



Comprehensive Annual Financial Report

*For Fiscal Year
Ended June 30, 2009*



Missouri State Lottery Commission
A Component Unit of the State of Missouri



Comprehensive Annual

Financial Report

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Prepared by the Integrated Services Division

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Introductory Section

More than \$3.5 billion in Lottery profits for the state of Missouri and public education



In fiscal year 2009, the Missouri Lottery generated more than \$259 million for public education programs, including funds for programs such as the A+ Scholarships Program, Virtual Schools, Special Education Excess Costs, and funding for Missouri's colleges and universities.



October 28, 2009

To: Kevin Roberts, Chairperson Missouri State Lottery Commission
Gina Hoagland, Member
Jacque Land, Member
Stephen Snead, Member
Pamela Wright, Member
Larry P. Jansen, Executive Director
Citizens of the State of Missouri

Introduction

We are pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the Missouri State Lottery Commission (the Lottery) for the fiscal year ended June 30, 2009. Management is responsible for the accuracy of the financial data as well as the completeness and fairness of the information and disclosures within this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the Lottery. We have included all disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities.

The Comprehensive Annual Financial Report presents an overview of the Lottery and is organized into four sections. The Introductory Section includes this letter of transmittal and an organization chart. The Financial Section includes the independent auditors' report, management's discussion and analysis and the basic financial statements with the accompanying notes. The Statistical Section presents a variety of historical, demographic and industry data. The final section, Supplementary Information, includes a report on internal control and compliance.

Background

The Lottery was created by the passage of a constitutional amendment on November 6, 1984 by the citizens of the State of Missouri. Ticket sales began January 20, 1986, with the introduction of a single scratch-off game, Jackpot 86. This represented the first legislatively authorized lottery tickets sold in Missouri since the New Franklin Railroad Lottery (later known as the Missouri State Lottery) was closed down in 1877.

When the Lottery began in 1986, proceeds from ticket sales went to the Missouri State General Revenue Fund. In August 1992, voters passed Amendment 11 earmarking Lottery proceeds to solely benefit public education. Each year, the Missouri Legislature determines how these proceeds will be allocated. The proceeds represent about 4 percent of the total funding for Missouri's public elementary, secondary and higher education systems.

Lottery funds help support a variety of programs including the A+ program, Virtual Schools, Special Education Excess Costs, construction of college and university buildings, library acquisitions and educational scholarships. These programs and others that receive Lottery money provide the resources that help Missouri students fulfill their individual dreams — dreams that define Missouri's future and ultimately benefit all Missouri residents.

The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Missouri Revised Statutes. The Department of Revenue has no control, supervision or

authority over the actions or decisions of the Lottery. The Commission consists of five members appointed by the Governor with the advice and consent of the Senate.

The Lottery is a component unit of the State of Missouri and is included in the State's Comprehensive Annual Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

Products

The Lottery provides the opportunity for the public to participate in a variety of instant ("Scratcher") and on-line games. The games are described as follows:



Scratcher Games are played by scratching a latex coating off of the play area of the ticket. There are different ways to win including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. If the specified condition occurs, the ticket is an instant winner. These play styles are combined with a variety of game themes and ticket prices. These games were the first type of games offered by the Lottery and continue to represent over 50% of our total annual ticket sales. For fiscal year 2009, Scratcher ticket sales were nearly \$636.6 million, and represent 65.7% of total ticket sales.

Pull Tabs, sometimes known as "break-opens" are Lottery tickets with tabs that are pulled open to reveal cash prizes. These were mainly sold in age-controlled environments, predominantly through vending machines, and offered players a chance to win prizes ranging from \$0.25 to \$1,000. The costs of the tickets ranged from \$0.25 to \$2. During fiscal year 2009, sales from this product line were approximately \$6.5 million, or .7% of total ticket sales. The Lottery discontinued this product line in January of 2009.



On-line Games allow players to select the numbers for their wager or players may utilize computer generated plays. The player receives a ticket with the numbers selected or automatically generated and must await the results of a drawing to determine if they have matched the numbers and won.



Powerball is a multi-state on-line game jointly operated by the thirty-two member lotteries of the Multi-State Lottery Association. Players select one set of five numbers from a pool of one to fifty-nine and one additional number designated as the "powerball" from a second pool of one to thirty-nine. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million, which increases for each subsequent draw when the jackpot is not won. There are eight secondary prizes of fixed amounts, ranging from \$3 to \$200,000. The Power Play feature is available that allows players the chance to multiply the original prize amount, excluding the jackpot prize, up to five times. A jackpot winner may select either an annuitized prize paid in thirty annual installments or a lump sum payment. Drawings are held every Wednesday and Saturday night. Powerball sales for fiscal year 2009 were approximately \$120.7 million, which represents 12.5% of total Lottery ticket sales.

Missouri Lotto is the original in-state numbers game that creates millionaires. Twice a week, on Wednesdays and Saturdays, Lotto players have a chance to win \$1 million or more. Players select six numbers from a pool of one to forty-four and must match all six numbers to win the jackpot. Prizes are also paid for matching three, four or five numbers. The jackpot starts at \$1 million and increases, based upon ticket sales, for each subsequent draw when the jackpot is not won. During the fiscal year 2009, fifteen jackpots were drawn ranging from \$1 million to \$4.9 million. Lotto sales were approximately \$28.1 million in fiscal year 2009, representing 2.9% of total ticket sales.





Show Me Cash replaced Show Me 5 Paydown in September of 2008. Players select five numbers from a pool of one to thirty-nine and must match all five numbers to win the jackpot. The jackpot starts at \$50,000, and if no player matches all five numbers, the top prize increases based on ticket sales. Prizes are also paid for matching two, three or four numbers. Drawings are held daily. Sales for fiscal year 2009 were approximately \$22.2 million, or 2.3% of total ticket sales.

With Pick 3, players select three numbers between zero and nine and can play the numbers straight (numbers in the exact order), boxed (numbers in any order) or front/back pair (match the exact order of the first or last two digits). Drawings are conducted twice per day. For fiscal year 2009, Pick 3 sales were nearly \$67.7 million, which was 7.0% of total ticket sales.



Pick 4 is played similar to Pick 3 with players selecting four numbers between zero and nine. Players may play the numbers straight, boxed, front/middle/back pair, and front/back three (match the exact order of the first or last three digits). Drawings are also conducted twice per day for Pick 4. Sales for fiscal year 2009 were approximately \$26.4 million, or 2.7% of total ticket sales.

Club Keno is a numbers game offered in age-controlled environments that provides drawings every five minutes. Players first choose how many different numbers (also called “spots”) they wish to play from one to ten. The player must then choose a number from one to eighty for each spot. Twenty numbers from the pool of one to eighty are chosen in a computerized random Club Keno drawing. Prizes vary depending on how many spots a player chooses and how many of the players’ numbers match the numbers drawn. Club Keno also offers Multiplier, Bulls-Eye and Progressive Jackpot features. For fiscal year 2009, Club Keno sales were nearly \$57.4 million, which was 5.9% of total ticket sales.



In March of 2009, the Lottery introduced a new game - Lucky Dough – which is available at retail locations that offer Club Keno. To play Lucky Dough, a player selects one number (of the five numbers) in each of eight squares. A center square is a “Free Square.” Winning is based on matching numbers in each individual squares to produce one or more “lines,” either vertically, horizontally or diagonally. Prize amounts are based upon the number of lines matched. As with Club Keno, drawings are conducted every five minutes. Sales for fiscal year 2009 for Lucky Dough were approximately

\$1.3 million, .1% of total ticket sales.

Million Dollar Raffle game was again offered in fiscal year 2009 after a successful debut in fiscal year 2008. The game was similar to a traditional raffle as players were able to purchase a ten digit raffle ticket for \$10. The tickets were sequentially numbered, limited to 300,000 tickets and available for sale for specific time period, followed by a drawing. Prizes included the \$1 million grand prize along with \$100,000 and \$500 prize levels. In fiscal year 2009, the total sales for the Raffle game were \$1.7 million, or .2% of total ticket sales.



Economic Conditions and Outlook

As we are all well aware, the United States economy endured a dramatic downturn in 2008. The United States has been in the midst of an economic recession since December of 2007. Struggles began in the housing-related sectors, particularly financial services and construction, and have progressed to nearly every sector and industry.

Gross Domestic Product (GDP) is the broadest measure of economic activity. The economic output of the national economy, as measured by the GDP, had been expanding each quarter since the fourth quarter of 2001. Beginning in the second quarter of 2003, the national economy grew fairly consistently at an annual rate of approximately three to four percent, with slower growth in late 2006 and early 2007. Late 2007 and the first half of 2008 reflected relatively slow growth rates, but this has been followed by four consecutive quarters of declines in the GDP. According to second quarter of 2009 estimates, the GDP contracted at a 1.0% annual rate, this is after a 5.5% rate of decline for the first quarter of 2009, a 6.3% rate of decline for the fourth quarter of 2008 and a 0.5% rate of decline for the third quarter of 2008.

Unemployment rates in Missouri began to rise around the middle of 2008 and have continued upward since, with rapid increases during the first half of 2009. Missouri's rise in unemployment has followed the national trend, with the U.S. rate at 9.4% in July 2009. The unemployment rate in July 2009 for the State was 9.3%, up from 6.1% in July of 2008.

A significant factor of the economy involves consumer spending. Consumer spending accounts for approximately two-thirds of the U.S. economy, and is likewise, essential to Missouri's economy. Retail sales account for around one-half of consumer spending. Retail sales turned flat around the end of 2007 and began to fall from the middle of 2008 through the end of the year. So far in 2009, retail sales have been fluctuating, but generally flat. Consumers have been cautious with spending, as great concern over the economy and their own individual economic situations contributed to generally negative consumer sentiment.

While Missouri does not have specific retail sales data readily available, an analysis of taxable sales and sales tax collection data does indicate a continuing declining trend that began in the second quarter of 2007 and has continued for nine consecutive quarters.

While it has been difficult in the past to demonstrate a direct relationship between lottery industry sales trends and general economic indicators, many lotteries, including the Missouri Lottery, have seen a negative impact on sales during this period of economic turmoil. Current projections seem to indicate that an economic recovery may be slow in developing. If these current conditions – increased unemployment, restrained consumer spending and lack of consumer confidence – continue as predicted, expectations are that the impact on personal disposable income and spending patterns would continue to impact the level of sales of the Lottery. Another development that is predicted to have a significant impact on Missouri Lottery sales is the addition of a state-operated lottery in Arkansas. Legislation was recently enacted to create the lottery organization and sales are expected to begin in the later part of 2009. With the addition of a lottery in Arkansas, now all contiguous states offer lotteries. Lotteries in the bordering states, as well as the casino industry, will impact the future performance of the Lottery as competition increases for the entertainment dollars in the declining discretionary funds available to the consumers.

Highlights Of The Past Year

Ticket sales for the Lottery declined slightly from the record sales levels of fiscal year 2008. The sales for fiscal year 2009 exceeded \$968 million, but this was approximately \$27 million, or 2.7%, less than the previous year level of \$995 million. The economic conditions, the smaller number of large jackpots in on-line games and limited resources available for advertising and promoting the Lottery were contributing factors to the sales decline.

For fiscal year 2009, the level of operating expenses also decreased as expected with the decline in ticket sales. The decrease was approximately 2%, as the total operating expenses declined from \$740.2 million in fiscal year 2008 to \$725.9 million in fiscal year 2009. Prize expenses, retailer commissions and incentives, ticket costs and on-line vendor fees all declined primarily due to lower ticket sales levels. The level of administrative expenses increased slightly by \$193 thousand, or 0.9 percent. The increase in these expenses was primarily reflected in additional depreciation expense and increased costs associated with the replacement

of instant ticket vending machines at retail locations. The Lottery continues to operate with one of the lowest administrative cost ratios in the country. The net impact of these results for fiscal year 2009 was that the transfer of profits for public education decreased from the prior year, from \$266.7 million to \$256.3 million. In addition, the Lottery returned in excess of \$629 million to players in cash and prizes and \$60 million to retailers in commissions and incentives for the 2009 fiscal year.

Management's discussion and analysis (MD&A) can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The Lottery's MD&A complements this letter of transmittal and should be read in conjunction with it.

In addition to financial accomplishments, other noteworthy accomplishments during the fiscal year 2009 included:

- The successful development and introduction of Show Me Cash to replace Show Me 5 Paydown as a daily draw game with a rolling jackpot feature.
- The successful development and introduction of a new monitor game – Lucky Dough – that runs concurrently with Club Keno.
- The successful implementation of Powerball game changes.

Relevant Financial Policies

Budgetary Controls:

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. Expenditures of the Lottery are subject to this annual appropriation process. Certain costs of operations for the Lottery are paid directly by the Missouri Office of Administration through appropriations administered by that agency. These costs include employee benefits, select capital improvements projects and certain facility-related costs.

Expenses associated with the operation of the Lottery are submitted for payment through the Missouri Office of Administration, Division of Accounting. The Lottery maintains its own signature authority for payment of prizes through an imprest checking account. The Lottery has its own purchasing authority and has adopted the same rules and procedures as that of the Office of Administration, Division of Purchasing and Materials Management.

All profits from the Lottery operations are designated for appropriation by the State solely for the institutions of public elementary, secondary and higher education. The Lottery transfers the estimated profits monthly to the Lottery Proceeds Fund.

Debt Administration:

The Lottery's long-term liabilities are primarily payments owed to multi-year prizewinners in the form of annual payments. These payments are fully funded by US Treasury Strips held by the State of Missouri. The payments due Powerball jackpot winners are funded through securities purchased and held by the Multi-State Lottery Association. As such, the Lottery does not record, and the financial statements do not reflect, a liability for future payments of Powerball prizes funded by the Multi-State Lottery Association.

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 misappropriation. The internal control system is also designed to ensure that the accounting system provides accurate and timely financial information and that the Lottery is in compliance with applicable laws and regulations. The structure does not provide a guarantee but rather reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the Lottery has segregated appropriate functions where

feasible, and added additional administrative reviews of areas not clearly segregated to ensure compliance with established control policies.

Section 313.315 of the Missouri Revised Statutes requires the State Auditor to conduct a biennial audit of all accounts and transactions of the Lottery, and such other special audits, as it may deem necessary. The Lottery is also required to employ an independent firm of accountants to conduct an annual audit of all accounts and transactions of the Lottery. This audit includes a review of internal controls as they relate to the expression of an opinion on the financial statements.

In addition, the Lottery has from time to time employed the services of other qualified external firms to conduct reviews of our security procedures for data processing and controls with game operations.

Government Finance Officers Association 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 Missouri State Lottery Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the ninth consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report reflects our commitment to maintain the highest standards of public accountability. We reaffirm our commitment to continually improve our financial management and maintain the public's trust by exhibiting the highest ethical standards and uncompromising integrity. Publication of this report could not have been accomplished without the dedicated efforts of our employees, especially those within the Financial and Business Services Section. We would also like to recognize Executive Director Larry Jansen for his support, guidance and dedication in operating the Missouri Lottery Commission in a responsible and progressive manner. We extend our congratulations to Ms. Pamela Wright, Mr. Kevin Roberts, Mr. Stephen Snead, Mr. Jacque Land and Ms. Gina Hoagland on their recent appointments to the Commission and appreciate their commitment to the Missouri State Lottery Commission.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael R. Lauf". The signature is written in a cursive style with a prominent underline at the end.

