

**Comprehensive Annual
Financial Report
of the
Oklahoma Lottery Commission**

**For the Fiscal Year Ended
June 30, 2012**

An Agency of the State of Oklahoma





Oklahoma Lottery Commission 2012 Comprehensive Annual Financial Report

Table of Contents

INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting.....	2
Letter of Transmittal.....	3
Oklahoma Lottery Commission – Board of Trustees.....	14
Oklahoma Lottery Organizational Chart.....	15

FINANCIAL SECTION

Independent Auditor’s Report.....	17
Management’s Discussion and Analysis.....	19
Basic Financial Statements	
Statements of Net Assets.....	24
Statement of Revenues, Expenses and Changes in Net Assets.....	25
Statements of Cash Flows.....	26
Notes to Financial Statements.....	27

STATISTICAL SECTION

Statistical Information Section.....	39
Financial Trends	
Net Assets by Component through Change in Net Assets.....	41
Direct Costs/Expenses by Type Charts.....	43
Contributions Chart.....	44
Revenue Capacity	
Revenue Charts.....	45
Revenues by Retailer Classification.....	46
Demographics and Economic Information.....	48
Operating Information	
Summary of Operating Indicators.....	49
Schedule of Lottery Employees.....	50
National Lottery Statistics.....	52

Introduction Section

An Agency of the State of Oklahoma



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Oklahoma Lottery Commission

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Christopher P. Morrill

President

Jeffrey R. Emer

Executive Director



Oklahoma Lottery
3817 North Santa Fe
Oklahoma City, Oklahoma 73118

December 31, 2012

To the citizens of Oklahoma:

The Oklahoma Lottery, an agency of the State of Oklahoma, commenced operations in 2005 as a business enterprise within the framework of state laws and regulations, to implement the public's mandate to provide supplemental funds for public education. The mission of the Oklahoma Lottery Commission is to maximize revenues for public education through the creation and marketing of fun and entertaining products consistent with the highest levels of service, integrity and public accountability.

The Oklahoma Lottery Commission (the Lottery) is pleased to provide this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Accounting Unit of the Lottery prepared this CAFR, which includes its annual financial statements presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. The CAFR presents an overview of the Lottery.

The CAFR covers financial activity of the Lottery in a single enterprise fund. The report follows formal standards of the Governmental Finance Officers Association of the United States and Canada (GFOA). Governmental organizations that publish this type of report can be compared to each other because similar kinds of information are included in the three sections.

This letter of transmittal is designed to complement the management's discussion and analysis that accompanies the financial statements and should be read in conjunction with it.

Management is responsible for the accuracy and completeness of the presentation, including all disclosures in the report. To the best of our knowledge, 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 the cash flows of the Lottery. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included.

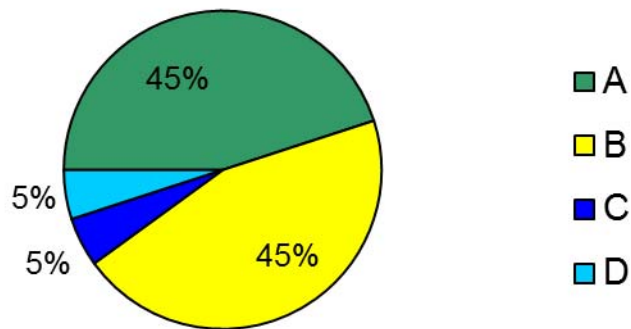
History of the Lottery

The Lottery was approved by the citizens of Oklahoma upon approval of a voter referendum authorizing the Oklahoma Education Lottery Act in November 2004. The Oklahoma Education Lottery Act has been codified as Title 3A, Section 701, et. seq., of the Oklahoma Statutes. The Lottery was established as an independent state agency to market and sell Lottery products. Under the Act, the Lottery is required to return a minimum of 45% of gross proceeds to prizes, at least 35% to public education, with the remaining amount used for costs of operating the Lottery. The Act specifies that the Lottery is operated and administered by a seven (7) member Board of Trustees appointed by the Governor, with advice and consent of the Senate. An Executive Director, who is appointed by the Board of Trustees, administers the day-to-day operations of the Lottery.

Under the Act, funds transferred to the Oklahoma Education Lottery Trust Fund may be utilized as follows:

- A. **45%** - Kindergarten through twelfth grade Public Education, including but not limited to compensation and benefits for public school teachers and support employees, and early childhood development programs, which shall include but not be limited to costs associated with pre-kindergarten and full-day kindergarten programs.
- B. **45%** - Tuition grants, loans and scholarships to citizens of this state to enable such citizens to attend colleges and universities located within this state, regardless of whether such colleges and universities are owned or operated by the Oklahoma State Regents for Higher Education, or to attend institutions operated under the authority of the Oklahoma Department of Career and Technology Education; provided such tuition grants, loans and scholarships shall not be made to a citizen of this state to attend a college or university which is not accredited by the Oklahoma State Regents for Higher Education. Construction of educational facilities for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education. Capital outlay projects for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education. Technology for public elementary school district, independent school districts, state higher education and career and technology education facilities, which shall include but not be limited to costs of providing to teachers at accredited public institutions who teach levels kindergarten through twelfth grade, personnel at technology centers under the authority of the Oklahoma State Department of Career and Technology Education, and professors and instructors within the Oklahoma State System of Higher Education, the necessary training in the use and application of computers and advanced electronic instructional technology to implement interactive learning environments in the classroom and to access the statewide distance learning network and costs associated with repairing and maintaining advanced electronic instructional technology. Endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education. Programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind.
- C. **5%** - Teachers' Retirement System Dedicated Revenue Revolving Fund.
- D. **5%** - School Consolidation and Assistance Fund. When the total amount in the School Consolidation and Assistance Fund from all sources equals Five Million Dollars (\$5,000,000.00), all monies appropriated pursuant to this paragraph which would otherwise be deposited in the School Consolidation and Assistance Fund in excess of Five Million Dollars (\$5,000,000) shall be allocated by the State Department of Education to public schools based on the audited end-of-year average daily membership in grades 8 through 12 during the preceding school year for the purpose of purchasing technology equipment in order to conduct on-line testing as required by the Achieving Classroom Excellence Act of 2005. If at any time the total amount in the School Consolidation and Assistance Fund drops below Five Million Dollars (\$5,000,000), the monies appropriated pursuant to this paragraph shall be deposited in the School Consolidation and Assistance Fund until the Fund again reaches Five Million Dollars (\$5,000,000).

Distribution of Lottery Net Proceeds



Ticket sales in Oklahoma began on October 12, 2005 with four instant games (Scratchers). In-state online games include Pick 3, (started on November 10, 2005); Powerball, Oklahoma's first multi-state Lottery game (started on January 12, 2006); Cash 5 (started on September 1, 2006); Hot Lotto (started January 3, 2008); Mega Millions (started January 31, 2010); and Pick 4 (started July 5 2011). New Scratcher games are introduced periodically.

Economic Conditions and Outlook

Oklahoma is an attractive place to live and work. The state enjoys a very low tax burden, a low cost of doing business and has a highly skilled and productive work force. Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation's most important transportation and shipping corridors, allowing state businesses to take advantage of opportunities anywhere in the United States.⁽¹⁾

Oklahoma City and Tulsa have been singled out in national surveys and various publications for their economic strength and other qualities. Oklahoma is known for its abundant resources, most notably oil and natural gas.⁽²⁾ In 2011, Oklahoma's ever-diversifying economy thrived in many areas, featuring a manufacturing growth rate of 8.4 percent. New technology created an oil patch revival that drove Oklahoma's dramatic recovery from the 2011-2012 Recession.⁽³⁾ Oklahoma's agriculture has also been a vital part of the state's economic recovery. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, cattle and hogs, peanuts, grain, sorghum, pecans and rye.⁽²⁾ All this economic activity produced an increase in personal income and state revenues, enabling Oklahoma to rebound much quicker from the recession than other states.⁽³⁾

Oklahoma boasts high quality education systems with award-winning schools. Oklahoma's Department of Career and Technology Education has developed the Oklahoma Training for Industry program. This program has been ranked one of America's best and most sophisticated training programs by delivering high quality, customized training to Oklahoma employers for free.⁽⁴⁾ Oklahoma has award-winning schools and a nationally-recognized early childhood development program.⁽²⁾

There is something to do for everyone in Oklahoma, where museums tell of the state's colorful history and pioneer spirit. There are many outdoor recreational opportunities and major entertainment districts located in Oklahoma City and Tulsa, both having undergone a renaissance in their downtown areas in recent years. The state is also home to nearly 40 federally-recognized Indian tribes, who contribute significantly to the state's commerce.⁽³⁾

Some State Economic Highlights over the past two years

- Oklahoma's economic progress led to improvement in state revenues in 2011 and 2012, replenishing of the State's depleted Rainy Day Fund.^(2,3)
- Oklahoma added more than 13,000 manufacturing jobs, helping keep the State's unemployment rate lower than most other states.⁽³⁾ Oklahoma has some of the lowest utility costs in the nation, providing its manufacturers with a competitive advantage.⁽²⁾
- Reported in 2012, *The Business Journals* stated that Oklahoma was one of only six states to recover all of their retail jobs lost during the recession, even adding 2,000 retail jobs.⁽³⁾
- In September 2011, the *Brookings Institute* said Oklahoma City was one of only 15 large metropolitan areas that had job growth for the four quarters ending in June of that year.⁽³⁾
- Oklahoma's unemployment rate was among the lowest in the nation in 2011-2012 and was lower than any of its bordering states.⁽³⁾
- U.S Census data showed that Oklahoma had a 12.4 percent increase in median household income between 2010 and 2011, the largest increase of any state.⁽³⁾
- In November 2011, the *U.S. Bureau of Labor Statistics* reported that Oklahoma had a 3.1% increase in non-farm employment over that year, the second highest in the country.⁽²⁾
- The Oklahoma Medical Research Foundation (OMRF) is one of the most respected nonprofit biomedical research institutes in the world. OMRF has established strategic partnerships with scientists in China, India and Brazil to uncover the basis of diseases and to discover new treatments.⁽⁵⁾
- The Samuel Roberts Noble Foundation in Ardmore heralded by *Scientist Magazine* as the best place to work for post-doctorates, and the center houses scientists from around the world year round.⁽⁵⁾

Oklahoma's executive management will continue to lead in promoting improvement in key areas to improve the lives of all Oklahomans. With the Governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed and will also encourage investors to allow their money to work and grow in Oklahoma.⁽⁴⁾

The Lottery expects revenues for FY-2013 to be less than FY-2012. Revenues for the following years are expected to decline based partly on economic conditions but mainly because of the 35% minimum profit mandate (profit restriction) that is in the current Lottery Act. This statutorily mandated provision limits how much can be returned to players in the form of prizes, which in turn limits the overall sales and profits. Additional challenges to growth in Lottery revenue include the increasing competition from other gaming venues, most notably Tribal casinos and horse racing / racinos. Oklahoma has entered into compacts with 34 Oklahoma tribes to direct a portion of casino gaming revenues to education. There are more than 100 tribal casinos operating in Oklahoma, which limit opportunities to spend entertainment dollars on Lottery products.

Other challenges affecting the growth of Lottery sales include illegal gaming machines; restrictions on legal Lottery venues and types of games; restrictions on method of payment for lottery purchases; and the recent start-up of a Lottery in the neighboring State of Arkansas.

⁽¹⁾ Spears School of Business 2011 Economic Outlook

⁽²⁾ Oklahoma Office of State Finance 2011 CAFR

⁽³⁾ Oklahoma Office of State Finance 2012 CAFR

⁽⁴⁾ Oklahoma Office of State Finance 2010 CAFR

⁽⁵⁾ Spears School of Business 2012 Economic Outlook

Lottery Products

The Lottery offers different games in two styles of play, Scratchers and online draw style games. Description of the games follows:

Scratchers

Scratchers – Scratchers are instant games that are played by scratching the latex covering off a play area to reveal “instantly” whether the ticket is a winner. The Lottery started Scratcher game sales on October 12, 2005. There are different play styles for Scratcher games, such as matching two or three like symbols, your score beats their score, or your symbol matches a key symbol. The odds of winning vary by game and prize level. Information on how to play and odds may be found on the ticket and on the Lottery’s website. Scratcher tickets cost from \$1 to \$5 with prize levels ranging between \$1 and \$50,000. Players have 90 days from the announced end-of-game to claim prizes.

OKLAHOMA












Powerball – Oklahoma started selling Powerball tickets on January 12, 2006 and the first drawing for Oklahoma was January 14, 2006. 2012 marked Powerball’s 20th anniversary and on Jan. 15, 2012, sales for the game changed to offer more millionaires, bigger starting jackpots and better overall odds of winning. The first drawing of the new game was on Wed., Jan. 18, 2012. Players continue to play the game the same way: choosing the first five numbers from a pool of 59 numbers and then the Powerball number is chosen from a pool of 35 numbers, instead of the current 39 numbers. The Power Play option remains at an extra \$1 per play. Now when someone hits the Powerball jackpot, the new starting jackpot doubles at \$40 million. Powerball tickets now cost \$2 per game and a player can select the Power Play option for an additional \$1. The Power Play option provides increased non-jackpot prizes. (see chart below) The MATCH 5 prize moves from \$200,000 to \$1 million and with the purchase of the Power Pay option for \$1, players have the chance to win \$2 million. The winning numbers are selected via a televised drawing. Jackpot prizes are won when the Player’s ticket matches the five white balls and the red “Powerball”. The odds improve to 1 in 31.85 from 1 in 35 and the odds of winning the jackpot improve to 1 in 175 million from 1 in 195 million. Jackpots are advertised using the estimated annuity amount. The jackpot can be taken as a cash prize or an annuity prize paid out in 30 annual payments over a 29 year period. Forty four (44) lotteries participate in Powerball (42 states, the District of Columbia, and the Virgin Islands; California will begin participation in 2013) and the amount contributed to Oklahoma Education is the same as all of the other Lottery games – a minimum of 35% of Oklahoma sales! Players have 180 days after the draw date to claim prizes.

