	<b>2,146.32</b>	<b>13.43</b>	<b>177.44</b>
<b>Total/Average</b>	<b>255.3</b>	<b>\$62,470.7</b>	<b>\$42,063.6</b>	<b>\$3,682.8</b>	<b>\$2,248.6</b>	<b>\$14,475.7</b>	<b>58.6%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>27.9%</b>	<b>\$422.00</b>	<b>\$309.36</b>	<b>\$11.54</b>	<b>\$67.83</b>

\* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30).

1) Source: U.S. Census Bureau

2) Data represents only revenue from traditional lottery games and does not include video lottery terminal (VLT) operations.

3) Data represents only revenue from video lottery terminal (VLT) operations.