Michael R. Lauf, CPA
Chief Financial Officer
Missouri State Lottery Commission

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri State Lottery Commission

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

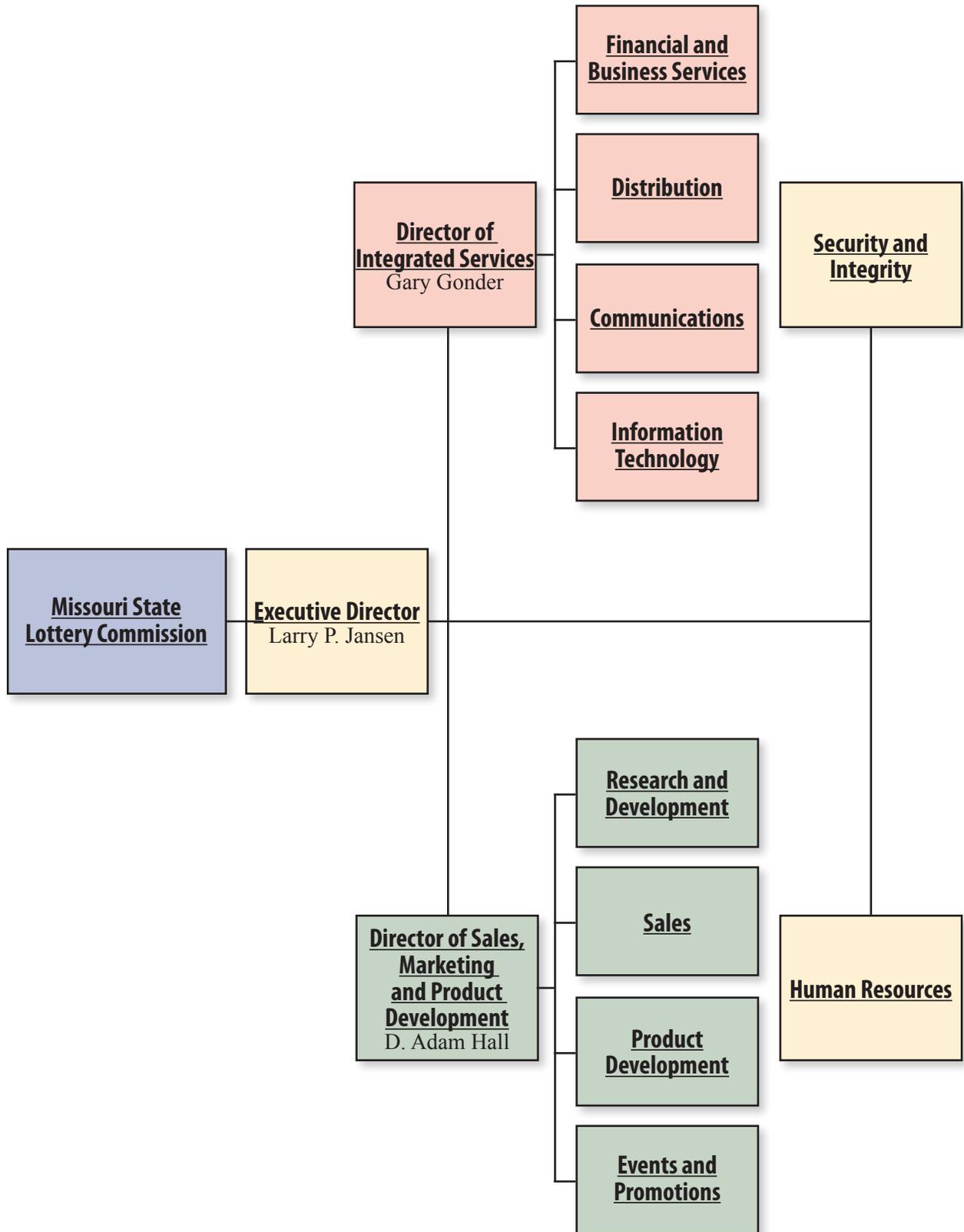
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Missouri State Lottery Commission
Organization Chart and Principal Officials
June 30, 2009



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Financial Section

More than \$6 billion returned to players in prizes



John Markovich of Slater claimed a \$2 million Missouri Lotto jackpot that he won on May 16, 2009.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Missouri State Lottery Commission
Jefferson City, Missouri:

We have audited the accompanying basic financial statements of the business-type activity of the Missouri State Lottery Commission (the Lottery), a component unit of the State of Missouri, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits 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.

As discussed in Note 1, the basic financial statements of the Lottery are intended to present the financial position and the results of its operations and cash flows of the Lottery. They do not purport to, and do not present fairly, the financial position of the State of Missouri as of June 30, 2009 and 2008 and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Lottery, as of June 30, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 14 - 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements. The accompanying introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

October 28, 2009

Management's Discussion And Analysis For The Fiscal Years Ended June 30, 2009 And 2008

The following Management's Discussion and Analysis (MD&A) provides an overview of the Missouri State Lottery Commission's (the Lottery) financial performance and financial activities for the fiscal years ended June 30, 2009 and 2008. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements, notes to the financial statements, the other information included in the Statistical Section, and the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Financial Statements Presented in This Report

The Lottery is a Type III division of the State of Missouri, created to generate revenues for public education through the operation of a lottery. The Lottery's activities are accounted for as an enterprise fund using the accrual basis of accounting, which is comparable to the method used by private business entities. The Lottery is a component unit of the State of Missouri and is included in the State's Comprehensive Annual Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

This annual report includes three financial statements for the fiscal years ended June 30, 2009 and 2008. The Statements of Net Assets provide information on the nature and amount of the Lottery's assets, liabilities and net assets at the end of each fiscal year and provide a measure of the Lottery's economic resources. The Statements of Revenues, Expenses and Changes in Fund Net Assets reflect the operating and non-operating revenues and expenses and the changes in net assets for each year. The Statements of Cash Flows reconcile the changes in cash and cash equivalents with the activities of the Lottery for each year.

The Notes to the Basic Financial Statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

Financial Analysis Summary of Net Assets

	As of June 30,		
	2009	2008	2007
Assets			
Current assets	\$72,726,299	\$71,513,909	\$66,109,425
Investments held for grand-prize winners at fair value - noncurrent	57,808,429	61,732,872	61,497,694
Capital assets (net of accumulated depreciation)	3,478,013	3,923,538	3,411,563
Total assets	134,012,741	137,170,319	131,018,682
Liabilities			
Current liabilities	73,042,629	70,142,343	65,384,010
Long-term liabilities	54,199,467	60,761,042	62,045,864
Total liabilities	127,242,096	130,903,385	127,429,874
Net Assets			
Invested in capital assets	3,478,013	3,923,558	3,411,563
Unrestricted	(3,478,013)	(3,923,558)	(3,411,563)
Restricted	6,770,645	6,266,934	3,588,808
Total net assets	\$6,770,645	\$6,266,934	\$3,588,808

Current Assets

Current assets consist primarily of cash and cash equivalents, accounts receivable from retailers and the current portion (maturing within one year) of investments held in United States guaranteed marketable securities on behalf of past grand-prize winners. During fiscal year 2009, current assets increased by \$1,212,390. This increase was due to larger cash account balances, but was partially offset by a decrease in other receivables.

For fiscal year 2008, current assets increased by \$5,404,484, from the fiscal year 2007 balances. This was primarily due to an increase in the accounts receivable from retailer's category, as the receivable balances increased by approximately \$4.4 million.

Noncurrent Assets

Investments held for grand-prize winners represents the market value of the investments held in United States guaranteed marketable securities on behalf of past grand-prize winners that mature beyond one year. These investments were purchased to fund the annual payments for winners that were required to or elected to receive annuity payments. Originally, winners of jackpots were required to receive annuity payments. Subsequently, winners were allowed to elect a lump sum payment instead of a long-term annuity. Since this option has been available, the trend among winners has generally been to elect the lump sum payment and, therefore, fewer purchases of securities have been required. This was true in fiscal year 2009, as this category decreased by \$3,924,443. In fiscal year 2008, this category increased slightly (\$235,178) due to an increased number of winners electing the annuity payments and market conditions which increased the market value of the securities.

Capital assets consist of land, buildings, vehicles, computers and other equipment and is reported net of all related accumulated depreciation. For fiscal year 2009, net capital assets declined by \$445,525, as the level of depreciation expenses for the fiscal year exceeded the cost of additions to capital assets.

In fiscal year 2008, the level of capital assets increased by \$511,975. This primarily reflects the effects of the implementation of GASB Statement 51 "Accounting and Financial Reporting for Intangible Assets". The effects of the implementation of this pronouncement on the fiscal year 2008 capital assets was to increase the capital assets being depreciated by \$1,472,981 for computer software acquired during and prior to the fiscal year, and also to increase the level of related accumulated depreciation by \$916,329 for these assets.

Current Liabilities

Current liabilities consist primarily of accrued prize liabilities, other accrued expenses, amounts due the Lottery Proceeds Fund, and accounts payable to suppliers. In fiscal year 2009, current liabilities increased by \$2,900,286, which was the result of increased prize liabilities of \$3,447,583, although this increase was offset by decreases in the amount due the Lottery Proceeds Fund of \$497,977 and accrued expenses and accounts payable of \$49,320.

In fiscal year 2008, current liabilities increased by \$4,758,333, which reflected increased prize liabilities of \$3,479,536, increased amount due the Lottery Proceeds Fund of \$1,115,020 and increased accrued liabilities and accounts payable of \$163,777.

Long-Term Liabilities

Long-term liabilities include the long-term portion of amounts payable to grand-prize winners and the deferred portion of the amount due the Lottery Proceeds Fund. For fiscal year 2009, the long-term liabilities have decreased by \$6,561,575. As discussed previously, the trend of winners to elect lump sum payments in lieu of annuity payments has resulted in fewer additions to long-term annuities and a reduction in the long-term liability as older annuities are paid off. The long-term liabilities for the grand prize winners in fiscal year 2009 declined by \$4,339,898. The deferred portion of the amount due the Lottery Proceeds Fund declined in fiscal year 2009 by \$2,221,677. This deferred amount represents the net book value (cost less accumulated depreciation) of capital assets acquired after September 1, 1988 and all amounts receivable from the Multi-

State Lottery Association. The decrease was the result of depreciation expense recognized during the fiscal year and funds received from the Multi-State Lottery Association to decrease the amount receivable.

In fiscal year 2008, long-term liabilities declined by \$1,284,822, as decrease in the long-term liabilities for the grand prize winners decreased by \$2,331,320, but which was offset by an increase in the deferred amount to the Lottery Proceeds Fund of \$1,046,498.

Net Assets

Net assets invested in capital assets are unrestricted. Restricted net assets are the cumulative result of increased fair market value of the United States guaranteed marketable securities held by the Lottery to pay prize winners on an annuity basis. The investments consist of United States Government-backed obligations of zero coupon bonds and stripped securities that equal the face amount of the bond or security upon maturity.

Changes in Net Assets

	For the Year Ended June 30,		
	2009	2008	2007
Operating revenues			
Ticket sales	\$968,451,895	\$995,492,888	\$934,270,658
Other operating revenues	596,377	649,422	1,395,548
Total operating revenues	<u>969,048,272</u>	<u>996,142,310</u>	<u>935,666,206</u>
Operating expenses			
Direct costs:			
Prize expense	629,276,635	641,123,508	595,022,614
Retailer commissions and incentives	60,109,568	61,508,836	58,257,753
Other direct costs	16,077,548	17,289,790	16,280,719
Total direct costs	<u>705,463,751</u>	<u>719,922,134</u>	<u>669,561,086</u>
Administrative expenses	20,466,793	20,273,474	19,987,112
Total operating expenses	<u>725,930,544</u>	<u>740,195,608</u>	<u>689,548,198</u>
Operating Income	243,117,728	255,946,702	246,118,008
Nonoperating revenues and (expenses)			
Interest income	731,222	1,430,382	1,360,853
Gain (loss) on disposal of capital assets	(26,702)	37,679	54,077
Unclaimed prizes	12,403,901	9,330,350	10,349,767
Transfers from the State of Missouri	60,481	-	-
Transfers to the State of Missouri	(256,286,630)	(266,745,112)	(257,882,704)
Amortization of grand-prize winner liability	(3,861,661)	(4,215,836)	(4,647,958)
Net increase in the fair value of investments held for grand-prize winners	4,365,372	6,893,961	4,294,279
Net nonoperating revenue (expenses)	<u>(242,614,017)</u>	<u>(253,268,576)</u>	<u>(246,471,686)</u>
Change in net assets	503,711	2,678,126	(353,678)
Total net assets, beginning of year	<u>6,266,934</u>	<u>3,588,808</u>	<u>3,942,486</u>
Total net assets, end of year	<u>\$6,770,645</u>	<u>\$6,266,934</u>	<u>\$3,588,808</u>

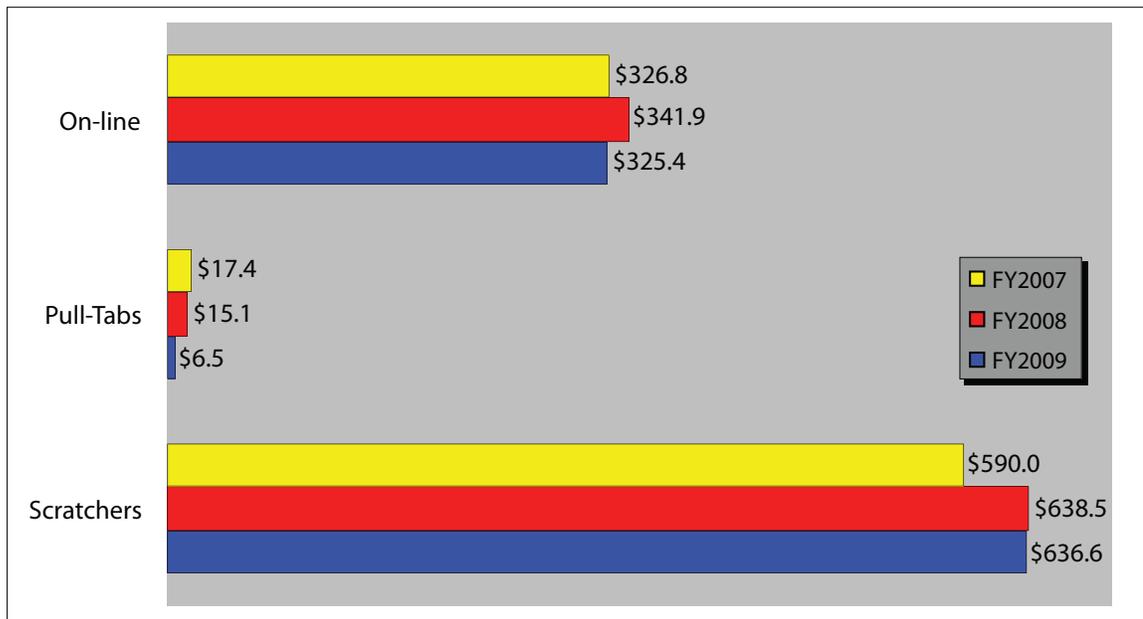
Changes in net assets are the result of fluctuations in market yields which increase or reduce the unrealized gain on investments.

Because the Lottery is required to transfer its net income (excluding the unrealized gain or loss on investments) to the Lottery Proceeds Fund, the change in net assets does not reflect the results of the Lottery operating activities. The amounts reported as Transfer to the State of Missouri reflect the Lottery's operating activities for the fiscal years.