POWERBALL			POWERPLAY
MATCH	PRIZE	ODDS: 1 in	
○○○○○+●	Grand Prize	175,223,510.000	
○○○○○	\$1,000,000	5,153,632.6471	\$2,000,000
○○○○○+●	\$10,000	648,975.9630	\$40,000
○○○○○	\$100	19,087.5283	\$200
○○○○+●	\$100	12,244.8295	\$200
○○○○	\$7	360.1420	\$14
○○○+●	\$7	706.4325	\$14
○○+●	\$4	110.8129	\$12
○+●	\$4	55.4065	\$12
●	\$4	55.4065	\$12
Overall Odds: 31.8464			



Hot Lotto – Fifteen state lotteries participate in Hot Lotto (Tennessee will begin in 2013), a game that has a progressive Jackpot starting at \$1.0 million dollars. Oklahoma launched Hot Lotto sales on January 3, 2008, and the first drawing was January 5, 2008. Players pick five white numbers from 1 to 39 and one orange “HOT ball” number from 1-19. An “Easy Pick” option allows the computer to pick all your numbers. Twice each week, on Wednesday and Saturday evenings, 5 winning white numbers and one winning orange “HOT ball” number are drawn on the Hot Lotto random number generator. Players win the Hot Lotto jackpot if they match the first five numbers drawn (in any order) plus the “HOT ball”. The jackpot prize is available as an annuity paid over 24 years (25 payments) or as a lump sum payment. Players win other cash prizes when they match correctly other Hot Lotto numbers drawn. Hot Lotto has a “Hot Lotto with Sizzler” multiplier option, similar to Powerball’s Power Play that can triple non-jackpot winnings.

Match	Prize	Odds
	Grand Prize	1 in 10,939,383.00
	\$10,000	1 in 607,743.50
	\$500	1 in 64,349.31
	\$50	1 in 3,574.96
	\$50	1 in 1,949.97
	\$4	1 in 108.33
	\$4	1 in 182.81
	\$3	1 in 47.18
	\$2	1 in 39.31
The overall odds of winning a prize are 1 in 16.09.		



Mega Millions – Mega Millions sales launched in Oklahoma on January 31, 2010 and our first drawing was February 2, 2010. Players select 5 out of 59 numbers from the white balls (these can be drawn in any order to win), then select 1 out of 39 numbers for the yellow Mega Ball®. Jackpots begin at \$12 million and continue to build (rollover) until a player(s) matches all six numbers. Mega Millions tickets cost \$1 per game and a player can select the megaplier option which allows non-jackpot prizes to be increased by 2, 3, or 4 times, for an additional \$1. If the megaplier is selected, the 2nd level prize is \$1 million. The jackpot can be taken as a cash prize or as an annuity prize paid out in 26 annual payments over 25 years. Forty four (44) lotteries participate in Mega Millions (42 states, the District of Columbia, and the Virgin Islands) and the amount contributed to Oklahoma Education is the same as all of the other Lottery games – a minimum of 35% of Oklahoma sales! Players have 180 days after the draw date to claim prizes.

MEGA MILLIONS			MEGAPLIER		
MATCH	PRIZE	ODDS: 1 in	2x	3x	4x
○○○○○ + ●	Jackpot	175,711,536	Megaplier does not apply to jackpot		
○○○○○	\$250,000	3,904,701	\$1,000,000	\$1,000,000	\$1,000,000
○○○○○ + ●	\$10,000	689,065	\$20,000	\$30,000	\$40,000
○○○○○	\$150	15,313	\$300	\$450	\$600
○○○ + ●	\$150	13,781	\$300	\$450	\$600
○○○	\$7	306	\$14	\$21	\$28
○○ + ●	\$10	844	\$20	\$30	\$40
○ + ●	\$3	141	\$6	\$9	\$12
●	\$2	75	\$4	\$6	\$8



Pick 3 – Oklahoma’s first online game sales launched on November 10, 2005. Players select a set of three numbers, 1 each from 0 to 9. Players can try to match the three numbers drawn in the exact order or in various combinations (see Pick 3 table below). Prizes range from \$50 - \$500. The winning numbers are available nightly to Oklahoma radio and TV news stations and on the Lottery website. Players have 180 days after the draw date to claim prizes.

PLAYS	EXAMPLE	IF LOTTERY DRAWS	YOU WIN	ODDS
Straight	7 2 4	7 2 4 Only Exact Match Wins	\$500	1 in 1,000
Box 3-Way	1 1 3	1 1 3 1 3 1 3 1 1	\$160	3 in 1,000
Box 6-Way	7 2 4	7 2 4 2 4 7 4 2 7 7 4 2 2 7 4 4 7 2	\$80	6 in 1,000
Front Pair	7 2 ★	7 2 ★ 72 + Any Number	\$50	1 in 100
Back Pair	★ 2 4	★ 2 4 Any Number + 24	\$50	1 in 100



Cash 5 – Cash 5 players select a set of five numbers from 1 to 36. Winning tickets are those that match any two, three, four, or all five of the five numbers drawn. There are four prize categories in this game. The top prize for matching all five numbers is \$35,211 and is intended to yield \$25,000 cash payment after deducting applicable withholding for federal and state taxes. This game started on September 1, 2006 with a drawing every Tuesday and Thursday night. A Saturday drawing was added on September 1, 2007, and starting July 1, 2009, the game is drawn every night. The winning numbers are available nightly to Oklahoma radio and TV news stations and on the Lottery website. Players have 180 days after the draw date to claim prizes.

MATCH	PRIZE	ODDS: 1 IN
		376,992
	\$500	2,432.2
	\$10	81.1
	Free Ticket (Easy Pick)	8.4
The overall odds of winning are 1 in 7.6 for each \$1 played.		

The Jackpot Prize is a fixed amount of \$35,211 less applicable Federal and State Tax withholding of \$10,211. Each winner will receive a prize check of \$25,000 except in the situations where there are more than five (5) jackpot winners in a single drawing: when there are six (6) or more jackpot winners in a single draw the winners will share a pre-tax total of \$200,000 equally. The holder of a winning ticket may win in only one category per \$1 play panel and shall be paid the prize in the highest category won. Prizes are approximately 48% of sales.



Pick 4 – Pick 4 players select a set of four numbers, 1 each from 0 to 9. Players can try to match the four numbers drawn in the exact order or in various combinations (see Pick 4 table below). Prizes range from \$50 - \$5000. This game started on July 5, 2011 with a drawing every night. The winning numbers are available nightly to Oklahoma radio and TV news stations and on the Lottery website. Players have 180 days after the draw date to claim prizes.

Play Type	Cost	Prize	Odds: 1 in
Straight	\$1	\$5,000	10,000
Box (4-Way)	\$1	\$1,200	2,500
Box (6-Way)	\$1	\$800	1,667
Box (12-Way)	\$1	\$400	833
Box (24-Way)	\$1	\$200	417
Front Pair	\$1	\$50	100
Middle Pair	\$1	\$50	100
Back Pair	\$1	\$50	100
Combo (4-Way)	\$4	\$5,000	2,500
Combo (6-Way)	\$6	\$5,000	1,667
Combo (12-Way)	\$12	\$5,000	833
Combo (24-Way)	\$24	\$5,000	417

Play Type	Description
Straight	Must match all 4 numbers in the <u>EXACT</u> order drawn
Box	Must match all 4 numbers in <u>ANY</u> order drawn
Front Pair	Must match the <u>FIRST 2</u> numbers in the <u>EXACT</u> order drawn
Middle Pair	Must match the <u>MIDDLE 2</u> numbers in the <u>EXACT</u> order drawn
Back Pair	Must match the <u>LAST 2</u> numbers in the <u>EXACT</u> order drawn
Combo	Must match all 4 numbers in <u>ANY</u> order drawn <i>Pays as a straight play – price varies.</i>



Prize Claim Centers – Lottery winners are able to claim prizes up to \$600 at any Lottery retailer, identifiable by the Lottery “Play here” poster shown to the left. Prizes up to \$5,000 can be claimed at any of the thirteen (13) Claim Centers located throughout Oklahoma. Prizes that exceed \$5,000 must be claimed at the Lottery headquarters claim center, or may also be claimed by mailing the winning tickets to the Oklahoma City headquarters. A claim form, social security number and two forms of ID are required for all prizes greater than \$600.

Highlights of Fiscal Year 2012

Millions Contributed to Education

The Lottery contributed \$69.99 million for education on total Lottery revenues of \$199.8 million in FY-2012. Through December 2012 as this report is submitted, more than \$510 million has been contributed to the Oklahoma Education Lottery Trust Fund by the Lottery Commission to be used for Oklahoma education programs.

Jackpot Winners

Oklahoma has had four Powerball Jackpot Winners winning prizes with annuitized values of more than \$325.3 million dollars since inception in 2006. The first jackpot winner made history just 5 months after Oklahoma joined Powerball, on June 17, 2006, by winning the \$101.8 million prize (annuitized value), becoming the first Powerball jackpot winner from Oklahoma. The winners were quoted as saying that “we are proof that you never know when you might win and you cannot win unless you play.”

On June 29, 2007, a couple from Muldrow, Oklahoma claimed the second Powerball Jackpot that was sold in Oklahoma. Their jackpot’s annuitized value was worth \$105.8 million. On August 22, 2008, a trust claimed the third Powerball jackpot sold in Oklahoma. The annuitized amount was \$84.9 million.

The fourth Powerball jackpot ticket was sold on November 21, 2009, and claimed by a trust on January 20, 2010. The annuitized amount was \$32.8 million.

In addition, through December 2012, Oklahoma has had 5 Hot Lotto jackpot winners with prizes totaling \$15 million, and has awarded 15 other prizes of \$1 million or more.

Financial Information

Accounting System and Policies

The Lottery operates the Oklahoma Education Lottery Revolving Fund, an enterprise fund that, like a private business, utilizes the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Budgetary Controls

A comprehensive annual budget is prepared for and approved by the Lottery’s Board of Trustees. A budget is submitted annually to OMES the Office of Management and Enterprise Services (formerly the Office of State Finance) as required by state statutes. The budget is prepared on both a cash basis and a full accrual basis of accounting. It is also prepared in distinct monthly segments to facilitate comparison to the monthly financial statements. The budget is based on sales forecasts, industry trends, program proposals, and approved action plans. The operating budget is submitted to OMES, the Governor and the legislature. Actual costs are monitored throughout the year for compliance with the approved budget and appropriate adjustments are approved if necessary.

Internal Controls

An internal control structure has been designed to ensure that assets are protected from loss, theft or misuse, and to ensure that the accounting system allows compilation of accurate and timely financial information. The internal controls are designed to provide reasonable assurance that these objectives are met.

To enhance controls, management has separated responsibilities and provides approval and oversight for the following functions: personnel and payroll; purchasing and accounts payable; general ledger and accounts receivable; cash receipts and cash disbursements; retailer network management and retailer accounts receivable; and system data processing and system programming. Reviews of operations are achieved by the following procedures:

Draw verification: Employees of an Oklahoma independent certified public accounting firm witness the selection of winning numbers for Oklahoma online games.

Lottery Vendor Service Organization (SSAE 16) Audit: Scientific Games International (SGI) was contracted by the Oklahoma Lottery as the vendor for instant and online games. SGI Management contracted the services of an independent CPA to perform a Statement on Standards for Attestation Engagements (SSAE 16), *Service Organizations*, engagement with testing of identified internal controls. The SSAE 16 is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SSAE 16 audit examination is widely recognized because it represents that a service organization has been through an in-depth audit of their control activities, which generally include controls over information technology and related processes.

Internal Audits: The Lottery previously employed one internal auditor who report directly to the Audit and Finance Committee of the Board of Trustees and to the Executive Director. The Lottery now contracts with an outside accounting firm to perform appropriate studies and evaluations of accounting and administrative controls, as directed by the committee.

Other Safeguards and Controls: To ensure the integrity of the Lottery the following measures have been implemented:

- Specialized security staff.
- Secured facilities and gaming equipment.
- Background checks on retailers, contractors and Lottery employees.
- Lottery tickets with special inks, dyes and security codes.
- Detailed and strict security procedures for game drawings.
- Lottery random number generators are in stand-alone systems and are certified by an independent firm prior to installation.
- Back-up sites for gaming systems are properly maintained.

Employees

The Lottery had 30 full-time employees as of June 30, 2012.

Debt Administration

At the end of FY-2012, the Lottery had no long-term liabilities. A line of credit of \$10 million was authorized by the state legislature and extended by J.P. Morgan Chase to the Lottery. The authority for the line of credit expired in August 2007. The Lottery borrowed approximately \$200,000 in 2005, and has fully repaid this debt. The State of Oklahoma received a rating of "Aa2" by Moody's Investors Service and "AA+" by both Standard & Poor's Corporation and Fitch Investors Service general obligation bonds.