Operating Revenues

	For the Year Ended June 30,		
	2009	2008	2007
Sales by Game			
Scratchers	\$636,574,616	\$638,533,775	\$590,045,817
Pull-Tabs	6,463,110	15,088,705	17,409,170
On-line			
Lotto	28,116,282	29,955,387	33,955,803
Pick 3	67,665,040	68,680,133	65,091,442
Pick 4	26,434,016	25,751,837	24,015,250
Show Me Cash / SHOW ME 5 Paydown	22,168,807	18,836,176	19,684,271
Club Keno	57,378,494	57,753,303	53,273,105
Lucky Dough	1,256,408	-	-
Powerball	120,677,712	138,393,572	130,795,800
Raffle	1,717,410	2,500,000	-
Total on-line	325,414,169	341,870,408	326,815,671
Other	596,377	649,422	1,395,548
Total operating revenues	\$969,048,272	\$996,142,310	\$935,666,206

Lottery Sales By Product in millions



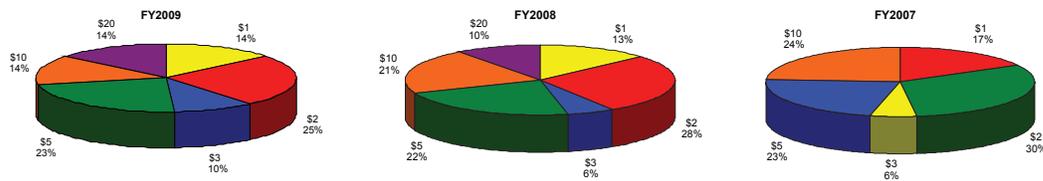
After three consecutive years of record breaking ticket sales for the Lottery, sales declined slightly in fiscal year 2009. Overall sales declined by approximately \$27 million, or 2.72%, from the fiscal year 2008 levels.

For the year ended June 30, 2009, Scratcher ticket sales declined by approximately \$2 million (0.31%), while on-line product sales declined by approximately \$16.5 million (4.81%). The Pull-Tab product line

was discontinued in January of 2009. This action was taken in response to continued declining sales of the product line and the need to redirect the Lottery's limited resources to the other more profitable product lines.

For the fiscal year ended June 30, 2008, ticket sales increased by 6.55%, approximately \$61.2 million, over the fiscal year 2007 sales level. Scratcher tickets led the way to this record sales level as sales increased by approximately \$48.5 million (8.22%) during 2008. On-line product sales increased in 2008 by approximately \$15.1 million, or 4.61%, and Pull-Tab sales declined by 13.33%, or approximately \$2.3 million.

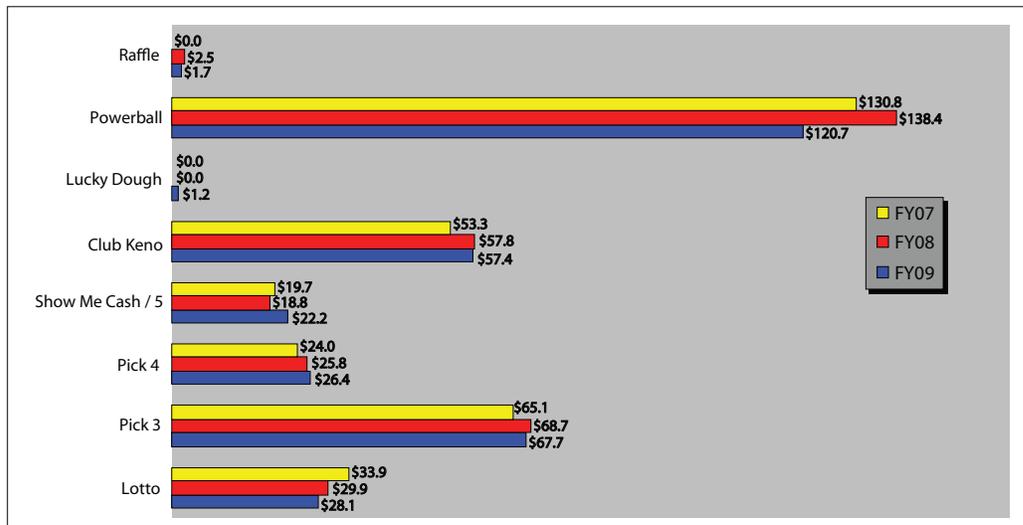
Scratchers Ticket Sales By Price Point



During 2009, sales of the \$1 to \$3 price point tickets in the Scratcher tickets product line increased from the sales levels of 2008. Overall, sales of these price point tickets increased by approximately 4.12%, or approximately \$12.3 million, in 2009. The use of specialty themed games and the migration of the popular bingo style games to a \$3 price point from \$2 were contributing factors to the increased sales levels. The \$5 price point tickets also remained popular during 2009 as sales increased by approximately \$5.4 million, or 3.83%. As to the higher price point tickets, \$10 and \$20, the combined sales results for these products in 2009 was a decrease from 2008 levels of approximately \$19.6 million, or 9.86%. The first \$20 ticket was introduced in January of 2008 and a second ticket was introduced in January of 2009. The total sales of the \$20 tickets increased from approximately \$65.0 million in 2008 to approximately \$90.7 million in 2009, however, the sales level of the \$10 tickets declined from approximately \$134.3 million in 2008 to \$88.9 million in 2009.

For the fiscal year ended June 30, 2008, the Scratcher tickets sales increase was primarily driven from the results of the introduction of the first \$20 ticket. Sales of this price point ticket were approximately \$65.0 million for 2008. Ticket sales of the \$10 price point did decline in 2008 by approximately \$6.6 million, or 4.71%, however, the \$5 price point tickets increased in sales by approximately \$7.6 million (5.67%). The lower price point tickets (\$1 to \$3), in aggregate, declined in sales by approximately \$17.5 million, or 5.53% in 2008.

On-line Sales By Game in millions

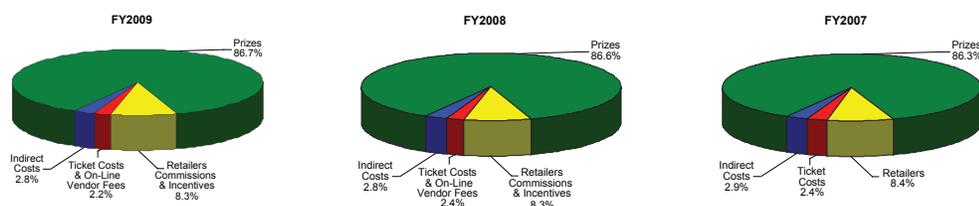


The on-line sales decrease in fiscal year 2009 was due primarily to a decrease in sales of the Powerball game. Sales of Powerball tickets declined by 12.80% as there were fewer large jackpots during the year. Powerball sales levels, like that of Lotto and the redesigned Show Me Cash games, are typically driven by higher jackpot amounts. Lotto sales for 2009 declined by 6.14% in response to lower jackpots as there were a larger number of smaller jackpot winners. Pick 3, Pick 4 and Club Keno sales were generally relatively stable during 2009. The Show Me Cash (formerly known as Show Me 5 Paydown) game was changed from a static jackpot amount (\$50,000 with taxes paid) to a rolling jackpot amount (beginning at \$50,000 and increasing by a minimum of \$5,000 per draw until won) during 2009. Sales responded positively as a result of this game change as sales increased by 17.69%. Lucky Dough was a new game introduced in 2009 and is sold in the same market environment as Club Keno. The Raffle game did not achieve the desired results in 2009 as only 57% of the total available tickets were sold. In 2008, all of the available tickets were sold. The lack of success for this game is attributable to the lack of resources available for effective advertising and player awareness of the game.

For the fiscal year 2008, the on-line sales increase was primarily due to increased sales of Powerball tickets, due to several large jackpots during the year. Sales for the Pick 3 and Pick 4 games continued to increase in fiscal year 2008 after the addition of a second daily draw in fiscal year 2005. Club Keno sales reflected an increase in sales in fiscal year 2008 due to a recruitment program instituted to expand the number of retailers. Lotto sales continued to decrease in fiscal year 2008, following the trend since fiscal year 2007. Show Me 5 Paydown sales continued a declining sales trend that started in fiscal year 2005.

Operating Expenses

	For the Year Ended June 30,		
	2009	2008	2007
Direct Expenses:			
Prizes	\$629,276,635	\$641,123,508	\$595,022,614
Retailer commissions and incentives	60,109,568	61,508,836	58,257,753
Tickets	7,782,756	8,640,791	7,914,860
On-line vendor fees	8,294,792	8,648,999	8,365,859
Other Operating Expenses:			
Advertising	1,236,819	1,299,980	1,467,480
Wages and benefits	9,856,894	9,800,283	9,603,898
Other general expenses	8,376,605	8,321,447	8,166,226
Depreciation and amortization	996,475	851,764	749,508



Direct Expenses

Most costs and expenses that comprise direct expenses are related to specific games and thus vary proportionately with the change in sales of the related game. However, some variability does occur due to the nature of some of the expenses and the activities, events and programs which may occur during any period of time. These expenses include prize expenses, retailer commissions and incentives, instant ticket printing costs and on-line vendor fees.

Of the Lottery's total operating expenses of \$725.9 million in fiscal year 2009, \$705.5 million, or 97.18%, are game-related, or direct, expenses. In fiscal year 2008, direct expenses were \$719.9 million, or 97.39%, of the total \$740.2 million total operating expenses for the year. In fiscal year 2007, direct expenses were 97.10%, of total operating expenses.

Prize expense for fiscal year 2009 decreased by approximately \$11.8 million, or 1.85%, while total ticket sales declined by 2.72%. This variability was due to the continuing effects of increasing the prize structures on Scratcher products, the increased prize structure of the redesigned Show Me Cash game and a larger than expected number of winners and payouts on Lotto. In fiscal year 2008, prize expense increased by approximately \$46.1 million, or 7.75%, while total ticket sales increased by 6.55%. The variance between the percentage increase in prize expense and sales reflects the effects of increasing the prize structure of the Scratcher products and also larger prize payouts than expected on Lotto, Pick 3 and Pick 4. The random selection of winning numbers may result in deviations from expected results in a short-term period.

Retailer commissions and incentives in fiscal year 2009 declined by approximately \$1.4 million, or 2.27%. In fiscal year 2008, these expenses increased by approximately \$3.3 million, or 5.59%. These categories and results more closely follow the sales trends than prize expense. Variations will occur due to additional promotional activity to promote selected games and number of jackpots won during the year.

Instant and Pull-Tab ticket expenses decreased by approximately \$.8 million (2.27%) in fiscal year 2009, which reflects the effects of the decrease in sales and discontinuation of the Pull-Tab product line, as well as the utilization of fewer licensed property games during 2009. In fiscal year 2008, these expenses increased by approximately \$.7 million (9.17%), which reflects the effects of Scratchers' sales increase during the fiscal year and the additional costs related to royalty fees for licensed games.

The on-line vendor fees decreased by \$.3 million, or 4.09%, in fiscal year 2009, which reflects the effects of lower sales for the year. In fiscal year 2008, this expense category increased by \$.3 million, or 3.38%, in direct response to the increase in sales for the year. The annual variances in this category will not exactly mirror the percentage change in sales as the level of free and promotional tickets, as well as any system performance credits, will affect the actual annual expense amount.

Other Operating Expenses

Other operating expenses include advertising, personal services, fringe benefits, marketing and promotional expenses, utilities and facility costs, communication services and other administrative costs. The Lottery is subject to the budgetary and appropriation process of the State of Missouri. Management develops budgets for these expenses, within the total amounts appropriated by the State, based upon current economic conditions, business plans and market conditions, and actual results are continuously monitored to ensure that the overall business objectives are being met in the most effective and efficient manner. During the fiscal years of 2009 and 2008, the levels of expenditures for advertising, wages and benefits and other general expenses have remained relatively unchanged. In total, these expenses increased by 0.25% in fiscal year 2009 and 0.96% in fiscal year 2008.

The level of depreciation and amortization expenses is generally a function of capital asset acquisition activity. A significant portion of the Lottery's vehicle fleet has been replaced during the last three years, as well as necessary upgrades, replacements and additions of computer equipment and related items, has resulted in increased depreciation and amortization expenses for the fiscal years of 2009 and 2008.

Non-Operating Revenues (Expenses)

	For the Year Ended June 30,		
	2009	2008	2007
Interest	\$731,222	\$1,430,382	\$1,360,853
Unclaimed prizes	12,403,901	9,330,350	10,349,767
Net increase in investments held	4,365,372	6,893,961	4,294,279
Amortization of grand-prize winner liability	(3,861,661)	(4,215,836)	(4,647,958)
Gain (loss) on capital asset disposal	(26,702)	37,679	54,077
Transfers from State of Missouri	60,481	-	-
Transfers to State of Missouri	(256,286,630)	(266,745,112)	(257,882,704)

The Lottery earns interest on its share of the common cash pool with the State Treasurer's Office, as well as interest on an imprest fund account utilized to pay prizes. Interest is also earned on funds receivable from Multi-State Lottery Association (MUSL). The significant decrease in interest earnings for fiscal year 2009 reflects the effects of the market conditions as interest rates declined substantially during the year.

The Lottery retains prize money if a claim for the prize is not made within a 180 day claim period. In fiscal year 2009, there was an increase in the number of \$5 price point Scratcher games, along with a single \$10 price point game, that were closed which resulted in a higher level of unclaimed prizes for the year. There were also more \$5 price point games, and a \$10 price point game, closed in fiscal year 2007 in comparison to fiscal year 2008, which resulted in the variance between these two fiscal years.

The net increase in investments held for grand-prize winners represents the net market value change as required to be reported per GASB 31. Amortization of the grand-prize winner liability represents the accretion of interest to the securities held to maturity to fund the grand-prize winner payments.

As to the gain or loss from the disposal of capital assets, the variances generally reflect the effects of the number of vehicles that were sold during each fiscal year. In fiscal year 2009, nine vehicles were sold, in fiscal year 2008, seventeen vehicles were sold and in fiscal year 2007, the number of vehicles sold was twenty-two. For fiscal year 2009, the net loss recognized on the disposal of capital assets was primarily the result of writing off certain equipment related to the Pull-Tab product, which was discontinued during the fiscal year.

The transfer from the State of Missouri in fiscal year 2009 represents funds provided by another state agency to cover the costs in excess of an appropriation received by the Lottery for a capital improvement project.

All net proceeds are transferred to the Lottery Proceeds Fund for Education. Net proceeds for fiscal year 2009 decreased \$10.5 million, or 3.9 percent, from fiscal year 2008. For fiscal year 2008, proceeds increased \$8.8 million, or 3.4 percent, from fiscal year 2007. The governor's office and the legislature determine where these funds will be expended within the state's public institutions of elementary, secondary and higher education.

Capital Assets and Long-Term Debt

The Lottery's capital assets consist of land, buildings, vehicles, computers and other equipment. Capital assets are not a significant part of the Lottery's total assets. Additional detailed information on capital assets may be found in note 6 to the financial statements.

The Lottery has no long-term liabilities other than the long-term annuitized payments to lottery winners and deferred transfers to the State of Missouri. Additional detailed information on long-term liabilities may be found in note 11 to the financial statements.

Contacting the Lottery's Financial Management

This management discussion and analysis report is designed to provide Missouri citizens, government officials, players, retailers and other interested parties with reliable financial information and an explanation of the Lottery's financial activities for the years ended June 30, 2009 and 2008. If you have questions about this report or need additional information, contact the Missouri State Lottery Commission, Financial Accounting Section, P.O. Box 1603, Jefferson City, Missouri 65102-1603.

Missouri State Lottery Commission
(A Component Unit of the State of Missouri)

Statements Of Net Assets As Of June 30, 2009 And 2008

	2009	2008
Current Assets:		
Cash and cash equivalents	\$ 22,838,110	\$ 20,059,415
Investments held for grand-prize winners at fair value	11,583,256	11,603,000
Accounts receivable, net of allowances for returns	38,069,945	37,906,597
Other receivable	87,145	1,852,610
Prepaid expense	147,843	92,287
Total current assets	72,726,299	71,513,909
Noncurrent Assets:		
Investments held for grand-prize winners at fair value	57,808,429	61,732,872
Capital assets:		
Capital assets not being depreciated	352,973	352,973
Capital assets	13,181,164	16,677,690
Accumulated depreciation	(10,056,124)	(13,107,125)
Total noncurrent assets	61,286,442	65,656,410
Total assets	134,012,741	137,170,319
Current Liabilities:		
Accounts payable	95,484	187,535
Due to Lottery Proceeds Fund	17,142,108	17,640,085
Accrued prize liabilities	40,606,132	37,050,549
Grand-prize winner liabilities	11,594,000	11,702,000
Other accrued liabilities	3,604,905	3,562,174
Total current liabilities	73,042,629	70,142,343
Long-term Liabilities:		
Due to Lottery Proceeds Fund - Deferred	3,172,427	5,394,104
Long-term grand-prize winner liabilities at present value	51,027,040	55,366,938
Total long-term liabilities	54,199,467	60,761,042
Total liabilities	127,242,096	130,903,385
Net Assets:		
Invested in capital assets	3,478,013	3,923,538
Unrestricted	(3,478,013)	(3,923,538)
Restricted through Constitutional provisions	6,770,645	6,266,934
Total net assets	\$ 6,770,645	\$ 6,266,934

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(A Component Unit of the State of Missouri)

**Statements Of Revenues, Expenses And Changes In Fund Net Assets
For The Years Ended June 30, 2009 And 2008**

	2009	2008
Operating Revenues:		
On-line ticket sales	\$ 325,414,169	\$ 341,870,408
Scratchers ticket sales	636,574,616	638,533,775
Pull-Tab ticket sales	6,463,110	15,088,705
Total sales	968,451,895	995,492,888
Other	596,377	649,422
Total operating revenues	969,048,272	996,142,310
Operating Expenses:		
On-line prize expense	182,748,411	188,271,101
Scratchers prize expense	442,423,786	443,260,128
Pull-Tab prize expense	4,104,438	9,592,279
On-line retailer commissions and incentives	19,105,995	19,896,220
Scratchers retailer commissions and incentives	40,426,633	40,177,085
Pull-Tab retailer commissions and incentives	576,940	1,435,531
Cost of tickets sold	16,077,548	17,289,790
Advertising	1,236,819	1,299,980
Wages and benefits	9,856,894	9,800,283
Other general and administrative	8,376,605	8,321,447
Depreciation and amortization	996,475	851,764
Total operating expenses	725,930,544	740,195,608
Operating income	243,117,728	255,946,702
Nonoperating Revenues (Expenses):		
Interest income	731,222	1,430,382
Unclaimed prizes	12,403,901	9,330,350
Net increase in the fair value of investments held for grand-prize winners	4,365,372	6,893,961
Amortization of grand-prize winner liability	(3,861,661)	(4,215,836)
Gain (loss) on disposal of capital assets	(26,702)	37,679
Transfers from State of Missouri	60,481	-
Transfers to State of Missouri	(256,286,630)	(266,745,112)
Total nonoperating revenues (expenses)	(242,614,017)	(253,268,576)
Changes in net assets	503,711	2,678,126
Total Net Assets, beginning of year	6,266,934	3,588,808
Total Net Assets, end of year	\$ 6,770,645	\$ 6,266,934

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(A Component Unit of the State of Missouri)

Statements Of Cash Flows
For The Years Ended June 30, 2009 And 2008

	2009	2008
Cash Flows From Operating Activities:		
Cash received from retailers and others	\$ 970,650,389	\$ 991,214,712
Cash paid for prizes	(625,019,151)	(640,015,622)
Cash paid for retailer commissions	(60,111,068)	(61,364,393)
Cash paid for employee services	(9,812,663)	(9,783,662)
Cash paid for other expenses	(25,838,579)	(26,949,657)
Net cash provided by operating activities	249,868,928	253,101,378
Cash Flows From Noncapital Financing Activities:		
Transfers to State of Missouri	(259,006,284)	(265,051,179)
Cash Flows From Capital And Related Financing Activities:		
Purchases of capital assets	(555,918)	(901,121)
Proceeds from sale of capital assets	38,747	42,645
Net cash used for capital and related financing activities	(517,171)	(858,476)
Cash Flows From Investing Activities:		
Proceeds from maturity of investments	11,702,000	11,123,000
Interest received	731,222	1,430,382
Net cash provided by investing activities	12,433,222	12,553,382
Net increase (decrease) in cash and cash equivalents	2,778,695	(254,895)
Cash And Cash Equivalents, beginning of year	20,059,415	20,314,310
Cash And Cash Equivalents, end of year	\$ 22,838,110	\$ 20,059,415
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating income	\$ 243,117,728	\$ 255,946,702
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	996,475	851,764
Unclaimed prizes	12,403,901	9,330,350
Payments to grand-prize winners	(11,702,000)	(11,123,000)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(163,348)	(4,437,799)
(Increase) decrease in other receivables	1,765,465	(489,799)
(Increase) in prepaid expenss	(55,556)	(41,151)
Increase (decrease) in accounts payable and other accrued liabilities	(49,320)	163,777
Increase in accrued prize liabilities	3,555,583	2,900,534
Net cash provided by operating activities	\$ 249,868,928	\$ 253,101,378
Non-cash Activities:		
Unrealized gains on investments held for grand-prize winners	\$ 4,365,372	\$ 6,893,961
Amortization of long-term annuity prize liability	\$ 3,861,661	\$ 4,215,836

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(A Component Unit of the State of Missouri)
Notes To The Basic Financial Statements
June 30, 2009 And 2008

1. Summary Of Significant Accounting Policies:

The Missouri State Lottery Commission (the Lottery) was created by the passage of a constitutional amendment on November 6, 1984 by the citizens of the State of Missouri. The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Missouri Revised Statutes. The Department of Revenue has no control, supervision or authority over the actions or decisions of the Lottery. The Commission consists of five members appointed by the Governor with the advice and consent of the Senate. The day-to-day operations are administered by the executive director and administrative staff as designated by the Commission. In accordance with Governmental Accounting Standards Board Statement No. 14, the Lottery, although a legally separate entity, is considered to be a component unit of the State of Missouri. This component unit provides services which exclusively, or almost exclusively, benefit the State of Missouri.

Basis of Presentation

The Lottery is accounted for as a proprietary-type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or where the periodic determination of net income is appropriate. In reporting its financial activities, the Lottery applies all applicable private sector standards of accounting and financial reporting issued prior to November 30, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Lottery has elected not to follow private sector guidance issued after this date.

Basis of Accounting

The financial statements of the Lottery have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The term “basis of accounting” refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The term “measurement focus” refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with GAAP.

The Lottery distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Lottery primarily consist of sales from Scratchers, Pull-Tab and on-line tickets. Operating expenses primarily consist of payments to prize winners, commissions to retailer agents and payments to vendors and employees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

Sales of on-line lottery tickets are generated by the semiweekly Lotto and Powerball games, and the daily Club Keno, Lucky Dough, Show Me Cash (previously Show Me 5 Paydown), Pick 4, Pick 3 and Raffle games. Sales of on-line lottery tickets are made through licensed retail sales outlets via on-line terminals maintained by the retailers. Ticket sales are recognized at the time the player purchases a ticket from the retailer.

Sales of Scratchers tickets are made to licensed retail sales outlets with the right of return. Ticket sales are recognized upon the sale of tickets to licensed retailers and are valued at the sale price to the player. Allowances of approximately \$1,524,000 and \$2,412,000 at June 30, 2009 and 2008, respectively, have been established for estimated tickets to be returned by retailers.

Sales of Pull-Tab lottery tickets were made to licensed retail sales outlets with no right of return. Ticket sales were recognized upon the sale of tickets to retailers and were valued at the sale price to the player. During the fiscal year ended June 30, 2009, the Lottery discontinued the Pull-Tab product line.

Prizes

Expenses for on-line lottery ticket prizes are recorded based on a minimum of 45 percent of on-line lottery ticket sales. This amount is recognized and accrued as prize liability. Actual prizes paid are treated as a reduction of the prize liability.

Lotto grand-prize winners have the choice of receiving their prize in 25 annual installments or a portion of the prize in one lump-sum payment. Powerball grand-prize winners have the choice of receiving their prize in 30 annual installments or a portion of the prize in one lump-sum payment.

Expenses for Scratchers ticket prizes and Pull-Tab ticket prizes are recorded based upon the unique, predetermined prize structure for each game and are accrued as tickets are sold to the retailer.

Unclaimed Prizes

State statutes require that unclaimed prize monies be retained by the Lottery for the person entitled thereto for 180 days after the time the prize was awarded. If no claim is made for the prize within such time, the prize money reverts to the Lottery. Effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers to the Lottery Proceeds Fund all prizes that remain unclaimed. During the years ended June 30, 2009 and 2008, unclaimed prizes in the amount of approximately \$12,404,000 and \$9,330,000, respectively, were transferred to the Lottery Proceeds Fund. For the years ended June 30, 2009 and 2008, this amount has been included as nonoperating revenue on the statements of revenues, expenses and changes in fund net assets with a corresponding amount included as a transfer to State of Missouri.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash in banks, repurchase agreements and funds on deposit with the State Treasurer. The Lottery considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments Held for Grand-Prize Winners

Since March 1990, the Lottery has purchased U.S. Treasury zero coupon bonds to fund future payments under grand-prize winner prize claims. The maturities of these bonds approximate deferred grand-prize annuity installment amounts and due dates. The securities purchased are held in the Lottery's name in safekeeping by the Federal Reserve Bank in a separate account. The investments in these securities are carried at fair value.

Retailer Fees

Licensed retailers are charged a fee for the right to sell lottery tickets. Additionally, certain retailers pay an annual fee in lieu of obtaining an insurance bond. Such fees are used to offset uncollectible accounts receivable from retailers. The Lottery has not established an allowance for bad debt as this amount has been determined to be immaterial to the accounts receivable balance.

Capital Assets

Property and equipment greater than \$1,000 are carried at cost, less accumulated depreciation. Property and equipment received as settlement for liquidated damages are recorded at fair value on the date received. Depreciation is computed on the straight-line method over the estimated lives of the related assets, which range from three to fifteen years for autos, computers, equipment, and other assets and nineteen years for buildings.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in nonoperating revenues and expenses for the period.

Net Assets

Restricted net assets represent the unrealized gains or losses on investments held for grand-prize winners. GASB Statement No. 31 requires that certain investments be reported at fair value with gains and losses reflected in the statement of operations. As required by the Missouri Constitution and state statutes, the Lottery uses investments only to fund its annuity prize obligations and intends to hold the investments to maturity. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts due to the Lottery Proceeds Fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Due to Lottery Proceeds Fund

All income before transfers of the Lottery, except for the net increase in the fair value of investments held for grand-prize winners and amortization of grand-prize winner liabilities, as described in the accompanying statements of revenues, expenses and changes in fund net assets, accrues to the benefit of the State of Missouri. Transfers are made to the Lottery Proceeds Fund, which shall be appropriated by the State solely for the institutions of public elementary, secondary and higher education.

Transfers are made monthly and are based on estimated net income before transfers. A portion of the liability to the Lottery Proceeds Fund, equal to the net book value of capital additions after September 1, 1988, and all amounts receivable from the Multi-State Lottery Association, is deferred and is not subject to current transfers.

Compensated Absences

Under the terms of the Lottery's personnel policy, employees are granted vacation and sick leave in varying amounts, based upon length of service. In the event of termination or separation, an employee is generally paid for accumulated vacation up to 240 hours if in service for less than ten years; 288 hours for service between ten and fifteen years; and 336 hours if service exceeds fifteen years. Accordingly, it is the Lottery's policy to record vacation pay as an expense as it is earned. The amount of earned but unused accumulated vacation is included as an accrued liability in the accompanying financial statements.

Retiring employees receive an additional month of credited service for every twenty-one days of accumulated sick leave on the date of termination. Credited service is used to calculate retirement benefits administered by the Missouri State Employees Retirement System. The amount of earned but unused sick leave has no material financial effect on the Lottery.

Risk Management

The Lottery's risk management activities for workers' compensation and unemployment are recorded in the Workers' Compensation Fund and the Employment Security Fund, funds of the State of Missouri. The Lottery reimburses these funds for actual disbursements made on the Lottery's account.

Employees are offered various health insurance coverage programs administered by the Missouri Consolidated Health Care Plan (MCHCP). The Lottery contributes a fixed monthly payment for each covered employee to MCHCP as appropriated by the General Assembly of the State of Missouri.

The Lottery's major assets including data processing equipment, buildings and business interruption are insured by a third-party carrier maintained by the Office of Risk Management.

There were no significant reductions in insurance coverage from the prior year. Insurance settlements did not exceed insurance coverage in the past three years.

Budgetary Authority

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. All expenses of the Lottery are subject to the State of Missouri appropriation process.

2. Statutory Requirements:

Missouri statutes provide that a minimum of 45 percent of the money received from the sale of lottery tickets shall be allocated to prizes. The costs of operating the Lottery, including all commissions to retailers, promotional costs, and all other administrative expenditures, are appropriated by the General Assembly of the State of Missouri.

The Lottery receives certain services for no charge from other Missouri state government agencies. Investigative services are provided by the Missouri State Highway Patrol. The Office of Administration provides certain services to process expenditures and payroll for the Lottery.

3. Cash And Cash Equivalents:

Cash, other than petty cash and the imprest fund, is part of the common cash pool in the State Treasury. The State of Missouri invests such cash in excess of what is necessary to meet current obligations. The fair value in the common cash pool is the same as the value of the pool shares. At June 30, 2009 and 2008, the Lottery's share in the State's common cash pool was \$18,339,986 and \$14,040,488, respectively. At June 30, 2009 and 2008, the book balance of the imprest fund was \$4,496,024 and \$6,016,827, respectively, and the bank balance was \$5,733,672 and \$7,339,672, respectively.

Collateral is required by state statutes for demand deposits and certificates of deposit. The fair value of collateral must equal 100 percent of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statute and include U.S. government and U. S. agency bonds and securities, general obligation bonds of any of the fifty states, general obligation bonds of any Missouri county and certain cities and special districts, and revenue bonds of certain Missouri agencies. Written custodial agreements are required which provide, among other things, that the collateral be held separate from the assets of the custodial bank.

Custodial credit risk is the risk that, in the event of a bank failure, the Lottery's deposits may not be returned to it. The Lottery does not have a deposit policy for custodial credit risk. The Lottery's imprest fund was fully collateralized by FDIC insurance and pledged collateral at June 30, 2009 and 2008. Because the Lottery's share of the State's Treasury is a pooled investment, the balance of this account is not subject to custodial credit risk under GASB Statement No. 40.

4. Investments Held For Grand-Prize Winners:

As provided for by Article III, Section 39(b) of the Missouri Constitution, the Lottery purchases United States Treasury Zero Coupon Bonds for the specific purpose of funding future grand-prize winner prize claims. These investments are carried at fair value in the amounts of \$69,391,685 and \$73,335,872 at June 30, 2009 and 2008, respectively. The maturity value of securities held at June 30, 2009 and 2008 was \$85,991,000 and \$92,423,000, respectively.

At June 30, 2009, the Lottery had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
United States Treasury Zero Coupon Bonds	<u>\$69,391,685</u>	<u>\$11,583,256</u>	<u>\$30,803,679</u>	<u>\$14,608,244</u>	<u>\$12,396,505</u>

Investments in prize annuities are subject to changes in fair value due to interest rate risk. However, to satisfy the annual installment obligations to prize winners, these bonds are held to maturity. The fair value at maturity is the face value of the bonds, regardless of the changes in value during the time that the investments are outstanding.