Change in Accounting Policy and Reclassifications

Effective July 1, 2008, to more closely comply with industry standard accounting procedures, the Lottery changed its accounting policy for free tickets, the majority of which are related to instant ticket games. Every instant ticket game has a predetermined number of free tickets in its prize structure. For years prior to fiscal year 2009, free tickets were included in sales and prize expense. For the year ended June 30, 2009, sales and prize expense are shown net of free tickets and prior year financials have been restated to make year-to-year comparisons more meaningful. The effect of the change in accounting policy reduces both revenues and direct costs from instant and on-line games. There is no effect on the calculation of profits to be transferred to the Oklahoma Education Lottery Trust Fund, on the Lottery's net assets, changes in net assets, or net cash flows from operations.

Performance Target

The Oklahoma Lottery plans to transfer more than \$64 million to education in FY-2013, which will bring the total transferred by the Lottery for Oklahoma Education to \$552 million by the end of FY-2013.

Independent Audit

Oklahoma statutes require an annual financial audit by an independent CPA. The independent auditors' report on the Lottery's financial statements is included in the financial section of this report.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for its comprehensive annual financial report for the fiscal years ended June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011. 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. We believe 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 certification. This report demonstrates the professionalism and dedicated team effort of Lottery employees. We appreciate their contribution to the success of this report. The Lottery is committed to providing thorough and relevant financial information to the public. This CAFR reflects our commitment to meet the highest standards of accountability and to maintain public trust through the highest ethics and integrity.

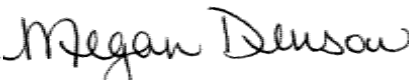
Additionally, we were notified by The Open Group, in April 2012 that we achieved certification in the NASPL National Standards Initiative for Quality Assurance Requirements Definition for Lotteries. We are the fifth Lottery to achieve this certification (along with Georgia, Louisiana, Missouri, and North Carolina.) Minnesota is the only other lottery to achieve any certification through this program. We are continuing our work on Quality Assurance Acceptance Testing and hope to complete that certification soon. When we achieve the second certification, only Oklahoma and Louisiana will have those two certifications.

Credit is also given to our Board of Trustees for their responsiveness and guidance in operating the Lottery.

Respectfully submitted,



Rollo Redburn
Executive Director



Megan Densow
Comptroller



Jack Finks
Director Administration

Oklahoma Lottery Commission Board of Trustees



Chairman
George R. Charlton, Jr.
Tulsa



Vice-Chair
Blake Virgin
Norman



Treasurer
R. Deane Wymer
Fairview



Secretary
James Orbison
Tulsa



Trustee
Cindy Ball
Muskogee

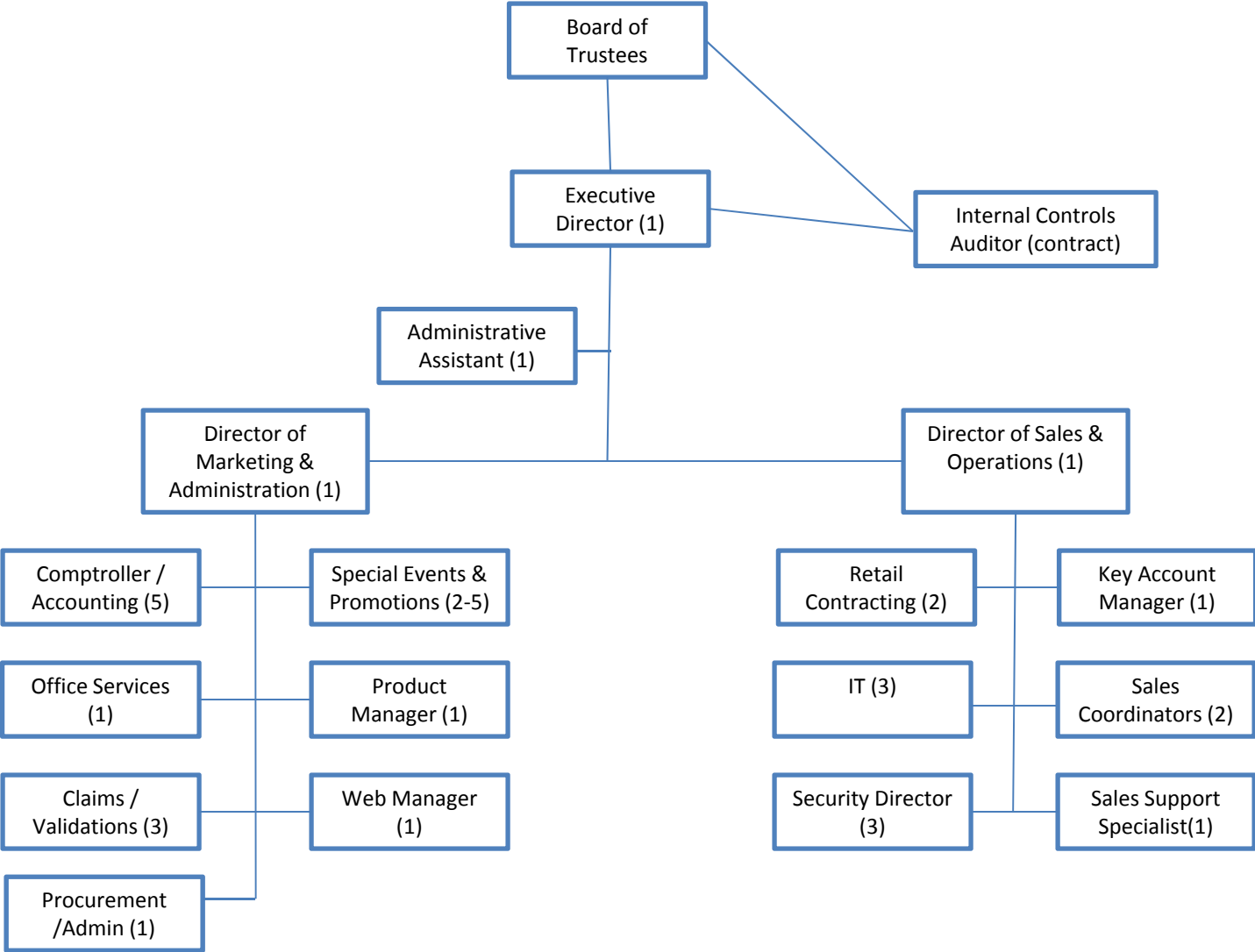


Trustee
Charlotte Edwards
Oklahoma City



Trustee
William Paul
Oklahoma City

Oklahoma Lottery Commission 7/1/12



Financial Section

An Agency of the State of Oklahoma



Independent Auditors' Report

The Board of Trustees
Oklahoma Lottery Commission

We have audited the accompanying statements of net assets of the Oklahoma Lottery Commission (the "OLC"), an enterprise fund of the State of Oklahoma, as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the OLC. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OLC as of June 30, 2012 and 2011, and the changes in its net assets 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 a report (under separate cover) dated September 14, 2012, on our consideration of the OLC's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 14, 2012

OKLAHOMA LOTTERY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Oklahoma Lottery Commission (the "OLC") provides this Management's Discussion and Analysis of their financial performance for the readers of the OLC's financial statements. This narrative provides an overview of the OLC's financial activity for the fiscal years ended June 30, 2012 and 2011. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the OLC's financial activities based on facts, decisions and conditions currently facing management.

UNDERSTANDING THE LOTTERY'S FINANCIAL STATEMENTS

The OLC, an instrumentality of the State of Oklahoma, is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with explanatory notes to the financial statements. The financial statements immediately follow this Management's Discussion and Analysis and are designed to highlight the OLC's net assets and changes to those assets resulting from the OLC's operations.

The most important relationship demonstrated within the OLC's financial statements is the requirement that the OLC transfer all net proceeds, "as defined", to the State Treasurer for the Oklahoma Education Lottery Trust Fund ("OELTF"). Accordingly, a significant focus of these financial statements is determining net proceeds available for transfer to the OELTF.

The OLC is also required to transfer annually the first \$500,000 of unclaimed prize money to the Oklahoma Department of Mental Health and Substance Abuse Services ("ODMHSAS"). This is discussed further on page 5 of Management's Discussion and Analysis.

FINANCIAL AND ACTIVITY HIGHLIGHTS

Revenues from lottery games totaled \$199,854,378 and \$198,153,932 respectively for the fiscal years ending June 30, 2012 and 2011. The OLC returned \$103,052,810 and \$106,600,824 to winners of lottery games; paid commissions and incentives to retailers totaling \$13,233,747 and \$13,219,310; incurred other game related expenses of \$6,081,715 and \$5,895,707; and had operating expenses of \$4,860,761 and \$6,596,129 for each of the respective fiscal years of 2012 and 2011. The OLC's net assets increased (decreased) by \$2,535,536 in fiscal year 2012 and (\$3,628,714) in fiscal year 2011. Transfers made and due to the OELTF were \$69,990,674 and \$69,396,091 respectively for fiscal years ending June 30, 2012 and 2011.

OKLAHOMA LOTTERY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

FINANCIAL AND ACTIVITY HIGHLIGHTS--Continued

The following table summarizes the OLC's Statement of Net Assets as of June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 30,872,975	\$ 23,964,528	\$ 22,624,734
Noncurrent Assets			
Deposit with MUSL	5,786,011	3,921,842	3,749,310
Capital Assets, Net	<u>105,926</u>	<u>148,503</u>	<u>234,050</u>
Total Assets	<u>36,764,912</u>	<u>28,034,873</u>	<u>26,608,094</u>
Current Liabilities	28,675,720	22,485,986	17,429,577
Noncurrent Liabilities	<u>61,679</u>	<u>56,910</u>	<u>57,826</u>
Total Liabilities	<u>28,737,399</u>	<u>22,542,896</u>	<u>17,487,403</u>
Net Assets			
Invested in Capital Assets, Net	105,926	148,503	234,050
Restricted Expendable Net Assets	<u>7,921,587</u>	<u>5,343,474</u>	<u>8,886,641</u>
Total Net Assets	<u>\$ 8,027,513</u>	<u>\$ 5,491,977</u>	<u>\$ 9,120,691</u>

The following table summarizes the OLC's Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues			
Gaming revenues	\$ 199,854,378	\$ 198,153,932	\$ 199,747,294
Other revenues	<u>118,975</u>	<u>120,614</u>	<u>178,604</u>
Total	199,973,353	198,274,546	199,925,898
Less Prize Expense	103,052,810	106,600,824	105,092,616
Less Retailer Commissions/Incentives	13,233,747	13,219,310	13,150,714
Less Other Direct Game Costs	6,081,715	5,895,707	5,903,703
Less Operating Expenses	<u>4,860,761</u>	<u>6,596,129</u>	<u>7,994,755</u>
Total Expense	127,229,033	132,311,970	132,141,788
Nonoperating Revenue (Expense)			
Interest Income	281,890	304,801	440,113
Transfers to ODMHSAS	(500,000)	(500,000)	(500,000)
Transfers to OELTF	<u>(69,990,674)</u>	<u>(69,396,091)</u>	<u>(69,974,064)</u>
Net nonoperating revenue (expense)	<u>(70,208,784)</u>	<u>(69,591,290)</u>	<u>(70,033,951)</u>
Increase (Decrease) in Net Assets	2,535,536	(3,628,714)	(2,249,841)
Net Assets, Beginning of Year	<u>5,491,977</u>	<u>9,120,691</u>	<u>11,370,532</u>
Net Assets, End of Year	<u>\$ 8,027,513</u>	<u>\$ 5,491,977</u>	<u>\$ 9,120,691</u>

OKLAHOMA LOTTERY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

FINANCIAL AND ACTIVITY HIGHLIGHTS--Continued

Sales increased slightly from fiscal year 2011 to fiscal year 2012. Online sales during this period increased mainly due to a record jackpot for Mega Millions at the end of March 2012. The price increase of the Powerball game in the last half of the fiscal year also provided a minimal increase to online sales for the year. There was a decrease in overall Scratcher sales from fiscal year 2011 to fiscal year 2012. One of the main contributing factors was due to a slight decrease in prize payouts across various price points. Instant payouts must be closely managed to ensure OLC fulfills our mandated requirement of 35% to education. We continually review and adjust Scratcher prize payouts to meet consumer demands and our ability to pay the prizes and transfers to education. From fiscal year 2011 to fiscal year 2012, we reduced prize expense in low price point Scratcher games to meet the demand for prizes in high price point Scratchers games. This reduced our overall Scratcher prize expense by approximately \$6,000,000. Despite the decline, Scratcher sales are still up almost \$10,000,000 from fiscal year 2008 and almost \$20,000,000 from fiscal year 2009.

Sales decreased slightly from fiscal year 2010 to fiscal year 2011. Online sales during this period decreased mainly due to a decline in large Powerball jackpots. The addition of the Mega Millions game in the last half of the fiscal year provided additional online sales for the year. Scratcher product sales for fiscal year 2011 were more than in fiscal year 2010, offsetting the decline in sales for the online products. The rise in Scratcher sales was mainly due to an increase in prize payouts. We raised the Scratcher payouts approximately \$7,000,000 from fiscal year 2010 to fiscal year 2011 to increase revenues.