5. On-line Ticket Sales:

On-line ticket sales consist of the following:

	2009	2008
Powerball	\$120,677,712	\$138,393,572
Pick 3	67,665,040	68,680,133
Lotto	28,116,282	29,955,387
Show Me Cash/ SHOW ME 5 Paydown	22,168,807	18,836,176
Pick 4	26,434,016	25,751,837
Club Keno	57,378,494	57,753,303
Lucky Dough	1,256,408	-
Million-Dollar Raffle	1,717,410	2,500,000
	<u>\$325,414,169</u>	<u>\$341,870,408</u>

6. Capital Assets:

The changes in capital assets consist of the following:

	June 30, 2008	Increases	Decreases	June 30, 2009
Capital assets not being depreciated:				
Land	\$ 352,973	\$ -	\$ -	\$ 352,973
Construction in progress	-	60,481	(60,481)	-
Total capital assets not being depreciated	<u>352,973</u>	<u>60,481</u>	<u>(60,481)</u>	<u>352,973</u>
Capital assets being depreciated:				
Buildings	4,746,794	60,481	-	4,807,275
Computers	5,087,784	374,262	(630,157)	4,831,889
Equipment	5,551,701	6,850	(3,285,871)	2,272,680
Automobiles	1,246,411	174,807	(196,898)	1,224,320
Other	45,000	-	-	45,000
Total capital assets being depreciated	<u>16,677,690</u>	<u>616,400</u>	<u>(4,112,926)</u>	<u>13,181,164</u>
Less accumulated depreciation for:				
Buildings	(3,267,906)	(131,114)	-	(3,399,020)
Computers	(3,762,805)	(516,791)	605,701	(3,673,895)
Equipment	(5,239,410)	(99,561)	3,255,972	(2,082,999)
Automobiles	(817,677)	(247,508)	185,802	(879,383)
Other	(19,327)	(1,500)	-	(20,827)
Total accumulated depreciation	<u>(13,107,125)</u>	<u>\$ (996,474)</u>	<u>\$ 4,047,475</u>	<u>10,056,124</u>
Total capital assets being depreciated, net	<u>3,570,565</u>			<u>3,125,040</u>
Capital assets, net	<u>\$ 3,923,538</u>			<u>\$ 3,478,013</u>

	June 30, 2007	Increases	Decreases	June 30, 2008
Capital assets not being depreciated:				
Land	\$ 352,973	\$ -	\$ -	\$ 352,973
Construction in progress	305,786	-	(305,786)	-
Total capital assets not being depreciated	<u>658,759</u>	<u>-</u>	<u>(305,786)</u>	<u>352,973</u>
Capital assets being depreciated:				
Buildings	4,441,008	305,786	-	4,746,794
Computers	4,363,073	994,632	(269,921)	5,087,784
Equipment	7,656,863	43,106	(2,148,268)	5,551,701
Automobiles	1,331,660	247,635	(332,884)	1,246,411
Other	45,000	-	-	45,000
Total capital assets being depreciated	<u>17,837,604</u>	<u>1,591,159</u>	<u>(2,751,073)</u>	<u>16,677,690</u>
Less accumulated depreciation for:				
Buildings	(3,142,537)	(125,369)	-	(3,267,906)
Computers	(3,582,319)	(445,439)	264,953	(3,762,805)
Equipment	(7,291,167)	(96,511)	2,148,268	(5,239,410)
Automobiles	(967,620)	(182,941)	332,884	(817,677)
Other	(17,823)	(1,504)	-	(19,327)
Total accumulated depreciation	<u>(15,001,466)</u>	<u>\$ (851,764)</u>	<u>\$ 2,746,105</u>	<u>13,107,125</u>
Total capital assets being depreciated, net	<u>2,836,138</u>			<u>3,570,565</u>
Capital assets, net	<u>\$ 3,494,897</u>			<u>\$ 3,923,538</u>

7. Pension Plan:

The Lottery participates in the Missouri State Employees' Retirement System (MOSERS) plan, a cost-sharing multiple employer defined benefit retirement plan covering all the employees of the State of Missouri. The Plan is administered by the MOSERS Board of Trustees in accordance with Sections 104.010 and 104.312 to 104.800 of the Revised Statutes of Missouri. Substantially all full-time employees of the Lottery are covered by the plan. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Missouri State Employees' Retirement System, 907 Wildwood Drive, P.O. Box 209, Jefferson City, Missouri 65102, or by calling (800) 827-1067.

The Plan provides retirement, death and disability benefits to its members. Benefits for state employees are fully vested after five years of credited service. Employees may retire on or after age 55 and may receive reduced benefits at an earlier retirement age. However, an employee may receive full benefits if they are at least age 48 and their combined age and service equal 80. The Plan cannot be terminated. The Lottery's full-time employees do not contribute to the Plan. The State of Missouri is required to make all contributions at an actuarially determined rate. The current rate of contribution for retirement and long-term disability is 12.53 percent and 0.495 percent of total payroll, respectively.

For fiscal years ended June 30, 2009, 2008 and 2007, the annual pension cost was approximately \$930,000, \$951,000 and \$916,000, respectively, and was equal to 100 percent of the annual pension cost required to be contributed for those years.

8. Leases:

Operating Leases

The Lottery's regional facilities are held under operating lease agreements. The Kansas City office is currently under a five year lease set to expire December 31, 2012. The lease agreements for both the St. Louis and Springfield offices are under five year lease agreements that are set to expire June 30, 2014. Annual rent expense for these facilities totaled approximately \$295,000 in fiscal 2009 and \$309,000 in 2008.

The Lottery leases ticket vending machines under operating lease agreements. In fiscal year 2008, the Lottery replaced the existing vending machines with new machines under a new lease agreement which

expires June 30, 2012. The lease agreement permits the Lottery to lease machines for terms of three to five years at established price levels during the duration of the agreement. Annual lease expense for the ticket vending machines totaled approximately \$1,414,000 in fiscal 2009 and \$1,262,000 in 2008.

Future minimum lease payments under all noncancelable leases having initial or remaining terms in excess of one year as of June 30, 2009 are as follows:

2010	\$ 1,728,079
2011	1,728,079
2012	1,728,079
2013	228,898
2014	173,497
	<u>\$5,586,632</u>

9. Contractual Arrangements:

The Lottery maintains contractual arrangements with providers of goods and services critical to the Lottery's operations. Significant contracts include an agreement with the provider of the Lottery's on-line game computer systems and agreements with producers of the Lottery's Scratchers and Pull-Tab games tickets, among others. The contracts generally run for one year, with one-year renewals available at the option of the Lottery. The contracts require the Lottery to compensate vendors for goods and services that meet stated quality standards.

The Lottery is a member of the Multi-State Lottery Association (MUSL) which consists of 32 state and district lotteries (member lotteries) and operates the on-line Powerball game. Under separate agreements between MUSL and each lottery, the member lotteries sell tickets for the Powerball game and remit 50 percent of sales to prize winners or to MUSL for payment of prizes. Member lotteries also fund MUSL's operating expenses based on allocations by MUSL.

Powerball grand-prize winners have the choice of receiving the prize in 30 annual installments or a portion of the prize in one lump-sum payment. Investment securities, with maturities that approximate all grand-prize winner payments due to winners of MUSL games, are maintained by MUSL. The investments and related prize liabilities for winners of these games from the state of Missouri are excluded from the accompanying financial statements. Future grand-prize winner payments of MUSL games due to winners in Missouri are approximately \$38,098,000 and \$47,608,000 as of June 30, 2009 and 2008, respectively.

The Lottery has contributed to a prize reserve fund and set prize reserve fund, separately maintained by MUSL, to protect MUSL members in case of unforeseen liabilities and to pay certain prizes associated with Powerball, respectively. With certain restrictions, these fund balances are refundable to member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2009 and 2008, the Lottery's portion of the prize reserve fund and set prize reserve fund was approximately \$4,529,000 and \$4,208,000, respectively, and \$1,478,000 and \$1,504,000, respectively. The Lottery has charged amounts placed into the prize reserve funds to prize expense as the related sales have occurred.

The Lottery has contributed to an account with MUSL which is used to pay certain operating expenses incurred by member lotteries for the Powerball game. With certain restrictions, the balances in this account are refundable to the member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2009 and 2008 the Lottery's portion of the balance of this account was \$47,387 and \$1,823,539, respectively, and is reported as a receivable.

10. Amounts Held On Behalf Of Grand-Prize Winners Liability:

The Lottery has an implied contract to make future installment payments to grand-prize winners, and as such, recognizes this as amounts held on behalf of grand-prize winners. Amounts due to grand-

prize winners are carried at the estimated present value of the prizes that will eventually be awarded. The present value of these payments at June 30, 2009 and 2008 was \$62,621,040 and \$67,068,938, respectively. This is funded with the maturing U.S. Treasury zero coupon bonds that are restricted for this purpose. The balances of these maturities at June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 11,594,000
2011	10,374,000
2012	8,428,000
2013	7,231,000
2014	6,274,000
2015 through 2019	18,598,000
2020 through 2024	13,532,000
2025 through 2029	8,524,000
2030 through 2033	1,436,000
Total installment payments due	<u>85,991,000</u>
Less- Interest portion	<u>23,369,960</u>
	<u>\$ 62,621,040</u>

The Lottery has also purchased annuity contracts in the name of the prize winners from selected insurance companies to fund certain grand-prize claims. Because it is the intent of the Lottery that the insurance companies make future installment payments directly to each prize winner, neither the value of the annuities nor the value of the related future payments are reflected in the accompanying financial statements. The Lottery would assume liability for future payments if the insurance companies were to default on their payments. Future payments to be made to grand-prize winners by these insurance companies totaled approximately \$1,350,000 and \$2,275,000 at June 30, 2009 and 2008, respectively.

11. Long-Term Liabilities:

The changes in long-term liabilities consist of the following:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
Due to Lottery Proceeds Fund	\$ 23,034,189	\$256,286,630	\$259,006,284	\$ 20,314,535	\$ 17,142,108
Grand-prize winner liabilities	<u>67,068,938</u>	<u>7,254,102</u>	<u>11,702,000</u>	<u>62,621,040</u>	<u>11,594,000</u>
Total	<u>\$ 90,103,127</u>	<u>\$263,540,732</u>	<u>\$270,708,284</u>	<u>\$ 82,935,575</u>	<u>\$ 28,736,108</u>

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Current Portion</u>
Due to Lottery Proceeds Fund	\$ 21,340,256	\$266,745,112	\$265,051,179	\$ 23,034,189	\$ 17,640,085
Grand-prize winner liabilities	<u>68,821,258</u>	<u>9,370,680</u>	<u>11,123,000</u>	<u>67,068,938</u>	<u>11,702,000</u>
Total	<u>\$ 90,161,514</u>	<u>\$276,115,792</u>	<u>\$276,174,179</u>	<u>\$ 90,103,127</u>	<u>\$ 29,342,085</u>

12. Postretirement Benefits:

As a State agency, the Lottery participates in the Missouri Consolidated Health Care Plan (MCHCP), which is administered by the State as an agent multiple employer plan. Under the plan the State provides certain healthcare for eligible retired employees and their dependents under an employer noncontributory healthcare plan. Retirees who had state-sponsored medical insurance coverage for at least two years (or since first eligible) before they are eligible to retire, based on their plan's criteria, may continue coverage into retirement.

MCHCP medical insurance benefits are provided through self-funded preferred provider organizations (PPO), various health maintenance organizations (HMO), and self-funded HMOs. Generally, these include hospital, medical, mental health and substance abuse benefits and prescription drug benefits.

The Lottery's policy regarding retiree healthcare benefits is to pay the amounts billed through the State's fringe benefit rate on a pay-as-you-go basis. The Lottery has no obligation beyond the payment of the State's fringe benefit rate for retiree healthcare benefits. The State's policy is that the State is responsible for recording the annual required contribution and the actuarial accrued liability under GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions" for the Lottery's retiree health care benefits in the State's governmental-wide financial statements.

13. Contingencies:

There are claims and/or lawsuits to which the Lottery is a party as a result of matters arising in the ordinary course of business. The final outcome of any claim or lawsuit is not presently determinable. Management does not anticipate the resolution of these matters to have a materially adverse effect on the financial condition of the Lottery.

14. Restatement:

The Lottery has elected early implementation of Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This statement was issued in June 2007, with the provisions of the statement effective for periods beginning after June 15, 2009. This statement establishes standards for when and whether intangible assets should be considered capital assets for financial reporting purposes.

As a result of the implementation of the provisions of this statement, the financial statements have been restated to reflect the impact of the capitalization of certain software and related costs. The following table reflects a summary of the restatements:

	June 30, 2008 As Previously Reported	Adjustments	June 30, 2008 As Restated
<u>Statement of Net Assets:</u>			
Noncurrent Assets:			
Capital Assets being depreciated	\$15,204,708	\$1,472,982	\$16,677,690
Accumulated Depreciation	(12,190,796)	(916,329)	(13,107,125)
Total Noncurrent Assets	65,099,757	556,653	65,656,410
Total Assets	136,613,666	556,653	137,170,319
Long-Term Liabilities:			
Due to Lottery Proceeds Fund - Deferred	4,837,451	556,653	5,394,104
Total Long-Term Liabilities	60,204,389	556,653	60,761,042
Total Liabilities	130,346,732	556,653	130,903,385
Net Assets:			
Invested in Capital Assets	3,366,885	556,653	3,923,538
Unrestricted	(3,366,885)	(556,653)	(3,923,538)
<u>Statement of Revenues, Expenses and Changes in Fund Net Assets:</u>			
Operating Expenses:			
Other General and Administrative	\$8,498,159	(\$176,712)	\$8,321,447
Depreciation and Amortization	764,120	87,644	851,764
Total Operating Expenses	740,284,676	(89,068)	740,195,608
Operating Income	255,857,634	89,068	255,946,702
Nonoperating Revenues (Expenses):			
Transfers to State of Missouri	(266,656,044)	(89,068)	(266,745,112)
Total Nonoperating Revenues (Expenses)	(253,179,508)	(89,068)	(253,268,576)

15. Subsequent Events:

The Lottery has evaluated subsequent events through the date of the independent auditors' report, which is the date that the financial statements are available to be issued.

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Statistical Section (Unaudited)

More than \$60.1 million was paid to Lottery retailers in commissions and incentives during fiscal year 2009 for selling Missouri Lottery products.



Store Owner, Marsha Weidmaier, accepts a ceremonial check for \$17,000 on behalf of the Weidmaier Truck Stop . The bonus was awarded as an incentive for selling a winning Lotto ticket.

Missouri State Lottery Commission Statistical Information Section

This section of the Missouri State Lottery Commission’s comprehensive annual financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Lottery’s overall financial health.

Contents	Page
Financial Trends	39
<p>These schedules contain trend information from the current year and prior years’ comprehensive annual financial reports to help a reader understand how the Lottery’s financial performance and position have changed over time.</p>	
Revenue Capacity	46
<p>These schedules contain information to help the reader assess factors affecting the Lottery’s ability to generate sales of lottery tickets. Scratchers ticket game strategies, such as price points and launch schedules, affect the selection and availability of products for sale at retail locations. Information for on-line sales by game, included in the financial trends section, provides data about the various drawing based games that are available to the public. The Lottery’s statewide retailer network determines the market exposure for Scratchers and on-line games.</p>	
Demographic And Economic Information	49
<p>These schedules contain demographic and economic indicators to help a reader understand the environment in which the Lottery operates.</p>	
Operating Information	51
<p>These schedules contain information about the Lottery’s organizational structure, financial performance indicators compared to other lotteries in the United States and capital asset information.</p>	

With the exception of information on retailers and sales for each region, statistical information is provided for the most recent ten years. In the future, data for this schedule will be accumulated and, in due course, the schedule will contain information for a ten-year period.