Net proceeds of the OLC must be transferred to the State Treasurer for the OELTF with the following exceptions: 1) the cost of property and equipment, net of depreciation and related debt, and 2) other assets which can not be transferred due to statutory or other legal restriction, including restricted cash from unclaimed prizes, deposits with MUSL and the Restricted Fidelity Fund. Unclaimed prizes, after required transfers to the Department of Mental Health and Substance Abuse Services, must be added to a pool from which future prizes are awarded or used for special prize promotions. Deposits with MUSL result from a set aside of prize expenses paid to MUSL and are available for prize reserves and promotional expenses of MUSL games. The Restricted Fidelity Fund is derived from the licensing fees of new retailers, which may be retained by the OLC up to the budgeted expenses from the fund for the next fiscal year plus \$500,000 and used to cover losses the OLC may experience due to nonfeasance, misfeasance, or malfeasance of a lottery retailer and to pay the costs of vendor, retailer and employee background investigations conducted by the OSBI and for audits conducted by the State Auditor and Inspector.

OKLAHOMA LOTTERY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

FINANCIAL AND ACTIVITY HIGHLIGHTS--Continued

For the years ended June 30, 2012 and 2011, the total transfers made or due to the OELTF related to operations were \$69,990,674 and \$69,396,091, respectively. Since inception to June 30, 2012, total transfers made or due to the OELTF were \$488,523,586. For each of the years ended June 30, 2012 and 2011, the OLC transferred \$500,000 in unclaimed prize funds to the Department of Mental Health and Substance Abuse Services for the treatment of compulsive gambling disorders and educational programs related to such disorders. From inception to June 30, 2012, total transfers to the Oklahoma Department of Mental Health and Substance Abuse Services were \$3,044,600.

The following is a condensed version of the OLC's Statement of Cash Flows for the years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash Provided (Used) By:			
Operating Activities	\$ 73,641,204	\$ 67,706,571	\$ 65,578,691
Noncapital Financing Activities	(65,439,871)	(65,629,521)	(68,632,345)
Capital and Related			
Financing Activities	(10,246)	(15,417)	(35,727)
Investing Activities	<u>268,533</u>	<u>307,971</u>	<u>449,435</u>
Net Increase (Decrease) in Cash	8,459,620	2,369,604	(2,639,946)
Cash at Beginning of Year	<u>15,455,512</u>	<u>13,085,908</u>	<u>15,725,854</u>
Cash at End of Year	<u>\$ 23,915,132</u>	<u>\$ 15,455,512</u>	<u>\$ 13,085,908</u>

POTENTIAL FACTORS IMPACTING FUTURE OPERATIONS

Increasing costs always have the potential to impact future operations. The Oklahoma Lottery Commission is committed to keeping costs to a minimum in order to maximize our contribution to education in Oklahoma. United States lotteries including the OLC are in the process of developing a national lottery game. The OLC is also considering options for a regional game to increase sales and profits. OLC continues to review options for other lottery game opportunities and will continue to release new fun and entertaining Scratcher games in fiscal year 2013.

OKLAHOMA LOTTERY COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CONTACTING THE LOTTERY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the OLC's financial activity for all those interested in the OLC's operations. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Director of Administration, Oklahoma Lottery Commission, 405-522-7700, 3817 N. Santa Fe Oklahoma City, Oklahoma 73118.

STATEMENTS OF NET ASSETS

OKLAHOMA LOTTERY COMMISSION

ASSETS	June 30	
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,779,556	\$ 14,033,880
Cash - restricted	2,135,576	1,421,632
Retailer accounts receivable	6,582,415	7,401,763
Accounts receivable - Multi-State Lottery	375,428	1,107,253
TOTAL CURRENT ASSETS	<u>30,872,975</u>	<u>23,964,528</u>
CAPITAL ASSETS, net	105,926	148,503
DEPOSIT WITH MULTI-STATE LOTTERY	5,786,011	3,921,842
TOTAL NONCURRENT ASSETS	<u>5,891,937</u>	<u>4,070,345</u>
TOTAL ASSETS	<u>\$ 36,764,912</u>	<u>\$ 28,034,873</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Oklahoma Education Lottery Trust Fund	\$ 18,716,319	\$ 13,665,516
Due to Multi-State Lottery	1,327,695	1,113,907
Prizes payable	7,521,856	6,100,543
Accounts payable	705,856	1,045,081
Accrued liabilities	149,395	139,596
Deferred revenue	254,599	421,343
TOTAL CURRENT LIABILITIES	<u>28,675,720</u>	<u>22,485,986</u>
ACCRUED COMPENSATED ABSENCES, net	61,679	56,910
TOTAL LIABILITIES	<u>28,737,399</u>	<u>22,542,896</u>
NET ASSETS		
Invested in capital assets, net	105,926	148,503
Restricted net assets - expendable	7,921,587	5,343,474
TOTAL NET ASSETS	<u>8,027,513</u>	<u>5,491,977</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,764,912</u>	<u>\$ 28,034,873</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OKLAHOMA LOTTERY COMMISSION

	Years ended June 30	
	2012	2011
REVENUES		
Scratcher games	\$ 95,978,562	\$ 102,969,295
Pick 3 game	4,650,700	5,849,788
Pick 4 game	2,048,092	-
Cash 5 game	4,205,922	4,713,329
Hot Lotto game	7,407,098	9,514,730
Mega Millions game	27,328,981	20,954,777
Powerball game	58,235,023	54,152,013
TOTAL REVENUE FROM THE SALE OF LOTTERY TICKETS	<u>199,854,378</u>	<u>198,153,932</u>
Retailer application fees	112,375	112,380
Other	6,600	8,234
TOTAL REVENUES	<u>199,973,353</u>	<u>198,274,546</u>
DIRECT COSTS		
Prize expense		
Scratcher games	54,410,671	60,780,047
Pick 3 game	2,207,960	2,847,450
Pick 4 game	948,550	-
Cash 5 game	1,981,663	2,170,004
Hot Lotto game	3,575,998	4,411,148
Mega Millions game	13,445,425	10,436,364
Powerball game	26,482,543	25,955,811
TOTAL PRIZE EXPENSE	<u>103,052,810</u>	<u>106,600,824</u>
Commissions and incentives to retailers	13,233,747	13,219,310
Instant and on-line costs	6,081,715	5,895,707
TOTAL DIRECT COSTS	<u>122,368,272</u>	<u>125,715,841</u>
GROSS PROFIT	77,605,081	72,558,705
OPERATING EXPENSES		
Advertising and promotion	1,652,640	3,023,269
Salaries, wages and benefits	2,661,825	2,888,869
Contracted and professional services	122,459	158,711
Depreciation	52,823	100,964
Equipment	702	27,449
Rent expense	194,901	205,136
Office supplies	35,127	33,024
Travel	22,269	15,338
Other general and administrative	118,015	143,369
TOTAL OPERATING EXPENSES	<u>4,860,761</u>	<u>6,596,129</u>
OPERATING INCOME	72,744,320	65,962,576
NONOPERATING INCOME (EXPENSE)		
Interest income	281,890	304,801
Transfers to Oklahoma Department of Mental Health and Substance Abuse Services	(500,000)	(500,000)
Transfers to and due to Oklahoma Education Lottery Trust Fund	(69,990,674)	(69,396,091)
NET NONOPERATING INCOME (EXPENSE)	<u>(70,208,784)</u>	<u>(69,591,290)</u>
CHANGE IN NET ASSETS	2,535,536	(3,628,714)
NET ASSETS, beginning of year	<u>5,491,977</u>	<u>9,120,691</u>
NET ASSETS, end of year	<u>\$ 8,027,513</u>	<u>\$ 5,491,977</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA LOTTERY COMMISSION

	Years ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	\$ 188,037,612	\$ 186,141,085
Cash payments to prize winners	(101,417,709)	(106,216,462)
Cash payments to suppliers for goods and services	(8,469,732)	(9,136,032)
Cash payments to employees for services	(2,644,798)	(2,909,488)
Cash payments to fund deposit with Multi-State Lottery	(1,864,169)	(172,532)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>73,641,204</u>	<u>67,706,571</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to Oklahoma Department of Mental Health and Substance Abuse Services	(500,000)	(500,000)
Payments to Oklahoma Education Lottery Trust Fund	(64,939,871)	(65,129,521)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(65,439,871)</u>	<u>(65,629,521)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(10,246)	(15,417)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,246)</u>	<u>(15,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	268,533	307,971
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>268,533</u>	<u>307,971</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,459,620	2,369,604
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,455,512</u>	<u>13,085,908</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 23,915,132</u>	<u>\$ 15,455,512</u>
OPERATING ACTIVITIES		
Operating income	\$ 72,744,320	\$ 65,962,576
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	52,823	100,964
Bad debt expense	20,274	41,574
Changes in operating assets and liabilities		
Retailer accounts receivable	812,431	1,575,633
Accounts receivable - Multi-State Lottery	731,825	(590,567)
Deposit with Multi-State Lottery	(1,864,169)	(172,532)
Due to Multi-State Lottery	213,788	(74,568)
Accounts payable and accrued liabilities	(324,657)	305,884
Prizes payable	1,421,313	458,930
Deferred revenue	(166,744)	98,677
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 73,641,204</u>	<u>\$ 67,706,571</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE A--REPORTING ENTITY

The Oklahoma Lottery Commission (the "OLC"), was formed by the citizens of Oklahoma upon passage of a legislative referendum authorizing the Oklahoma Education Lottery Act (the "Act"), codified as Title 3A, Section 701, et. seq., of the Oklahoma Statutes. The OLC is an enterprise fund of the State of Oklahoma (the "State") responsible for administering lotteries in accordance with the Act. The Act established a board of seven trustees appointed by the Governor to oversee operations of the OLC. The Board of Trustees exercises powers comparable to those of the governing board of an entrepreneurial organization. The OLC transfers net proceeds as defined by the Act.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The OLC is accounted for as an 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 lottery games to the general public on a continuing basis are to be financed through the sale of lottery game tickets. The Act requires that all costs of providing lottery games, including capital costs, be recovered from the sale of lottery game tickets.

The Governmental Accounting Standards Board ("GASB") is the recognized standard setting body for accounting principles generally accepted applicable to governmental proprietary activities in the United States of America. The OLC applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989 when not in conflict with GASB pronouncements. In accordance with GASB Statement No. 20, the OLC has elected not to implement FASB Statements after the applicable date.

Basis of Accounting: The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The primary operating revenue of the OLC is ticket sales from games. Nonoperating income consists mostly of interest income. "Operating expenses" are defined under the Act as "all costs of doing business, including but not limited to prizes, commissions, and other compensation paid to retailers, advertising and marketing costs, personnel costs, capital costs, amounts held in or paid from the fidelity revolving fund, administration and operation of the OLC and other operating costs". All expenses not meeting this definition are reported as nonoperating expenses. The only nonoperating expenses are statutory required transfers to the Oklahoma Education Lottery Trust Fund ("OELTF") and the Oklahoma Department of Mental Health and Substance Abuse Services.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: Revenue for Pick 3, Pick 4, Cash 5, Hot Lotto, Mega Millions and Powerball (collectively referred to as "on-line games") is recognized when tickets are sold to the public by contracted retailers, except for tickets sold in advance of the draw date for which deferred revenue is recorded. Revenue for scratcher games is recognized upon activation of ticket packs for sale by the retailers.

Every scratcher ticket game has a predetermined number of free tickets in its prize structure. The majority of free tickets relate to scratcher ticket games. Revenue and prize expense are shown net of free tickets.

Commissions: Retailers receive a 6% commission on total sales and 0.75% commission on prizes cashed.

Prizes: Prize expense for scratcher ticket games is recorded as an estimate at the time the related revenue is recognized based on the predetermined prize structure for each game; periodically, the prize expense is adjusted to reflect amounts actually won. Prize expense for on-line games is recorded at the time the related revenue is recognized based on the known prizes.

Unclaimed Prizes: Prizes must be claimed within 90 days after the game-end (end of sales) for scratcher games and within 180 days after the draw date for on-line games. The first \$500,000 of unclaimed prize money accruing annually must be transferred to the Oklahoma Department of Mental Health and Substance Abuse Services for the treatment of compulsive gambling disorders and educational programs related to such disorders.

In accordance with section 724 of the Act, unclaimed prizes are added to a pool from which future prizes are awarded or used for special prize promotions. Under the Act, unclaimed prizes do not constitute net lottery proceeds and are restricted funds that are not available for transfer to the OELTF. Total unclaimed prizes amounted to \$4,182,199 and \$4,612,086 for fiscal years 2012 and 2011, respectively. Unclaimed prizes are netted against prize expense in the statement of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets: The OLC's net assets are classified as follows:

Invested in capital assets - This represents the OLC's total investment in capital assets.

Restricted net assets – expendable - This represents cash maintained in the OLC's restricted fidelity fund, deposits with the Multi-State Lottery ("MUSL"), and balance of unclaimed prizes to be used on future prizes or special prize promotions.

Gross Proceeds: Gross proceeds, as defined by the Act, consist of all revenue derived from the sale of lottery game tickets or shares and all other monies derived from the lottery games.

Net Proceeds: Net proceeds, as defined by the Act, consist of all revenue derived from the sale of lottery game tickets or shares and all other monies derived from the lottery games, less operating expenses and prizes.