Financial Trends

Information for the Missouri State Lottery Commission for the last ten fiscal years, 2000 through 2009, is presented in the accompanying schedules and charts. The Missouri State Lottery Commission was created on November 6, 1984, by the passage of a constitutional amendment and began selling tickets in January 1986.

The following information is presented in the accompanying schedules and charts:

Revenue – includes sales, interest income, retailer fees and other income amounts. Interest income does not reflect interest from investments for Lotto payments.

Sales – reflects the face value of lottery tickets.

Retailer commission and incentives – includes the base commission and cashing, promotional and program incentive payments.

Prizes – reflects the liability incurred for payments to winners.

Ticket costs – includes the purchase cost of Scratchers and pull-tab tickets and payments to the on-line games service provider.

Administration – includes all operating expenses not included in prizes, retailer commissions and incentives or ticket costs.

Transfers to the State – reflects the transfer of net income, excluding unrealized gains on investments and amortization of grand-prize winner liability, to the Lottery Proceeds Fund for fiscal years 2000 through 2009. Transfers made during fiscal year 2009 include \$12,403,901 of unclaimed prizes. The Lottery Proceeds Fund is appropriated by the Missouri State General Assembly to the Department of Higher Education and the Department of Elementary and Secondary Education. Profits not yet transferred are shown on the balance sheet as a liability.

Expenses and transfers – includes prizes, retailer commissions and incentives, ticket costs and administration costs as described above, as well as transfers made to the state.

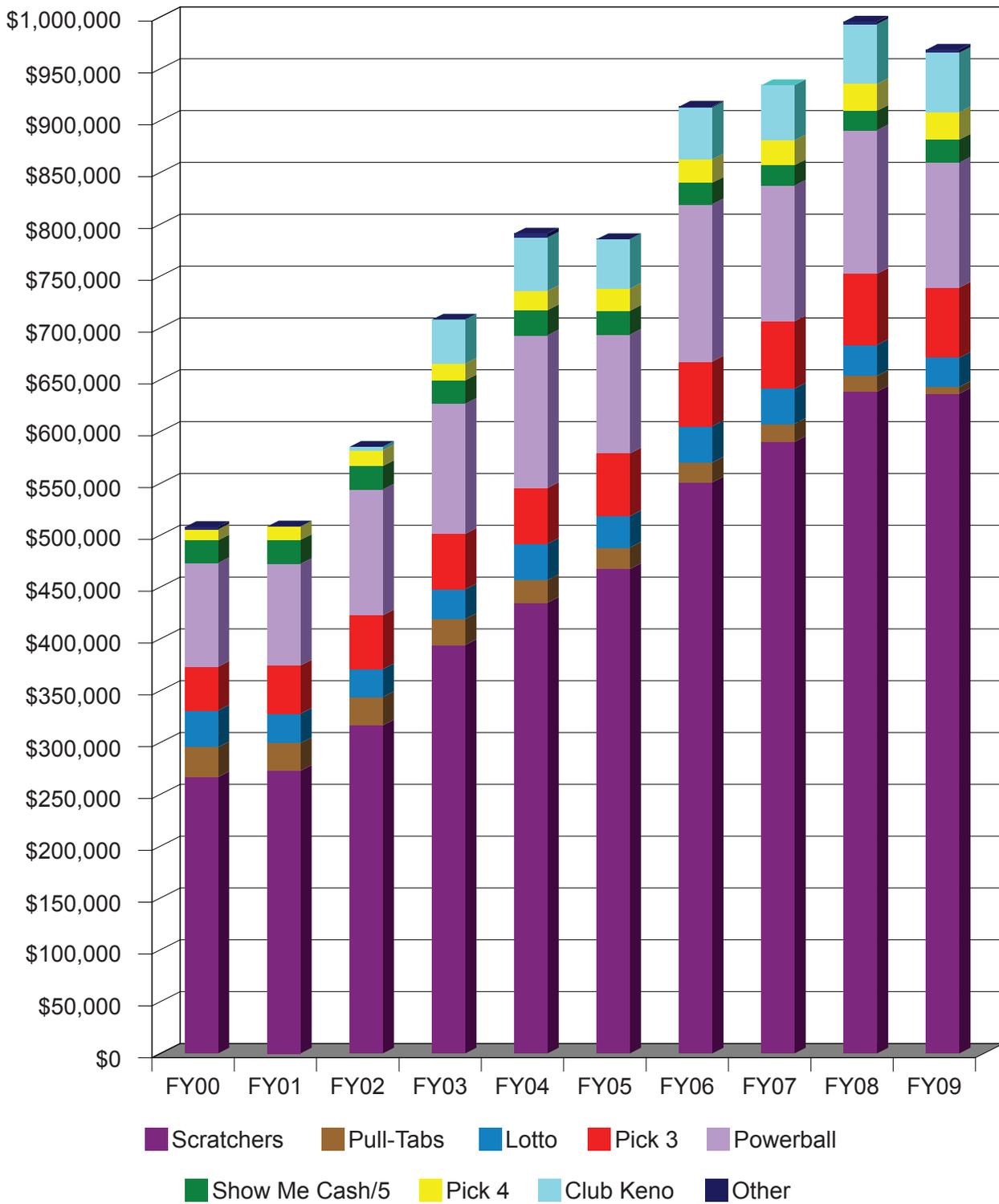
Unless otherwise noted, the source for the data used to prepare the following schedules and charts is the Financial Accounting Section of the Missouri State Lottery Commission.

Missouri State Lottery Commission
Schedule of Changes in Net Assets and Schedule of Net Assets
Last Ten Fiscal Years
(Unaudited)

	2000	2001	2002	2003
Operating revenues				
Scratchers ticket sales	\$266,708,105	\$272,658,386	\$316,397,488	\$393,981,254
On-line ticket sales				
Lotto	35,292,475	28,459,170	27,030,491	28,736,839
Pick 3	42,368,038	46,539,183	51,785,842	53,569,248
Powerball	99,966,448	97,920,328	121,474,897	125,324,451
Show Me Cash / SHOW ME 5 Paydown	21,923,806	23,280,662	22,714,933	22,665,639
Pick 4	10,549,806	12,864,736	15,292,249	16,157,968
Club Keno	-	-	3,124,386	42,570,878
Raffle	-	-	-	-
Xtra	-	-	-	-
Triple Play	2,336,614	-	-	-
Lucky Dough	-	-	-	-
Total on-line ticket sales	<u>212,437,187</u>	<u>209,064,079</u>	<u>241,422,798</u>	<u>289,025,023</u>
Pull-Tab ticket sales	<u>28,700,294</u>	<u>26,578,639</u>	<u>27,368,968</u>	<u>25,041,235</u>
Total sales	<u>507,845,586</u>	<u>508,301,104</u>	<u>585,189,254</u>	<u>708,047,512</u>
Other operating revenues	<u>87,776</u>	<u>1,757,320</u>	<u>615,041</u>	<u>539,609</u>
Total operating revenues	<u>507,933,362</u>	<u>510,058,424</u>	<u>585,804,295</u>	<u>708,587,121</u>
Operating Expenses				
Direct costs				
Prize expense	280,506,198	293,218,540	353,075,456	434,559,460
Retailer compensation	32,388,529	32,429,771	37,100,715	44,453,462
Ticket costs	12,580,313	12,531,590	13,289,487	16,712,029
Total direct costs	<u>325,475,040</u>	<u>338,179,901</u>	<u>403,465,658</u>	<u>495,724,951</u>
Administrative expenses	<u>30,119,645</u>	<u>31,503,644</u>	<u>29,832,679</u>	<u>26,561,873</u>
Total operating expenses	<u>355,594,685</u>	<u>369,683,545</u>	<u>433,298,337</u>	<u>522,286,824</u>
Operating Income	<u>152,338,677</u>	<u>140,374,879</u>	<u>152,505,958</u>	<u>186,300,297</u>
Nonoperating Revenues (Expenses)				
Interest income	1,563,766	1,540,929	756,413	382,523
Unclaimed prizes*	-	12,201,033	6,669,140	16,720,584
Net increase (decrease) in the fair value of investments	5,868,431	9,747,840	7,678,525	11,259,456
Amortization of grand prize winner liability	(7,388,931)	(7,462,567)	(5,617,431)	(5,473,304)
Gain (loss) on disposal of assets	115,884	(202,110)	106,956	62,857
Transfers to the state	(154,018,327)	(153,914,731)	(160,038,467)	(203,466,261)
Transfers from the state	-	-	-	-
Total nonoperating expenses	<u>(153,859,177)</u>	<u>(138,089,606)</u>	<u>(150,444,864)</u>	<u>(180,514,145)</u>
Changes In Net Assets	<u>(1,520,500)</u>	<u>2,285,273</u>	<u>2,061,094</u>	<u>5,786,152</u>
Total Net Assets, beginning of year	<u>7,472,447</u>	<u>5,951,947</u>	<u>8,237,220</u>	<u>10,298,314</u>
Total Net Assets, end of year	<u>\$5,951,947</u>	<u>\$8,237,220</u>	<u>\$10,298,314</u>	<u>\$16,084,466</u>
* - effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers all unclaimed prizes to the Lottery Proceeds Fund				
Net Assets				
Invested in capital assets	\$8,759,614	\$7,141,537	\$5,912,800	\$4,986,696
Unrestricted	(8,759,614)	(7,141,537)	(5,912,800)	(4,986,696)
Restricted	5,951,947	8,237,220	10,298,314	16,084,466
Total net assets	<u>\$5,951,947</u>	<u>\$8,237,220</u>	<u>\$10,298,314</u>	<u>\$16,084,466</u>

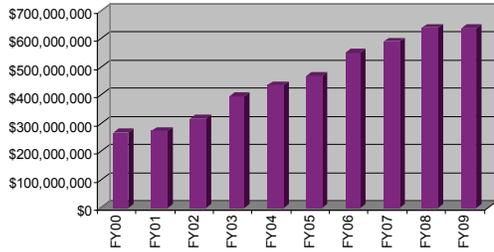
2004	2005	2006	2007	2008	2009
<u>\$434,791,673</u>	<u>\$467,326,093</u>	<u>\$550,961,109</u>	<u>\$590,045,817</u>	<u>\$638,533,775</u>	<u>\$636,574,616</u>
35,015,934	30,311,403	35,062,426	33,955,803	29,955,387	28,116,282
53,946,082	60,558,754	62,274,077	65,091,442	68,680,133	67,665,040
147,232,847	114,485,380	151,772,839	130,795,800	138,393,572	120,677,712
24,337,775	23,056,447	20,861,442	19,684,271	18,836,176	22,168,807
18,436,614	21,338,535	22,605,473	24,015,250	25,751,837	26,434,016
51,531,568	47,616,083	49,948,394	53,273,105	57,753,303	57,378,494
-	-	877,591	-	2,500,000	1,717,410
4,014,945	173,848	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,256,408
<u>334,515,765</u>	<u>297,540,450</u>	<u>343,402,242</u>	<u>326,815,671</u>	<u>341,870,408</u>	<u>325,414,169</u>
<u>21,846,920</u>	<u>20,731,089</u>	<u>19,154,900</u>	<u>17,409,170</u>	<u>15,088,705</u>	<u>6,463,110</u>
791,154,358	785,597,632	913,518,251	934,270,658	995,492,888	968,451,895
<u>638,392</u>	<u>340,957</u>	<u>167,767</u>	<u>1,395,548</u>	<u>649,422</u>	<u>596,377</u>
<u>791,792,750</u>	<u>785,938,589</u>	<u>913,686,018</u>	<u>935,666,206</u>	<u>996,142,310</u>	<u>969,048,272</u>
484,827,462	487,925,882	572,767,960	595,022,614	641,123,508	629,276,635
49,316,766	48,798,722	56,543,150	58,257,753	61,508,836	60,109,568
18,341,746	17,543,004	16,282,739	16,280,719	17,289,790	16,077,548
<u>552,485,974</u>	<u>554,267,608</u>	<u>645,593,849</u>	<u>669,561,086</u>	<u>719,922,134</u>	<u>705,463,751</u>
<u>22,619,483</u>	<u>21,430,609</u>	<u>20,290,872</u>	<u>19,987,112</u>	<u>20,362,542</u>	<u>20,466,793</u>
<u>575,105,457</u>	<u>575,698,217</u>	<u>665,884,721</u>	<u>689,548,198</u>	<u>740,284,676</u>	<u>725,930,544</u>
<u>216,687,293</u>	<u>210,240,372</u>	<u>247,801,297</u>	<u>246,118,008</u>	<u>255,857,634</u>	<u>243,117,728</u>
470,448	571,049	1,459,617	1,360,853	1,430,382	731,222
12,283,414	7,811,413	11,392,679	10,349,767	9,330,350	12,403,901
(1,546,223)	6,300,009	(1,424,646)	4,294,279	6,893,961	4,365,372
(5,255,750)	(5,259,106)	(4,956,265)	(4,647,958)	(4,215,836)	(3,861,661)
(13,972)	19,876	15,142	54,077	37,679	(26,702)
(229,427,183)	(218,642,710)	(260,668,734)	(257,882,704)	(266,656,044)	(256,286,630)
-	-	-	-	-	60,481
<u>(223,489,266)</u>	<u>(209,199,469)</u>	<u>(254,182,207)</u>	<u>(246,471,686)</u>	<u>(253,179,508)</u>	<u>(242,614,017)</u>
(6,801,973)	1,040,903	(6,380,910)	(353,678)	2,678,126	503,711
<u>16,084,466</u>	<u>9,282,493</u>	<u>10,323,396</u>	<u>3,942,486</u>	<u>3,588,808</u>	<u>6,266,934</u>
<u>\$9,282,493</u>	<u>\$10,323,396</u>	<u>\$3,942,486</u>	<u>\$3,588,808</u>	<u>\$6,266,934</u>	<u>\$6,770,645</u>
<hr/>					
\$4,151,722	\$3,295,311	\$3,068,609	\$3,411,563	\$3,923,538	\$3,478,013
(4,151,722)	(3,295,311)	(3,068,609)	(3,411,563)	(3,923,538)	(3,478,013)
<u>9,282,493</u>	<u>10,323,396</u>	<u>3,942,486</u>	<u>3,588,808</u>	<u>6,266,934</u>	<u>6,770,645</u>
<u>\$9,282,493</u>	<u>\$10,323,396</u>	<u>\$3,942,486</u>	<u>\$3,588,808</u>	<u>\$6,266,934</u>	<u>\$6,770,645</u>

**Missouri State Lottery Commission
Sales By Product
Last Ten Fiscal Years
(Unaudited)**

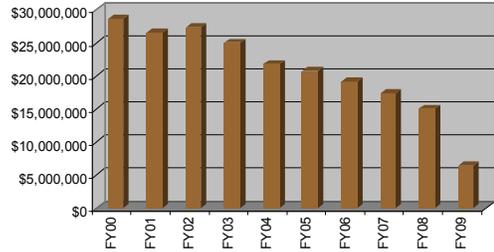


Missouri State Lottery Commission Sales By Fiscal Year By Product Line Last Ten Fiscal Years (Unaudited)

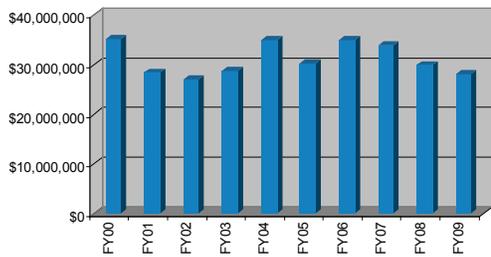
Scratchers



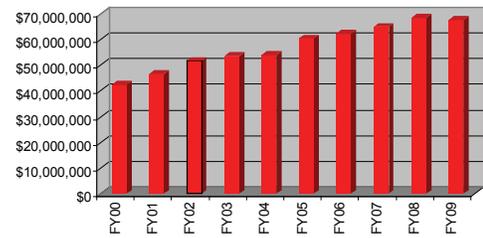
Pull-Tabs



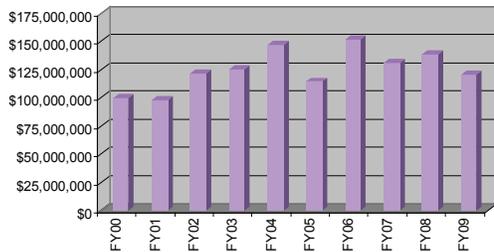
Lotto



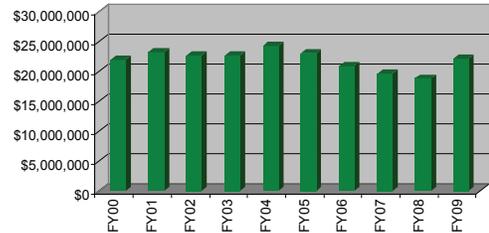
Pick 3



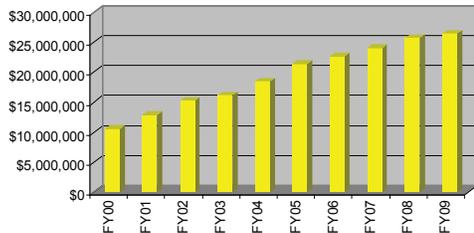
Powerball



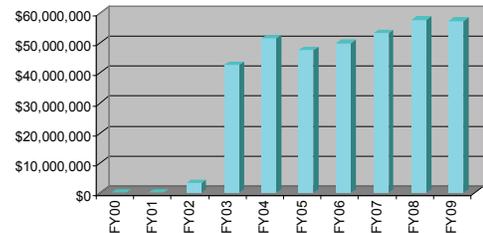
**Show Me Cash/
SHOW ME 5 Paydown**



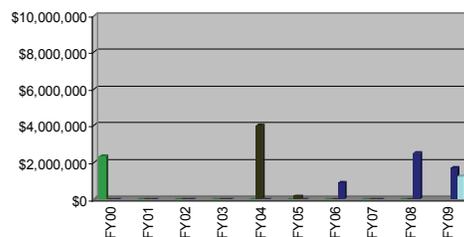
Pick 4



Club Keno



■ Triple Play
 ■ Xtra
 ■ Raffle
 ■ Lucky Dough



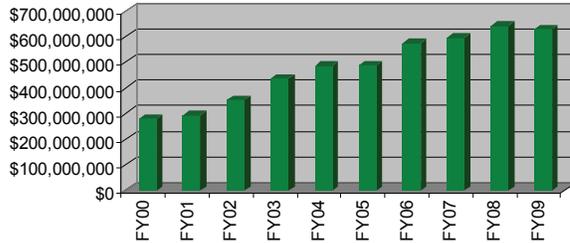
**Missouri State Lottery Commission
Expenses And Transfers
Last Ten Fiscal Years
(Unaudited)**



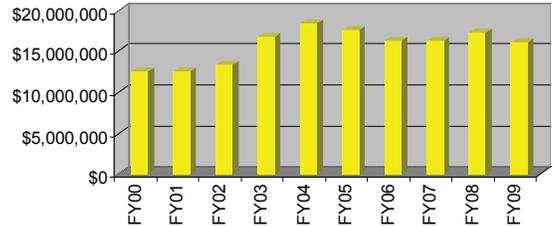
■ Prizes
 ■ Retailer Compensation
 ■ Ticket Costs
 ■ Administration
 ■ Transfers To The State

Missouri State Lottery Commission Expenses And Transfers Last Ten Fiscal Years (Unaudited)

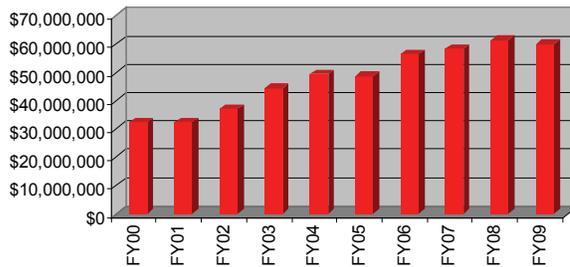
Prizes



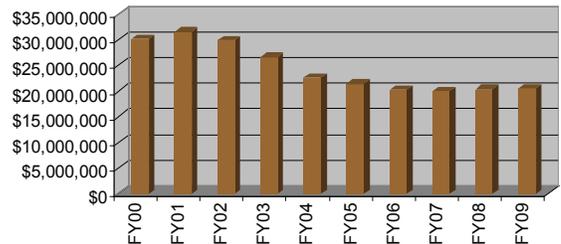
Ticket Costs



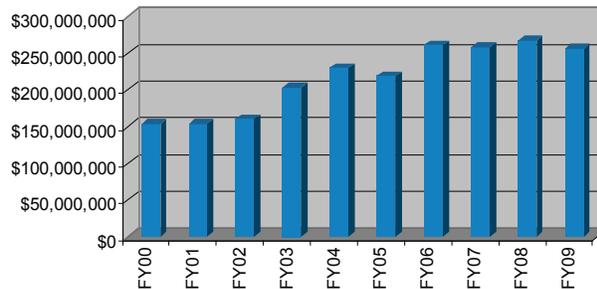
Retailer Compensation



Administration



Transfers to the State



Missouri State Lottery Commission
Schedule Of Scratchers Ticket Game Launches And Sales By Price Point
Last Ten Fiscal Years
(Unaudited)

Price Point	2000	2001	2002	2003	2004
Number of Launches					
\$1	28	30	23	15	15
\$2	13	14	20	20	24
\$3	3	2	3	2	2
\$5	1	5	6	7	6
\$10	-	-	-	5	5
\$20	-	-	-	-	-
Total	45	51	52	49	52
Sales					
\$1	\$160,458,169	\$152,793,807	\$163,461,975	\$143,870,364	\$132,474,169
\$2	77,613,717	73,564,980	97,976,908	117,812,464	150,207,177
\$3	23,667,980	18,676,691	19,576,955	20,099,812	24,940,942
\$5	4,968,239	27,622,908	35,411,650	50,094,329	57,003,246
\$10	-	-	-	62,104,285	70,166,139
\$20	-	-	-	-	-
	\$266,708,105	\$272,658,386	\$316,427,488	\$393,981,254	\$434,791,673

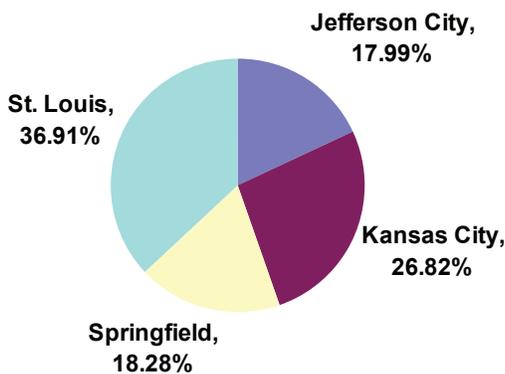
2005	2006	2007	2008	2009	% of Total 2009
14	14	11	9	11	25.00%
22	22	19	18	15	34.09%
2	1	2	2	5	11.36%
9	10	9	9	10	22.73%
7	3	1	1	2	4.55%
-	-	-	1	1	2.27%
<u>54</u>	<u>50</u>	<u>42</u>	<u>40</u>	<u>44</u>	<u>100.00%</u>
\$120,824,709	\$109,864,276	\$99,694,829	\$85,622,427	\$88,731,681	13.94%
162,535,252	169,626,074	183,404,816	177,465,587	159,437,206	25.05%
27,283,622	28,130,183	32,647,121	35,194,190	62,411,862	9.80%
73,989,819	108,561,454	133,382,786	140,942,309	146,339,990	22.99%
82,692,691	134,779,122	140,916,265	134,285,251	88,918,424	13.97%
-	-	-	65,024,011	90,735,453	14.25%
<u>\$467,326,093</u>	<u>\$550,961,109</u>	<u>\$590,045,817</u>	<u>\$638,533,775</u>	<u>\$636,574,616</u>	<u>100.00%</u>

Missouri State Lottery Commission
Schedule Of Lottery Retailers And Sales By Region
Fiscal Years Ending June 30, 2006, 2007, 2008 and 2009
(Unaudited)

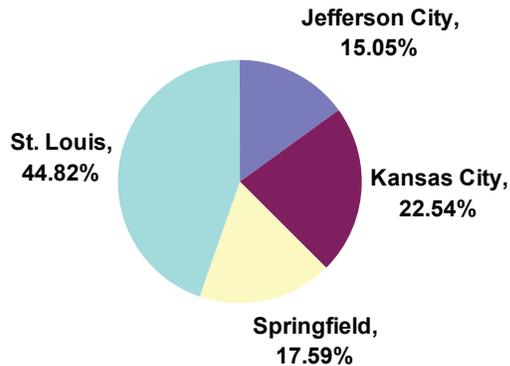
Region	Number of Retailers				% of Total Retailers			
	2006	2007	2008	2009	2006	2007	2008	2009
Jefferson City	909	864	893	857	18.43%	17.83%	17.83%	17.99%
Kansas City	1,313	1,313	1,325	1,278	26.62%	27.09%	26.46%	26.82%
Springfield	922	904	924	871	18.69%	18.66%	18.45%	18.28%
St. Louis	1,789	1,765	1,866	1,759	36.26%	36.42%	37.26%	36.91%
Total Statewide	4,933	4,846	5,008	4,765	100.00%	100.00%	100.00%	100.00%

Region	Total Sales				% of Total Sales			
	2006	2007	2008	2009	2006	2007	2008	2009
Jefferson City	\$133,903,265	\$136,964,078	\$150,518,525	\$145,752,010	14.66%	14.66%	15.12%	15.05%
Kansas City	211,175,672	212,733,429	225,280,041	218,289,057	23.12%	22.77%	22.63%	22.54%
Springfield	170,395,799	170,597,822	180,881,058	170,350,688	18.65%	18.26%	18.17%	17.59%
St. Louis	398,043,515	413,975,329	438,813,264	434,060,139	43.57%	44.31%	44.08%	44.82%
Total Statewide	\$913,518,251	\$934,270,658	\$995,492,888	\$968,451,895	100.00%	100.00%	100.00%	100.00%

Percentage of Retailers By Region



Percentage of Total Sales By Region



Source: Missouri State Lottery Commission Research Section

Note: Information is accumulated and retained in this format only for Fiscal Years 2006, 2007, 2008 and 2009. Prospectively, the data will be accumulated and, ultimately, the schedule will contain information for a ten-year period.

**Missouri State Lottery Commission
Schedule Of Demographic And Economic Statistics
Calendar Years 2000 To 2009
(Unaudited)**

Calendar Year	Statewide Population	Statewide Personal Income (millions of dollars)	Statewide Personal Income per Capita	State Unemployment Rate
2000	5,595,211	152,722	27,295	2.6%
2001	5,643,232	156,937	27,810	4.2%
2002	5,680,259	161,104	28,362	5.0%
2003	5,712,355	166,129	29,082	5.4%
2004	5,752,861	173,968	30,240	5.4%
2005	5,797,703	181,930	31,380	5.9%
2006	5,842,713	191,602	32,793	4.7%
2007	5,878,415	199,773	33,984	5.0%
2008	5,911,605	208,255	35,228	6.5%
2009	n/a	n/a	n/a	9.3%

Sources:

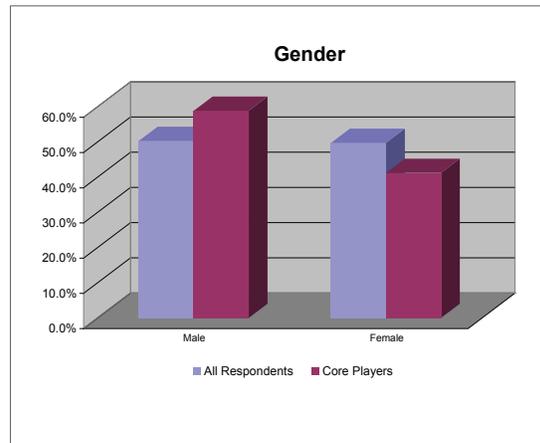
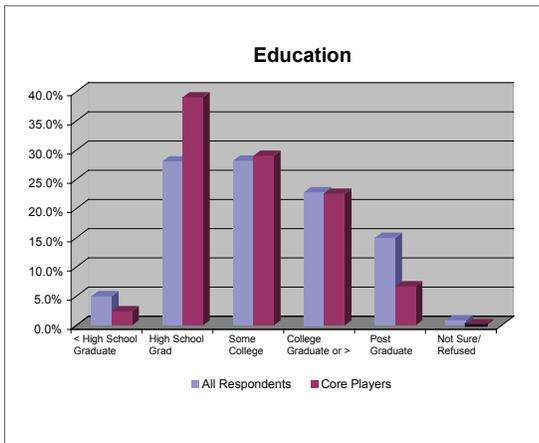
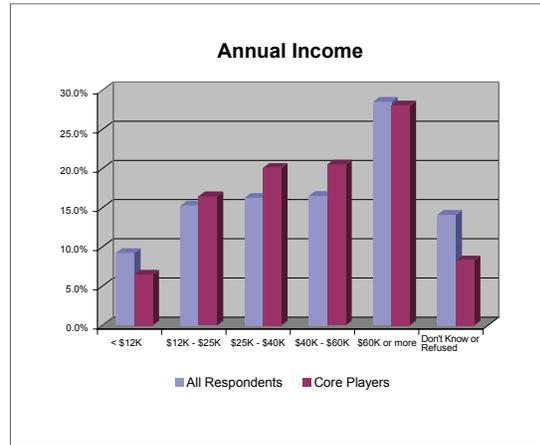
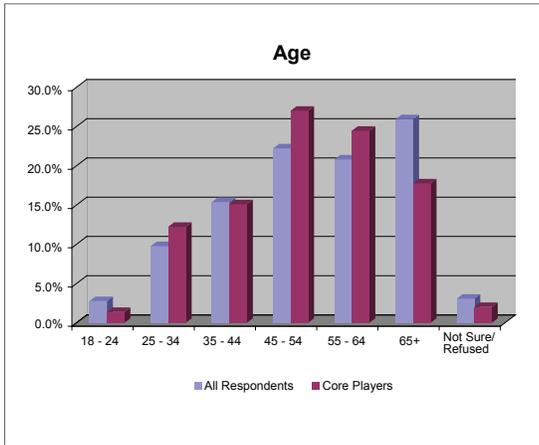
Population from U.S. Census Bureau;

Personal income from U.S. Bureau of Economic Analysis

Unemployment rate from U.S. Department of Labor, Bureau of Statistics

n/a - not yet available

Missouri State Lottery Commission Demographic Group Participation Fiscal Year 2009



Source: Missouri Lottery Track and Trend Report FY2009

**Missouri State Lottery Commission
Schedule Of Lottery Full-time Equivalent Employees
Last Ten Fiscal Years
(Unaudited)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Full-time	177.0	177.0	177.0	177.0	177.0	175.0	175.0	173.0	173.0	173.0
Part-time	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5
Total	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>176.5</u>	<u>176.5</u>	<u>173.5</u>	<u>173.5</u>	<u>173.5</u>
Sales										
Jefferson City	11.0	12.0	12.0	12.0	12.0	12.0	12.0	11.0	11.0	10.0
Springfield	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0	10.0
Kansas City	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
St. Louis	19.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Inside Sales	12.0	12.0	11.0	11.0	11.0	11.0	11.0	12.0	12.0	12.0
Vault	11.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	12.0	12.0
Marketing and administration	101.5	101.5	102.5	101.5	101.5	99.5	99.5	94.5	94.5	94.5
Total	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>178.5</u>	<u>176.5</u>	<u>176.5</u>	<u>173.5</u>	<u>173.5</u>	<u>173.5</u>