Operating Expenses: Operating expenses, as defined by the Act, in the determination of net proceeds, consist of all costs of doing business including, but not limited to, prizes, commissions, and other compensation paid to lottery retailers, advertising and marketing costs, rental fees, personnel costs, capital costs, depreciation of property and equipment and other operating costs.

Cash and Cash Equivalents: The OLC's cash and cash equivalents are considered to be cash on-hand and interest bearing demand deposits held by the Oklahoma State Treasurer.

Retailer Accounts Receivable: Retailer accounts receivable represents lottery proceeds due from retailers for on-line ticket sales and activated ticket packs for scratcher games less commissions due to retailers and prizes paid by the retailers. Lottery proceeds are collected weekly by the OLC from retailer trust accounts established in trust for benefit of the OLC.

Capital Assets, Net: Capital assets, which consist of machinery, equipment, computers and software are stated at cost less accumulated depreciation. The OLC capitalizes all property and equipment purchases of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of three, five and ten years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results from operations in the period of disposal.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

Restricted Cash: In accordance with the Act, retailers contribute a fee to a fidelity fund upon acceptance as a retailer for the OLC. The fund is used to cover losses the OLC may incur due to misfeasance, nonfeasance or malfeasance of retailers and to contract for investigations, reviews or audits. At the end of any fiscal year, the OLC must transfer to the OELTF any amount in the restricted fidelity fund which exceeds the budgeted expenses from the fund for the next fiscal year plus \$500,000. At June 30, 2012 and 2011 no amounts were available for transfer as net proceeds. During fiscal years 2012 and 2011, \$28,710 and \$41,574 respectively, was used to reimburse the OLC for retailer accounts that were delinquent and in collection status. Receipts from retailers in collection status are deposited back to the fidelity fund. The fidelity fund is held in a separate account and appears in the accompanying statement of net assets as restricted funds and expendable restricted net assets.

Deposits with MUSL are included in expendable restricted net assets. These funds are in the possession of the MUSL and serve as a contingency to protect members from unforeseen prize liabilities.

Current unclaimed prizes in excess of \$500,000 and the balance from prior years are included in restricted cash. These funds are to be utilized to enhance future OLC prizes or promotions.

As of June 30, 2012 and 2011, restricted cash totaled \$2,135,576 and \$1,421,632 respectively.

Risk Management: The OLC is exposed to various risks of loss related to torts, destruction of assets due to theft or damage, errors and omissions, injuries to employees, and natural disasters. The OLC has coverage to substantially cover these risks through a self-insured pool for agencies of the State of Oklahoma. This coverage is administered by the Risk Management Division of the Department of Central Services for the State of Oklahoma.

Compensated Absences: Employees earn the right to be compensated during absences for vacation and compensatory time. Unused leave benefits are paid to employees upon separation from service. The cost of vacation and compensatory time is accrued in the period in which it is earned.

Deposit with MUSL: The OLC has contributed to a set prize reserve fund separately maintained by the MUSL (Note J) to pay certain prizes associated with Powerball, Hot Lotto and Mega Millions. With certain restrictions, the OLC's portion of this prize reserve fund is refundable upon termination of the OLC's agreement with the MUSL or upon the disbanding of the MUSL.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

Deposit with MUSL--Continued: As a member of the MUSL, the OLC is required to make deposits in various prize reserve funds maintained by the MUSL. These deposits are included in the 50% prize expense computed on Powerball and Hot Lotto sales, and in the 51.5% prize expense computed on Mega Millions sales. The net amount of 50% or 51.5% prize expense, less the amount required to pay non-jackpot prizes within the State, is paid to the MUSL. This payment is to cover the OLC's share of current jackpot prizes based on the OLC's percent of sales for each drawing and the OLC share of the prize reserve fund. The prize reserve fund serves as a contingency reserve to protect all the MUSL members, including the OLC, from unforeseen prize liabilities. The balances of the deposits are made up of the following:

	June 30	
	2012	2011
Set Prize Reserve Account	\$ 846,239	\$ 663,044
Prize Reserve Account	3,360,508	3,240,467
Balance of Unreserved Account	1,579,264	18,331
	<u>\$ 5,786,011</u>	<u>\$ 3,921,842</u>

Bad Debt Expense: The OLC recognizes bad debt expense when retailer account receivables are greater than 90 days old. The accounts receivable balance due to the OLC is satisfied at that time by a transfer of funds from the restricted fidelity fund. The OLC may continue its effort to collect these accounts. Any collection from a retailer balance previously charged to bad debt expense will be deposited back to the restricted fidelity fund. For the years ended June 30, 2012 and 2011, bad debt expense was \$20,274 and \$41,574, respectively.

Reclassifications: Certain amounts in the prior year's financial statements have been reclassified to conform with the current year presentation.

NOTE C--CASH AND DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The OLC does not have a deposit policy for custodial credit risk. However, all of the OLC's bank deposits are held by the Oklahoma State Treasurer ("OST") and therefore, as required by Oklahoma State Statutes, all bank deposits held by the OST are insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations and therefore are not considered to be exposed to custodial credit risk. As of June 30, 2012 and 2011, the carrying amounts of the OLC's deposits with the OST were \$23,915,132 and \$15,455,512, respectively, and the bank balances were \$23,926,286 and \$15,490,266, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE D--CAPITAL ASSETS, NET

The following is a summary of changes in capital assets and accumulated depreciation during the fiscal year indicated:

	Year Ended June 30, 2012			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets</u>				
Machinery and equipment	\$ 752,382	\$ 10,246	\$ -	\$ 762,628
Computers and software	400,006	-	-	400,006
	<u>1,152,388</u>	<u>10,246</u>	<u>-</u>	<u>1,162,634</u>
Accumulated depreciation				
Machinery and equipment	605,100	51,961	-	657,061
Computers and software	398,785	862	-	399,647
	<u>1,003,885</u>	<u>52,823</u>	<u>-</u>	<u>1,056,708</u>
Total capital assets, net	<u>\$ 148,503</u>	<u>\$ (42,577)</u>	<u>\$ -</u>	<u>\$ 105,926</u>

	Year Ended June 30, 2011			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets</u>				
Machinery and equipment	\$ 736,965	\$ 15,417	\$ -	\$ 752,382
Computers and software	400,006	-	-	400,006
	<u>1,136,971</u>	<u>15,417</u>	<u>-</u>	<u>1,152,388</u>
Accumulated depreciation				
Machinery and equipment	505,331	99,769	-	605,100
Computers and software	397,590	1,195	-	398,785
	<u>902,921</u>	<u>100,964</u>	<u>-</u>	<u>1,003,885</u>
Total capital assets, net	<u>\$ 234,050</u>	<u>\$ (85,547)</u>	<u>\$ -</u>	<u>\$ 148,503</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE E--COMPENSATED ABSENCES

Compensated absences: The current portion of accrued compensated absences is included in accrued liabilities in the accompanying statements of net assets. The following is a summary of changes in the OLC's liability for compensated absences during the period ended June 30:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences 2012	<u>\$ 170,730</u>	<u>\$ 124,559</u>	<u>\$ 110,252</u>	<u>\$ 185,037</u>	<u>\$ 123,358</u>
Compensated absences 2011	<u>\$ 173,477</u>	<u>\$ 130,553</u>	<u>\$ 133,300</u>	<u>\$ 170,730</u>	<u>\$ 113,820</u>

NOTE F--OPERATING LEASES

The OLC has entered into various operating leases for office space and equipment used in its daily operations. Pursuant to Oklahoma State Statutes, the OLC's operating leases are limited to terms of one year and must be renewed annually. Accordingly, the OLC has no long-term commitments under the operating leases as of June 30, 2012 or 2011. Rent expense under all operating leases was \$194,901 for the year ended June 30, 2012, and \$205,136 for the year ended June 30, 2011.

NOTE G--EDUCATION LOTTERY ACCOUNT

In accordance with the Act, all net proceeds of the OLC are transferred to the Education Lottery Account. Net proceeds consist of all revenue derived from the sale of lottery game tickets or shares and all other monies derived from the lottery games less operating expenses and prizes. Beginning in fiscal year 2009, the OLC makes transfers to the OELTF calculated at 35% of the total revenue year-to-date, less amounts previously paid. The net proceeds transfer requirement percentage for years prior to fiscal year 2009 was 30%. All remaining net income at the end of the fiscal year is also remitted to the OELTF, unless specifically exempted by statute. According to the Act, amounts transferred to the OELTF are to be appropriated by the Legislature to education programs according to the parameters established in the Act. Following is an executive summary of these statutory provisions. For the full text, see Title 3A, Section 713 of the Oklahoma Statutes available on the OLC website.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE G--EDUCATION LOTTERY ACCOUNT--Continued

- 5% Teachers' Retirement System Dedicated Revenue Revolving Fund
- 5% School Consolidation and Assistance Fund ("SCAF"): if the SCAF equals \$5,000,000, this 5% will be allocated to public schools to purchase technology equipment to conduct on-line testing
- 45% Kindergarten through twelfth grade public education, including compensation and benefits for public school teachers and support employees; and early childhood development programs
- 45% Tuition grants, loans and scholarships to citizens of this state for attending colleges and universities located within this state, or to attend Oklahoma Department of Career and Technology Education institutions; construction of educational facilities or capital outlay projects or technology for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education; endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education; and programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind

The following is a summary of the amounts available for transfer to the OELTF during the years ended June 30, 2012 and 2011:

	June 30	
	<u>2012</u>	<u>2011</u>
Net assets, beginning of year	\$ 5,491,977	\$ 9,120,691
Change in net assets before transfers to OELTF	<u>72,526,210</u>	<u>65,767,377</u>
Net assets available for transfer to OELTF before amounts invested in capital assets and restricted net assets	78,018,187	74,888,068
Less: Net assets invested in capital assets	(105,926)	(148,503)
Less: Restricted net assets - expendable	<u>(7,921,587)</u>	<u>(5,343,474)</u>
Transfers to and due OELTF for the year	<u>\$ 69,990,674</u>	<u>\$ 69,396,091</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE H--RETIREMENT PROGRAM

The OLC contributes to the Oklahoma Public Employees Retirement System ("OPERS") cost sharing multiple-employer defined benefit plan. OPERS was established in 1964 by the Oklahoma Legislature and covers substantially all employees of the State except those covered by six other plans sponsored by the State and also covers employees of participating counties and local agencies. The plan provides that all eligible persons, except those specifically excluded, shall become members of OPERS as a condition of their employment. The supervisory authority for the management and operation of OPERS is its Board of Trustees.

OPERS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 74 of the Oklahoma Statutes.

The following is a recap of OPERS' mandated contribution rates for fiscal years:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employee contributions	3.50%	3.50%	3.50%
Additional % for members electing stepup	2.91%	2.91%	2.91%
Employer contributions	16.50%	15.50%	15.50%

For the years ended June 30, 2012, 2011 and 2010 the OLC's contributions to OPERS were \$289,515, \$295,643 and \$317,954, respectively. All employer contributions were equal to the required contribution rates for the year.

A comprehensive annual financial report containing financial statements and required supplementary information for the Oklahoma Public Employee Retirement System is issued and publicly available by writing the Oklahoma Public Employee Retirement System, Post Office Box 53007, Oklahoma City, Oklahoma 73152-3007.

NOTE I--CONTINGENCIES

The OLC is subject to litigation in the ordinary course of its operations. In the opinion of the OLC's management and its legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the OLC for the years ended June 30, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE J--CONTRACTUAL ARRANGEMENTS

In August 2005 the OLC entered into a contract with Scientific Games International, Inc. ("SGI") to provide amongst other things, services and equipment to operate its lotteries. Due to Oklahoma Statutes, the OLC may not contract for a period longer than one year. However, the contract with SGI does contain six one-year renewal options which the OLC's Board of Trustees may renew annually. Under the terms of the contract, the OLC pays SGI a fee based on a percentage of the OLC's sales. For the years ended June 30, 2012 and 2011, the OLC paid SGI \$6,081,715 and \$5,895,707, respectively.

The OLC is a member of the MUSL which operates games on behalf of participating lotteries. MUSL currently operates the Powerball, Mega Millions and Hot Lotto games for the OLC. Under the OLC's agreement with the MUSL, the OLC must remit 50% of its Powerball ticket sales, 50% of its Hot Lotto ticket sales and 51.5% of its Mega Millions ticket sales, less the amount of all non-jackpot winning tickets sold. The OLC is responsible for paying winning tickets purchased in Oklahoma; therefore, it is able to deduct winning tickets sold from the amount due to the MUSL on its ticket sales. As of June 30, 2012 and 2011, the OLC owed the MUSL \$1,327,695 and \$1,113,907 for ticket sales and the MUSL owed the OLC \$375,428 and \$401,609 for non-jackpot winning tickets. Additionally, the MUSL owed the OLC \$705,644 related to a grand prize jackpot ticket at June 30, 2011. The OLC has recorded these items at their gross amounts in the accompanying statements of net assets.

NOTE K--NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective to OLC in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and OLC's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements* – GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. OLC will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE K--NEW ACCOUNTING PRONOUNCEMENTS--Continued

- Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.*

GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. OLC does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. OLC does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require OLC to make changes in its financial statement presentation.

Fiscal Year Ended June 30, 2014

- Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. OLC has not quantified the effects of adoption of GASB No. 65 on its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2012

NOTE K--NEW ACCOUNTING PRONOUNCEMENTS--Continued

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and OLC has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

Statistical Section

An Agency of the State of Oklahoma



**OKLAHOMA LOTTERY COMMISSION
STATISTICAL INFORMATION SECTION**

The statistical section of the Oklahoma Lottery Commission’s comprehensive annual financial report conveys supplemental information to the data presented in the financial statements and note disclosures to aid readers in reviewing the Lottery’s overall financial well-being.

FINANCIAL TRENDS..... 41

These schedules contain trend information from the current year and the prior year’s comprehensive annual financial report to explain how the financial performance and situation has changed.

REVENUE CAPACITY..... 45

These schedules contain information concerning revenue from the current year and the prior year’s comprehensive annual financial reports to explain how the revenue is split between games and other sources of revenue.

DEBT CAPACITY

At this time, the Oklahoma Lottery Commission has no outstanding debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION..... 48

This schedule contains demographic and economic data to explain the environment in which the Lottery operates.

OPERATING INFORMATION..... 49

This section includes a summary of the Lottery’s operating indicators as well as schedules that contain information about the Lottery’s organizational structure and financial performance in comparison to other state lotteries as available from the North American Association of State and Provincial Lotteries.

The Oklahoma Lottery Commission historical comparisons are available for six years. All data within the Statistical section, including operating indicators and demographic data, are based on audited data where available.

Oklahoma Lottery Commission

Change in Net Assets

Net Assets by Component

Operational Fiscal Years

	2006	2007	2008	2009	2010	2011	2012
Invested in capital assets	380,648	860,347	620,680	398,509	234,050	148,503	105,926
Restricted assets	202,582	6,961,198	9,018,472	10,972,023	8,886,641	5,343,474	7,921,587
Net Assets	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513
Total Net Assets	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513

Sales by Product and Other Revenues

	2006	2007	2008	2009	2010	2011	2012
Scratchers	111,318,511	86,966,117	78,212,513	77,883,679	88,966,304	102,969,295	95,978,562
Pick 3	8,428,541	8,009,986	7,071,679	6,861,481	6,279,596	5,849,788	4,650,700
Pick 4	0	0	0	0	0	0	2,048,092
Cash 5	0	4,934,234	5,450,289	4,135,719	5,445,698	4,713,329	4,205,922
Raffle	0	601,870	0	0	0	0	0
Mega Millions	0	0	0	0	6,938,995	20,954,777	27,328,981
Hot Lotto	0	0	6,736,044	13,253,129	12,467,350	9,514,730	7,407,098
PowerBall	71,042,744	102,818,624	107,040,421	91,030,676	79,649,351	54,152,013	58,235,023
Total Sales	190,789,796	203,330,831	204,510,946	193,164,684	199,747,294	198,153,932	199,854,378
Interest Income	350,751	1,060,393	1,143,557	592,790	440,113	304,801	281,890
Retailer Application Fee	227,296	120,404	116,280	111,934	115,585	112,380	112,375
Other Income	4,333	201,017	6,984	49,425	63,019	8,234	6,600
Total other revenues	582,380	1,381,814	1,266,821	754,149	618,717	425,415	400,865
Total revenues	191,372,176	204,712,645	205,777,767	193,918,833	200,366,011	198,579,347	200,255,243

Expenses by Type

	2006	2007	2008	2009	2010	2011	2012
Prizes	95,584,715	98,532,692	102,572,615	95,922,950	105,092,616	106,600,824	103,052,810
Retailer Commissions	12,924,387	13,428,925	13,425,128	12,753,727	13,150,714	13,219,310	13,233,747
Instant & online game costs	5,599,134	6,076,887	6,079,013	5,675,014	5,903,703	5,895,707	6,081,715
Operating expenses	7,581,846	9,557,361	9,774,573	8,109,261	7,994,755	6,596,129	4,860,761
Total expenses	121,690,082	127,595,865	131,851,329	122,460,952	132,141,788	132,311,970	127,229,033

Contributions

	2006	2007	2008	2009	2010	2011	2012
Lottery Education Trust Fund	68,948,959	69,378,465	71,608,831	69,226,501	69,974,064	69,396,091	69,990,674

Oklahoma Lottery Commission

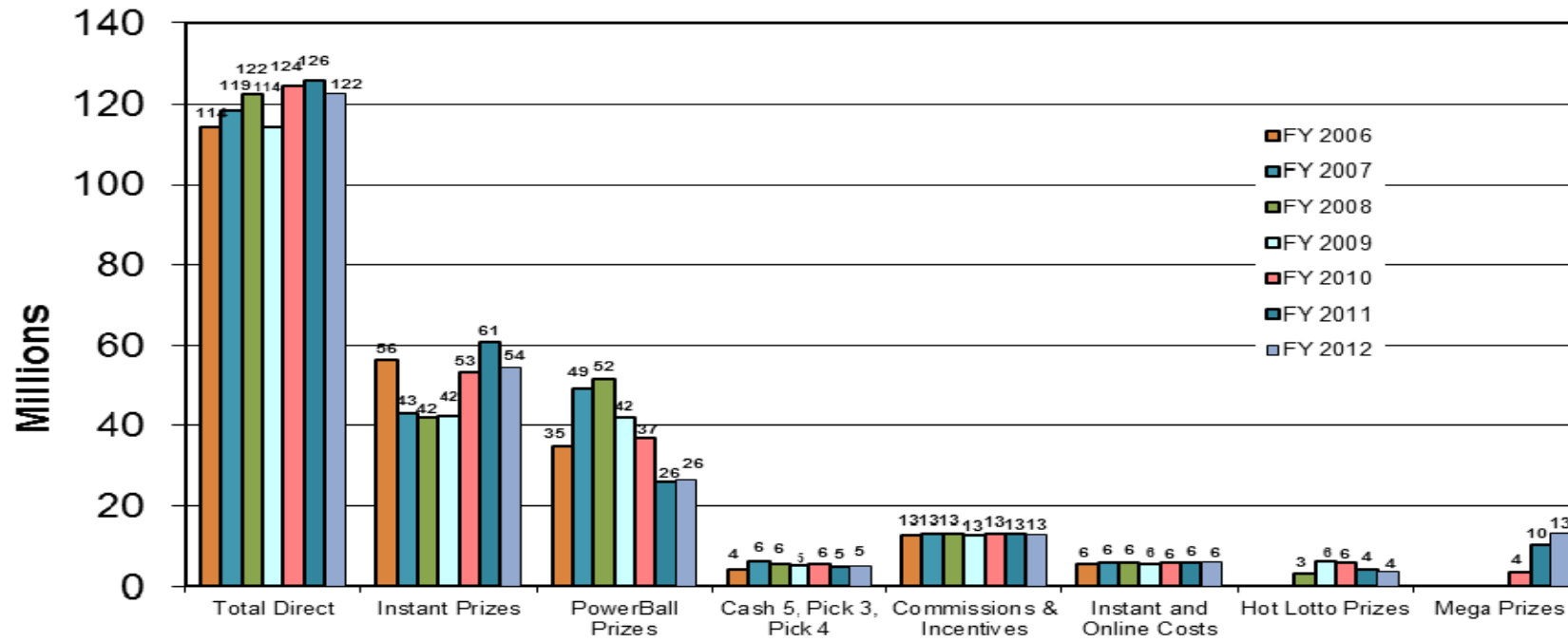
Change in Net Assets

Operational Fiscal Years

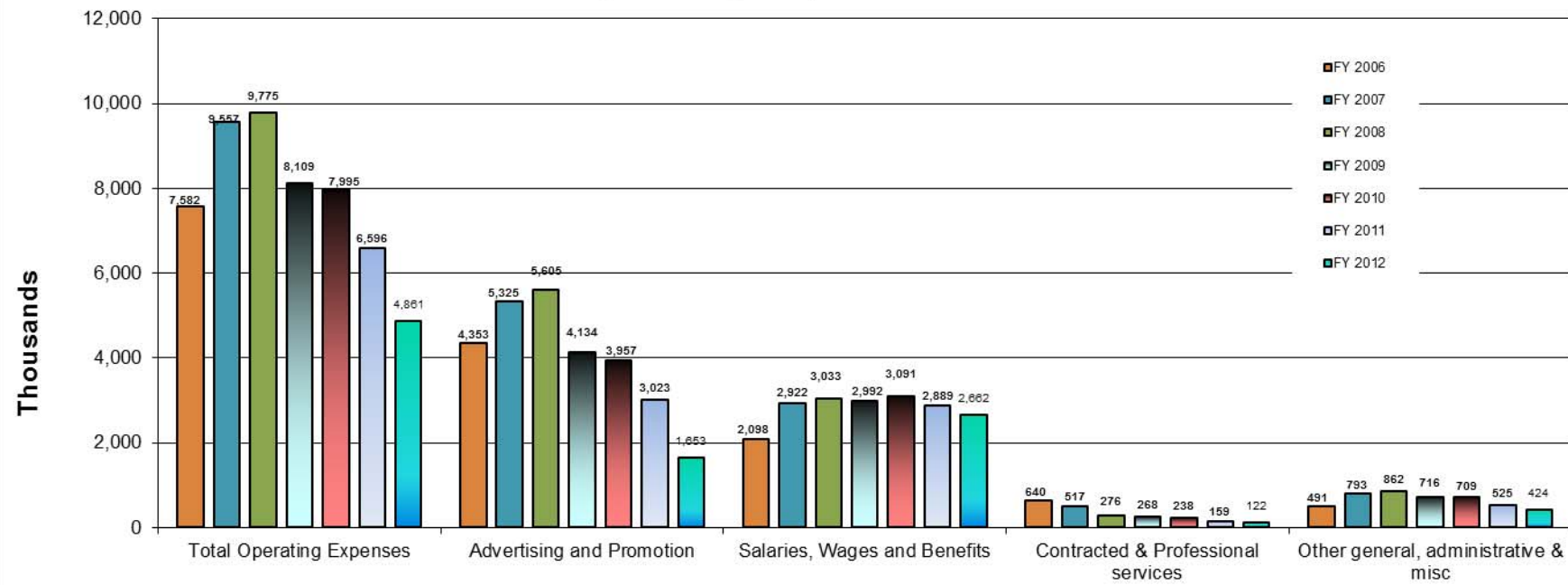
	2006	2007	2008	2009	2010	2011	2012
Operating Revenues:							
Instant games	111,318,511	86,966,117	78,212,513	77,883,679	88,966,304	102,969,295	95,978,562
Online games	8,428,541	13,546,090	12,521,968	10,997,200	11,725,294	10,563,117	10,904,714
Mega Millions	0	0	0	0	6,938,995	20,954,777	27,328,981
Hot Lotto Games	0	0	6,736,044	13,253,129	12,467,350	9,514,730	7,407,098
PowerBall games	71,042,744	102,818,624	107,040,421	91,030,676	79,649,351	54,152,013	58,235,023
Retailer application fees	227,296	120,404	116,280	111,934	115,585	112,380	112,375
Other	4,333	28,497	6,984	49,425	63,019	8,234	6,600
Total Revenues	191,021,425	203,479,732	204,634,210	193,326,043	199,925,898	198,274,546	199,973,353
Prizes	95,584,715	98,532,692	102,572,615	95,922,950	105,092,616	106,600,824	103,052,810
Game Costs:							
Retailer Commissions	12,924,387	13,428,925	13,425,128	12,753,727	13,150,714	13,219,310	13,233,747
Instant and Online costs	5,599,134	6,076,887	6,079,013	5,675,014	5,903,703	5,895,707	6,081,715
Total Game costs	18,523,521	19,505,812	19,504,141	18,428,741	19,054,417	19,115,017	19,315,462
Operating expenses							
Advertising and promotion	4,352,583	5,325,342	5,604,590	4,133,573	3,956,565	3,023,269	1,652,640
Salaries, wages and benefits	2,098,259	2,922,042	3,032,507	2,991,764	3,091,050	2,888,869	2,661,825
Contracted and professional services	639,566	516,746	275,506	267,886	238,146	158,711	122,459
Depreciation	42,793	162,193	245,320	252,432	200,186	100,964	52,823
Equipment	125,348	11,604	17,150	7,767	23,096	27,449	702
Rent expense	124,765	233,161	271,555	242,114	229,973	205,136	194,901
Office supplies	38,466	77,444	66,826	41,300	62,328	33,024	35,127
Travel	40,270	42,154	37,808	21,892	27,284	15,338	22,269
Other general and administrative	119,796	266,675	223,311	150,533	166,127	143,369	118,015
Total operating expenses	7,581,846	9,557,361	9,774,573	8,109,261	7,994,755	6,596,129	4,860,761
Operating income	69,331,343	75,883,867	72,782,881	70,865,091	67,784,110	65,962,576	72,744,320
Non-operating Income (Expense):							
Interest income	350,751	1,060,393	1,143,557	592,790	440,113	304,801	281,890
Other income	0	172,520	0	0	0	0	0
Interest expense	(1,389)	0	0	0	0	0	0
Transfers to OK Department of Mental Health Services	(44,600)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Transfers to/due Oklahoma Education Lottery Trust Fund	(68,948,959)	(69,378,465)	(71,608,831)	(69,226,501)	(69,974,064)	(69,396,091)	(69,990,674)
Total non-operating income (expenses)	(68,644,197)	(68,645,552)	(70,965,274)	(69,133,711)	(70,033,951)	(69,591,290)	(70,208,784)
Change in net assets	687,147	7,238,315	1,817,607	1,731,380	(2,249,841)	(3,628,714)	2,535,536
Net assets, beginning of year	(103,917)	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977
Net assets, end of year	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513
Invested in capital assets	380,648	860,347	620,680	398,509	234,050	148,503	105,926
Restricted assets	202,582	6,961,198	9,018,472	10,972,023	8,886,641	5,343,474	7,921,587
Unrestricted assets							
Components of net assets, ending	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513