Source: Missouri State Lottery Commission Budget Office

**Missouri State Lottery Commission
Operating Indicators
Last Ten Fiscal Years
(Unaudited)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Retailers- Statewide	5,050	4,968	5,036	5,021	5,003	5,022	4,933	4,846	5,008	4,765
Per Capita Sales	\$91	\$91	\$104	\$125	\$138	\$136	\$157	\$160	\$169	\$164

Source: Missouri State Lottery Commission Research and Licensing Sections

U.S. lotteries' fiscal 2008 sales by game*

(in \$millions)				Online Games								Total Sales	PC Sales	VLT (net)
Lottery	Pop. (M)	Instant	Pulltab	3-digit	4-digit	Lotto	Cash Lotto	Bloc Lotto	Hot Lotto	Keno	Other			
Arizona	6.5	252.45		9.53		52.55	14.19	130.42			13.79	472.94	\$73	
California	36.8	1,551.05		153.18	7.24	604.49	152.54	418.37		137.58	25.17	3,049.62	\$83	
Colorado	4.9	336.04				41.06	19.15	109.56				505.81	\$102	
Connecticut	3.5	618.97		114.01	93.61	32.20	41.16	98.20				998.15	\$285	
Delaware	0.9	35.58		26.76	17.33	7.14		35.52	2.02		1.00	125.35	\$144	611.54
D.C.	0.6	45.02		66.41	84.16		7.38	32.77	2.95	13.64	0.40	252.72	\$427	
Florida	18.3	2,368.78		336.10	227.94	778.95	309.45				153.56	4,174.78	\$228	
Georgia	9.7	2,157.60		505.71	176.91		82.83	243.60		90.58	14.82	3,272.05	\$338	
Idaho	1.5	84.39	1.70	1.84		4.19		39.47	2.76		2.50	136.85	\$90	
Illinois	12.9	1,093.61		299.02	167.79	112.91	128.43	221.14			34.38	2,057.27	\$159	
Indiana	6.4	525.92	13.40	28.86	28.51	91.16	6.25	116.55			12.18	822.85	\$129	
Iowa	3.0	137.92	21.41	6.37	2.32		4.29	63.76	11.72		1.43	249.22	\$83	
Kansas	2.8	125.60	7.60	5.81		2.23	17.43	42.96	9.23	31.27	5.81	247.95	\$88	
Kentucky	4.3	470.94	15.48	120.34	34.62	12.45	13.74	109.54			1.10	778.21	\$182	
Louisiana	4.4	132.05		49.95	34.03	32.00	14.86	107.81			3.00	373.69	\$85	
Maine	1.3	165.36		5.19	4.10		3.03	48.37			2.47	228.52	\$174	
Maryland	5.6	513.86		274.29	234.89	31.20	23.41	129.40		386.58	79.40	1,673.04	\$297	
Massachusetts	6.5	3,341.49	1.13		343.69	40.52	79.03	128.43		739.88	15.33	4,689.50	\$722	
Michigan	10.0	734.20	37.43	347.24	325.22	64.13	51.32	184.77		540.32	45.56	2,330.20	\$233	
Minnesota	5.2	297.97		12.90			28.24	97.17	12.20		13.04	461.52	\$88	
Missouri	5.9	638.53	15.09	68.68	25.75	29.96	18.84	138.39		57.75	2.50	995.49	\$168	
Montana	1.0	12.84				2.49	4.23	17.58	3.36		3.32	43.82	\$45	
Nebraska	1.8	63.64		3.08		2.14	11.52	41.53				121.91	\$68	
N. Hampshire	1.3	183.99		5.74	4.77		3.43	56.88	3.54		2.35	260.69	\$198	
New Jersey	8.7	1,284.04		457.01	265.28	86.22	132.50	299.22			14.85	2,539.11	\$292	
New Mexico	2.0	86.59		2.33	0.22		6.55	44.51	6.00		1.00	147.20	\$74	
New York	19.5	3,594.01		856.54	718.52	208.40	319.81	481.64		444.26	50.02	6,673.20	\$342	875.28
N. Carolina	9.2	606.15		147.16			58.52	229.26			7.37	1,048.45	\$114	
N. Dakota	0.6					2.27	3.40	13.06	3.39			22.12	\$34	
Ohio	11.5	1,364.82		387.15	198.82	41.21	70.49	201.00			61.65	2,325.14	\$202	
Oklahoma	3.6	87.34		7.07			6.09	107.04	6.74			214.28	\$59	
Oregon	3.8	124.70	0.86		1.40	37.15	6.68	55.97		109.79	2.13	338.68	\$89	895.11
Pennsylvania	12.4	1,706.85		416.09	270.26	127.78	186.11	356.93			25.16	3,089.19	\$248	
Rhode Island	1.1	81.56		27.45			5.14	48.86		77.65	0.59	241.24	\$230	477.77
S. Carolina	4.5	622.86		137.07	62.04	10.69	26.35	133.48				992.49	\$222	
S. Dakota	0.8	20.68				1.89	2.25	14.13	2.69		0.80	42.43	\$53	224.65
Tennessee	6.2	721.42		59.26	23.34	8.06	22.87	149.49			6.14	990.58	\$159	
Texas	24.3	2,783.84		292.90	50.56	204.62	75.77	215.87			47.93	3,671.48	\$151	
Vermont	0.6	77.34		1.60	1.31		1.76	18.45			1.52	101.99	\$164	
Virginia	7.8	694.90		256.61	183.99		29.02	203.86			18.03	1,386.41	\$178	
Washington	6.5	330.52		19.80		56.92	29.80	65.45		6.51	12.11	521.10	\$80	
W. Virginia	1.8	110.86		9.12	4.62		5.75	54.05	4.02	9.60		198.04	\$109	1,309.54
Wisconsin	5.6	284.26	3.17	25.84	11.87	19.00	53.24	93.67			3.69	494.73	\$88	
Total	285.8	30,470.52	117.27	5,544.00	3,605.10	2,745.98	2,076.83	5,398.16	70.62	2,645.41	686.08	53,360.0	\$187	4,393.89
% of total		57.1%	0.2%	10.4%	6.8%	5.1%	3.9%	10.1%	0.1%	5.0%	1.3%	100.0%		

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30)

Source: LaFleur's 2009 World Lottery Almanac

Fiscal 2008 U.S. Lottery Sales, Prizes & Gov't Transfers Measured by Gross State Product

Lottery	Pop. ¹ (Mil)	2007 Gross Domestic Product ²	Ticket Sales ³	VLT (net)	Prizes ⁴	Agent Comm. ⁵	Expense ⁶	Gov't Transfers ⁷	PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP ⁷	Prizes as % of Ticket Sales	Gov't Transfers as % of Ticket Sale
Arizona	6.3	247,028	472.94		262.49	31.71	35.78	144.50	\$75	\$23	0.191%	0.058%	55.5%	30.6%
California	36.6	1,812,968	3,049.62		1,619.47	213.02	167.22	1,069.33	\$83	\$29	0.168%	0.059%	53.1%	35.1%
Colorado	4.9	236,324	505.81		314.93	38.39	33.02	122.30	\$104	\$25	0.214%	0.052%	62.3%	24.2%
Connecticut	3.5	216,266	998.15		608.22	55.95	50.63	283.56	\$285	\$81	0.462%	0.131%	5.6%	28.4%
Delaware ^{3,4}	0.9	60,118	125.35	611.54	65.90	7.72	13.84	319.84	\$145	\$370	0.209%	0.532%	52.6%	
D.C.	0.6	93,819	252.72		135.06	15.78	32.14	70.30	\$430	\$120	0.269%	0.075%	53.4%	27.8%
Florida	18.3	734,519	4,174.78		2,476.03	235.65	154.56	1,283.41	\$229	\$70	0.568%	0.175%	59.3%	30.7%
Georgia	9.5	396,504	3,242.05		2,049.54	230.73	137.33	867.69	\$340	\$91	0.818%	0.219%	63.2%	26.8%
Idaho	1.5	51,149	136.85		81.46	8.19	12.41	35.34	\$91	\$24	0.268%	0.069%	59.5%	25.8%
Illinois	12.9	609,570	2,057.27		1,226.07	103.93	108.99	648.46	\$160	\$50	0.337%	0.106%	59.6%	31.5%
Indiana	6.3	246,439	822.85		503.30	59.50	50.07	217.07	\$130	\$34	0.334%	0.088%	61.2%	26.4%
Iowa	3.0	129,026	249.22		144.67	15.65	31.68	56.55	\$83	\$19	0.193%	0.044%	58.0%	22.7%
Kansas	2.8	117,305	236.67		132.97	13.77	24.48	70.05	\$85	\$25	0.202%	0.060%	56.2%	29.6%
Kentucky	4.2	154,184	778.21		493.06	50.14	46.50	192.08	\$183	\$45	0.505%	0.125%	63.4%	24.7%
Louisiana	4.3	216,146	373.69		192.80	20.91	31.21	131.86	\$87	\$31	0.173%	0.061%	51.6%	35.3%
Maine	1.3	48,108	228.52		142.44	16.26	19.32	52.35	\$174	\$40	0.475%	0.109%	62.3%	22.9%
Maryland	5.6	268,685	1,673.04		956.89	117.82	58.85	529.40	\$298	\$94	0.623%	0.197%	57.2%	31.6%
Massachusetts	6.4	351,514	4,689.50		3,419.71	275.21	101.38	935.03	\$727	\$145	1.334%	0.266%	72.9%	19.9%
Michigan	10.1	381,963	2,330.20		1,323.34	172.16	110.40	740.74	\$231	\$74	0.610%	0.194%	56.8%	31.8%
Minnesota	5.2	254,970	461.52		279.64	27.66	39.49	116.27	\$89	\$22	0.181%	0.046%	60.6%	25.2%
Missouri	5.9	229,470	995.49		641.12	61.51	41.87	266.66	\$169	\$45	0.434%	0.116%	64.4%	26.8%
Montana	1.0	34,253	43.82		22.84	2.56	7.47	11.03	\$46	\$12	0.128%	0.032%	52.1%	25.2%
Nebraska	1.8	80,093	121.92		69.24	7.41	15.00	31.01	\$69	\$17	0.152%	0.039%	56.8%	25.4%
N. Hampshire	1.3	57,341	260.69		154.69	14.28	17.33	75.55	\$198	\$57	0.455%	0.132%	59.3%	29.0%
New Jersey	8.7	465,484	2,539.06		1,471.12	141.39	78.05	882.06	\$292	\$102	0.545%	0.189%	57.9%	34.7%
New Mexico	2.0	76,178	147.20		80.09	9.68	17.23	40.81	\$75	\$21	0.193%	0.054%	54.4%	27.7%
New York	19.3	1,103,024	6,673.18	875.30	3,952.76	400.79	253.03	2,556.14	\$346	\$132	0.605%	0.232%	59.2%	
N. Carolina	9.1	399,446	1,048.45		588.49	75.37	45.79	349.31	\$116	\$39	0.262%	0.087%	56.1%	33.3%
N. Dakota	0.6	27,725	22.12		11.36	1.14	3.70	5.92	\$35	\$9	0.080%	0.021%	51.4%	26.8%
Ohio	11.5	466,309	2,325.14		1,397.02	143.93	110.28	672.18	\$203	\$59	0.499%	0.144%	60.1%	28.9%
Oklahoma	3.6	139,323	214.28		112.84	13.43	15.85	71.61	\$59	\$20	0.154%	0.051%	52.7%	33.4%
Oregon ^{3,4}	3.7	158,233	338.68	895.10	219.96	29.40	27.53	648.41	\$90	\$173	0.214%	0.410%	64.9%	
Pennsylvania	12.4	531,110	3,089.19		1,845.40	170.05	159.96	928.05	\$248	\$75	0.582%	0.175%	59.7%	30.0%
R. Island ^{3,4}	1.1	46,900	241.24	477.80	144.51	29.39	9.71	355.57	\$228	\$336	0.514%	0.758%	59.9%	
S. Carolina	4.4	152,830	992.49		620.47	70.43	42.22	265.29	\$225	\$60	0.649%	0.174%	62.5%	26.7%
S. Dakota ^{3,4}	0.8	33,934	42.43	224.60	23.94	2.36	5.58	123.31	\$53	\$155	0.125%	0.363%	56.4%	
Tennessee	6.2	243,869	990.38		588.56	69.57	52.10	286.14	\$161	\$46	0.406%	0.117%	59.4%	28.9%
Texas	23.9	1,141,965	3,671.48		2,281.13	185.72	167.50	1,034.88	\$154	\$43	0.322%	0.091%	62.1%	28.2%
Vermont	0.6	24,543	101.99		64.76	5.97	8.87	22.72	\$164	\$37	0.416%	0.093%	63.5%	22.3%
Virginia	7.7	382,964	1,386.41		792.34	77.75	73.68	455.26	\$180	\$59	0.362%	0.119%	57.2%	32.8%
Washington	6.5	311,270	521.10		314.92	32.39	43.52	130.29	\$81	\$20	0.167%	0.042%	60.4%	25.0%
W. Virginia ^{3,4}	1.8	57,711	198.01	1,309.50	121.17	13.88	7.72	631.16	\$109	\$348	0.343%	1.094%	61.2%	
Wisconsin	5.6	232,293	494.73		286.70	34.28	32.81	147.31	\$88	\$26	0.213%	0.063%	58.0%	29.8%
Total	283.5	13,022,873	53,318.4	4,393.8	32,233.4	3,302.8	2,496.1	17,876.8	\$188	\$63	0.409%	0.137%	60.5%	

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 Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid
⁵ Traditional lottery commissions only; ⁶ Traditional lottery expenses only; ⁷ Includes transfers for VLT operations

Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

Source: LaFleur's 2009 World Lottery Almanac

**Missouri State Lottery Commission
Schedule Of Capital Asset Information
Last Ten Fiscal Years**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Owned buildings - square feet										
Headquarters										
1823 Southridge Drive										
Jefferson City, Mo. 65109	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696
Distribution Center										
911 Bubba Lane										
Jefferson City, Mo. 65109	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017
Fleet of owned vehicles										
Passenger vans - sales staff	54	54	54	55	49	49	49	49	49	49
Delivery vans	6	6	5	4	3	3	3	3	3	3
Passenger vans - vehicle pool	29	10	8	10	8	3	12	11	10	11
Passenger cars - vehicle pool	8	12	11	9	9	8	8	4	3	1
Trucks	4	4	4	4	4	3	3	3	3	3
Event trailers	1	1	1	1	1	1	1	1	1	1
	<u>102</u>	<u>87</u>	<u>83</u>	<u>83</u>	<u>74</u>	<u>67</u>	<u>76</u>	<u>71</u>	<u>69</u>	<u>68</u>

Source: Missouri State Lottery Commission Maintenance and Vehicle Sections

Supplementary Information

More than 26 cents of every Lottery dollar goes to public education. Only 3.8 cents is spent on operating expenses.



Approximately 26.3 cents of every dollar spent on the Missouri Lottery benefits Missouri's public education programs; 63.7 cents goes back to players as prizes, 3.8 cents is used for administrative costs; and 6.2 cents goes to retailers in the form of commissions, incentives and bonuses. In all, more than 96 cents of every dollar stays in Missouri!



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Missouri State Lottery Commission
Jefferson City, Missouri:

We have audited the basic financial statements of the business-type activity of the Missouri State Lottery Commission (the Lottery), a component unit of the State of Missouri, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lottery's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050
785-234-3427 toll-free 800-530-5526 785-233-1788
btandco.cpa.com

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Missouri State Lottery Commission of the Missouri State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

October 28, 2009

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