Oklahoma Lottery Commission

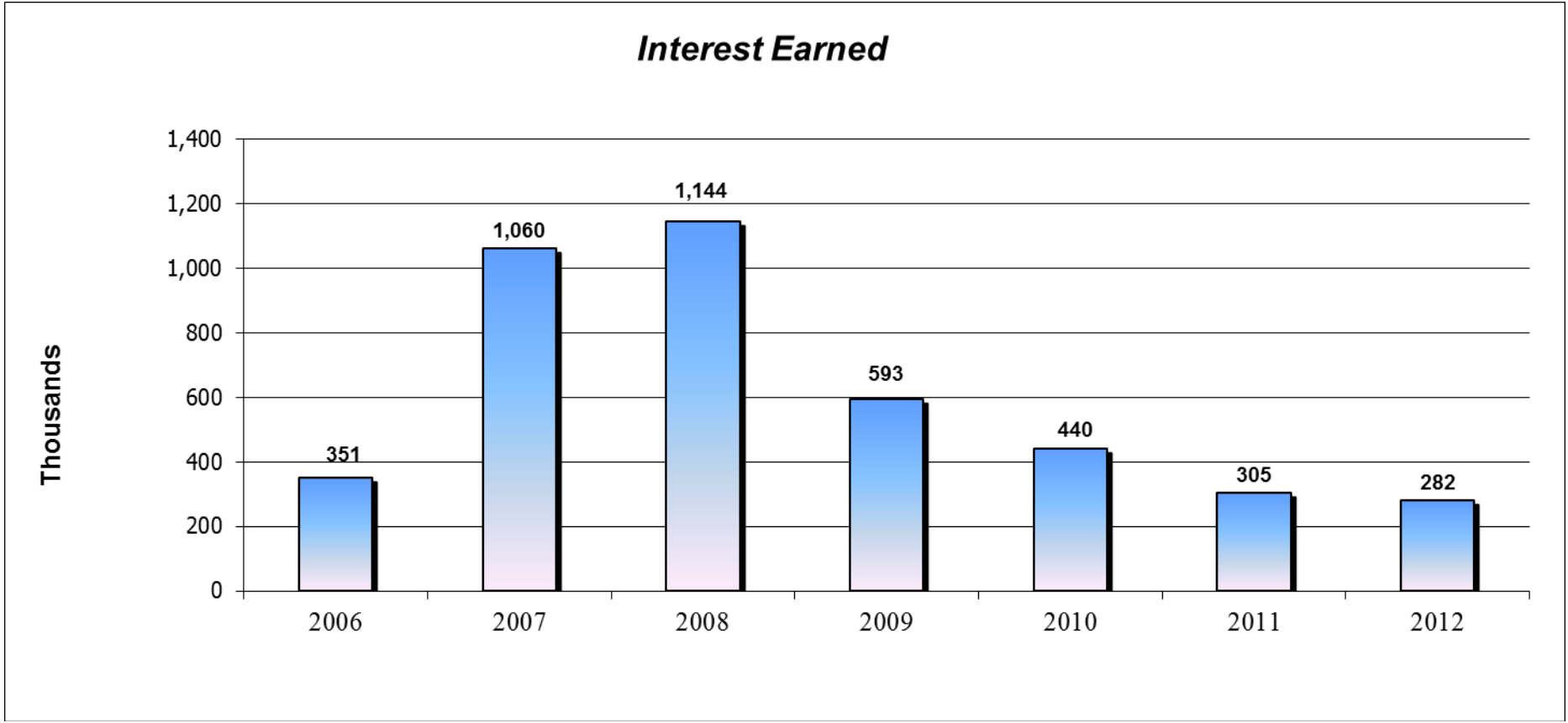
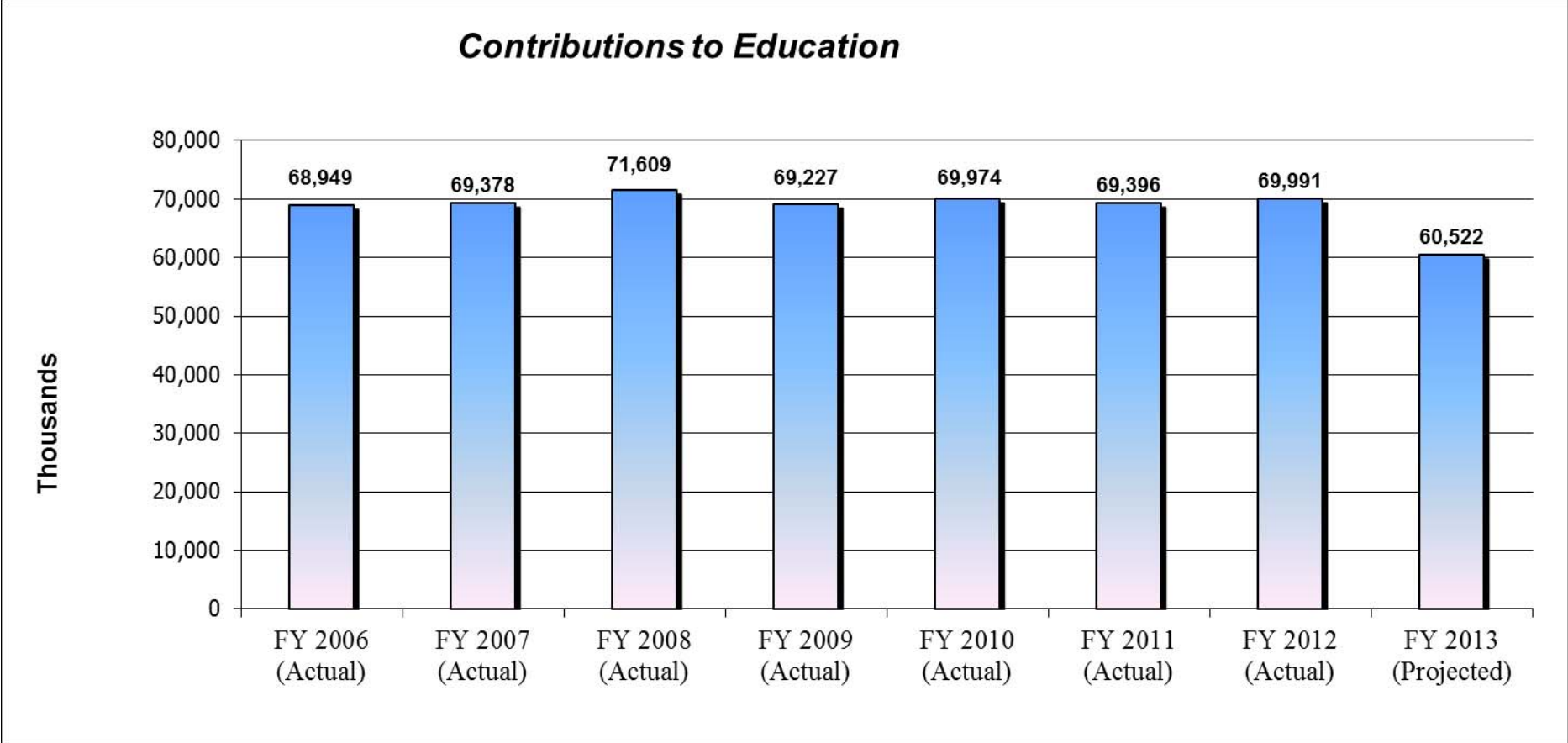
Total Direct Costs



Operating Expenses

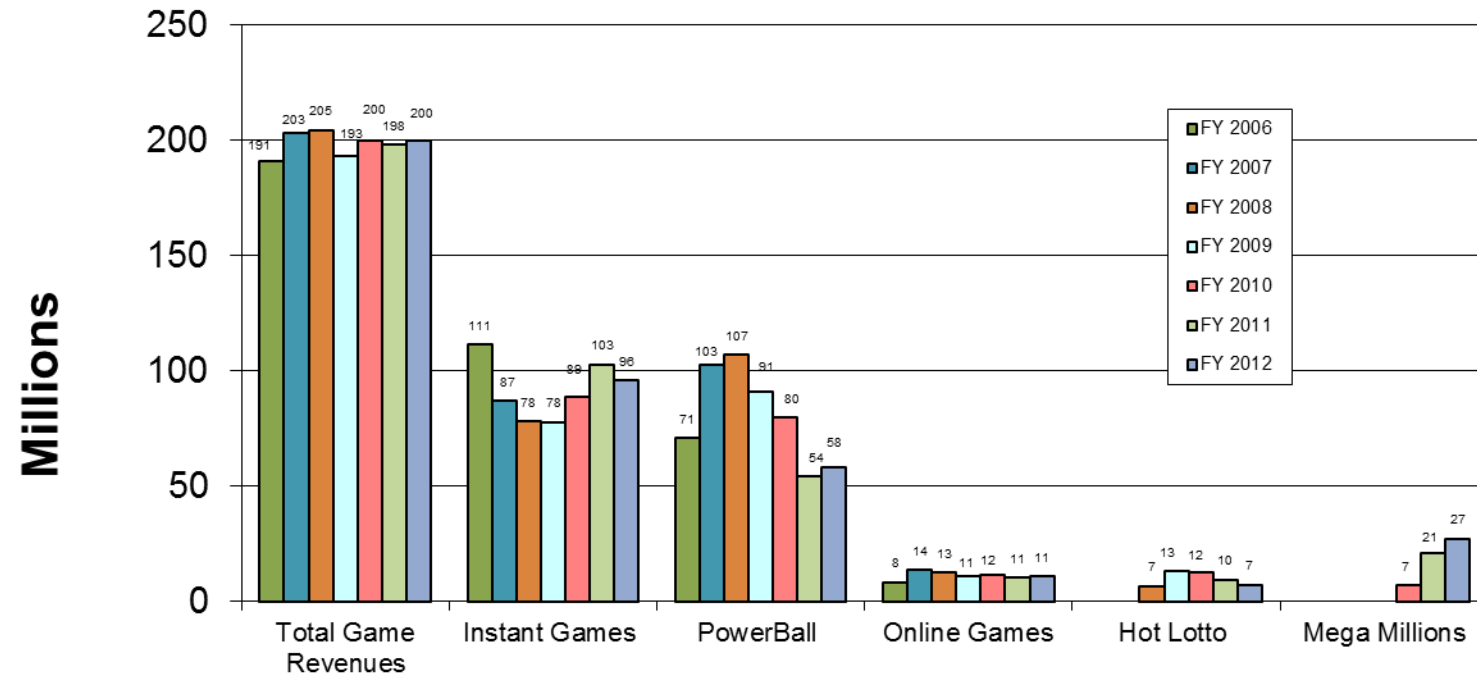


Oklahoma Lottery Commission

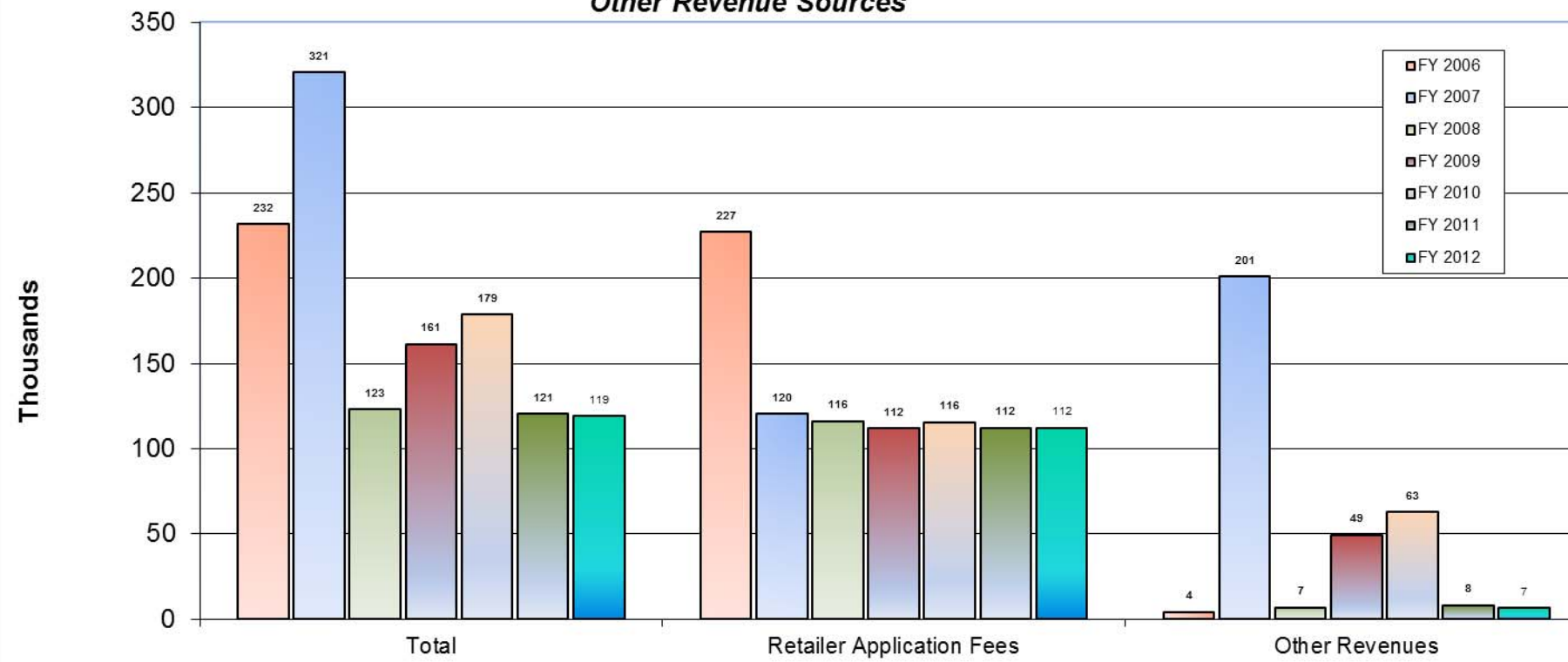


Oklahoma Lottery Commission

Major Sources of Revenue

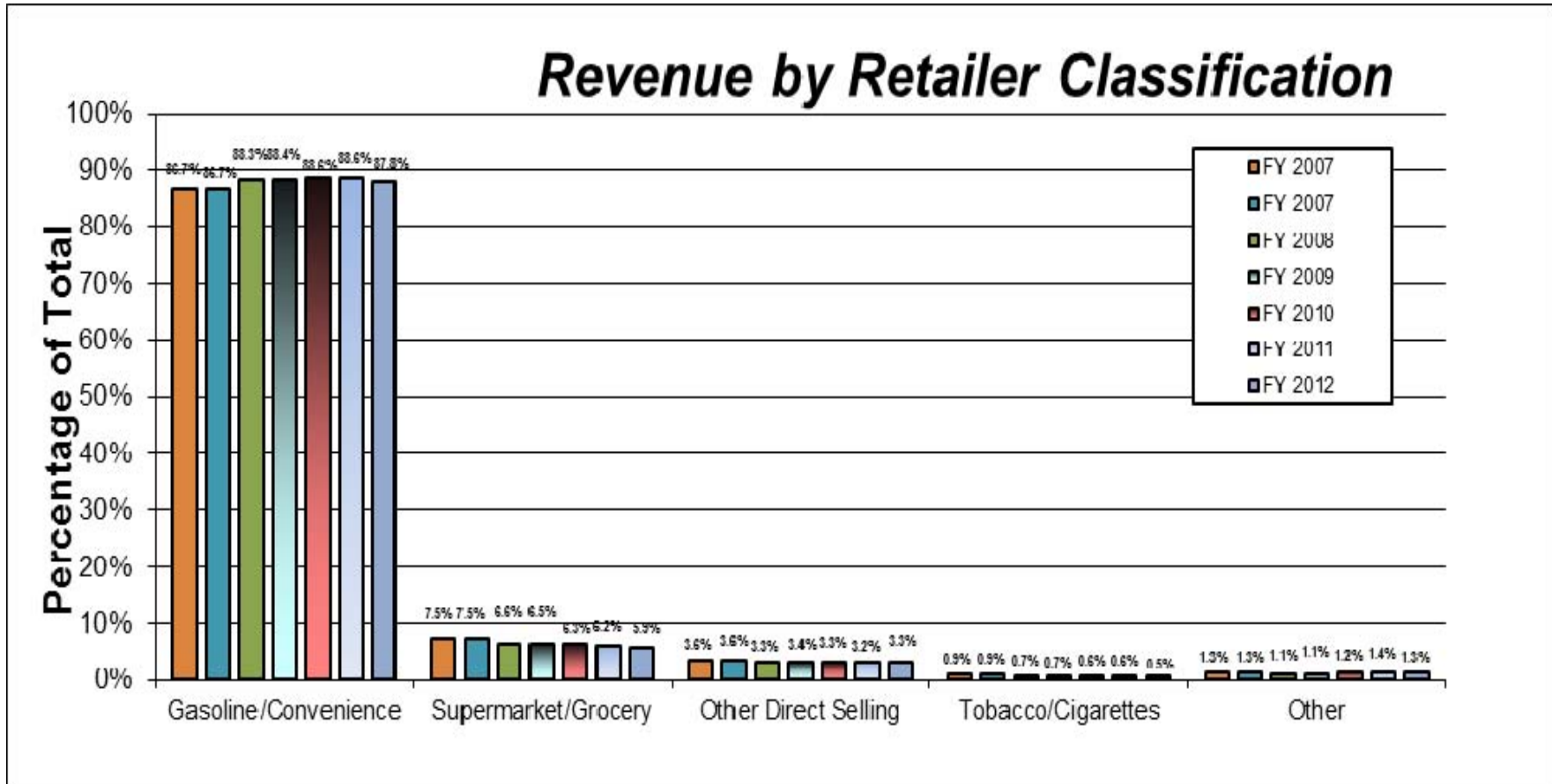


Other Revenue Sources



Oklahoma Lottery Commission

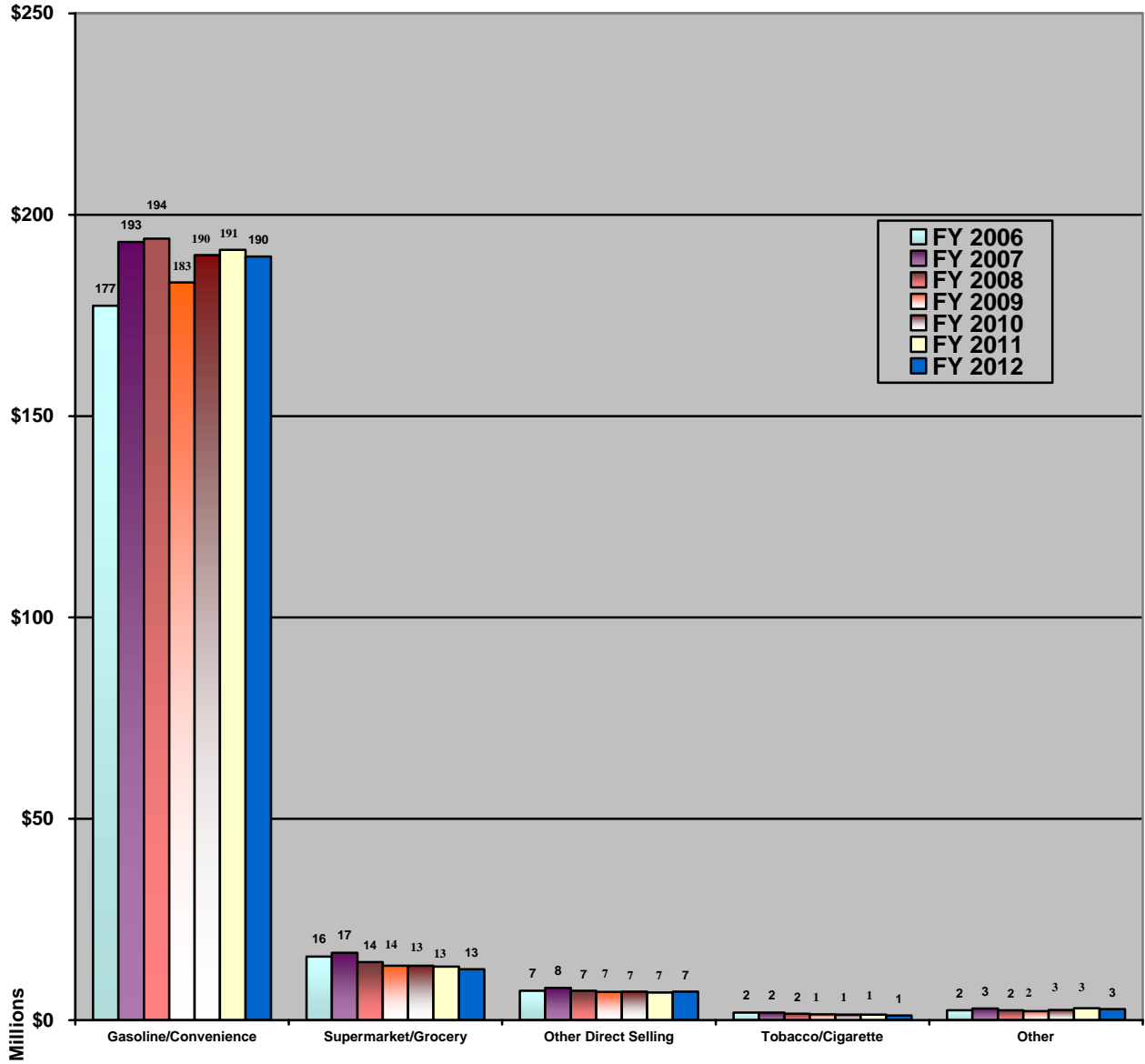
Revenues by Retailer Classification (Unaudited)



Source: OLC GMS Retailer Ranking, by NAICS Codes, includes free tickets

Oklahoma Lottery Commission

Revenues by Retailer Classification (Unaudited)



Source: OLC GMS Retailer Ranking, by NAICS Codes, includes free tickets

Oklahoma Lottery Commission

Demographics and Economic Information 1997-2011

Year	Population (millions)	Per Capita Income	Unemployment rate
1997	3,317,000	\$20,671	2.1%
1998	3,347,000	\$21,766	2.5%
1999	3,358,000	\$22,567	3.4%
2000	3,450,654	\$24,406	3.0%
2001	3,466,687	\$26,008	3.8%
2002	3,488,447	\$25,850	4.6%
2003	3,504,347	\$26,424	5.6%
2004	3,522,827	\$28,394	4.2%
2005	3,543,442	\$29,948	4.2%
2006	3,579,212	\$32,210	4.5%
2007	3,617,316	\$34,910	4.4%
2008	3,642,361	\$36,899	6.7%
2009	3,687,050	\$35,840	6.9%
2010	3,751,351	\$35,396	7.1%
2011	3,791,508	\$37,679	6.2%

Ten Largest Employers in the State of Oklahoma

		Location	Total Employment	Percent of Employment
1.	Tinker AFB; including the Oklahoma City Air Logistics Center	Oklahoma City	37,000	22%
2.	State of Oklahoma	Statewide	31,000 - 32,000	18% - 19%
3.	Wal-Mart and Sam's Club	Statewide	31,000 - 32,000	18% - 19%
4.	U.S. Army Field Artillery Center & Fort Sill	Lawton	19,500	12%
5.	University of Oklahoma	Norman	12,000 - 14,000	7% - 8%
6.	Chickasaw Enterprises	Ada	7,500 - 10,000	4% - 6%
7.	Integris Medical Centers	Statewide	8,500 - 9,500	5%
8.	Oklahoma State University	Stillwater	7,500 - 8,500	4% - 5%
9.	American Airlines, Inc	Tahlequah	7,000 - 8,000	4% - 5%
10.	US Postal Service	Statewide	6,000 - 7,000	4%
			167,000 - 177,500	

Source:
Oklahoma Department of Commerce
www.okcommerce.gov

Oklahoma Lottery Commission Operating Information

Summary of Operating Indicators

The Oklahoma Lottery Commission began ticket sales on October 12, 2005. A phased start-up began with the sale of instant tickets (Scratchers), followed by Pick 3 in November 2005, Powerball in January 2006, Cash 5 in September 2006 and Hot Lotto in January 2008. Mega Millions was added in January 2010 and Pick 4 was added in July 2011. The Lottery ended its seventh fiscal year, June 30, 2012 with more than \$199 million in sales, bringing total sales through FY-2012 to more than \$1.389 billion. Contributions to education for FY-2012 were \$69.9 million, bringing total Lottery contributions for Oklahoma education to approximately \$488.5 million. (Note – through December 2012, more than \$510.9 million has been provided by the Lottery to Oklahoma Education). The largest expense each year has been the payment of prizes to lottery winners.

Powerball has been the top selling online game every year, contributing 29% of total revenue in FY-2012. Powerball sales as a percent of total sales have been declining from 39% of total revenue in FY-2010 and 47% of total revenue in FY-2009. Powerball sales are mainly impacted by the value of the estimated annuity jackpot. Several high dollar winners, including Oklahoma's four Powerball grand prize winners in 2006, 2007, 2008, and 2009 have helped to promote Powerball sales in the state. Current economic conditions, the absence of larger jackpots, due to the low investment returns and competition from other gaming venues, adversely affect Powerball sales.

Scratchers (instant tickets) offered by the Oklahoma Lottery Commission, made up 48% of total sales for FY-2012. This compares to the percent of sales from FY- 2011(52%), to FY-2010 (45%) and to FY-2009 (40%). Instant sales revenues declined in FY-2012 because of lower payouts put into place in FY-2011 to ensure compliance with the profit requirement of 35%. During FY-2012, sixty three (63) different Scratcher games were offered for sale, including 43 that were launched in FY-2012. Factors that influence the sale of Scratchers are the economy, competition for available entertainment dollars, game themes, price of tickets, prizes, and number of games offered. By far, the main influence on the sale of Scratchers is prize payouts. Prize payouts are limited by the current minimum mandated profit (35% profit restriction) in the Oklahoma Education Lottery Act. The Lottery has repeatedly asked for the repeal of this restriction which would result in increased sales and profits as demonstrated by the removal of such restrictions in other state lotteries

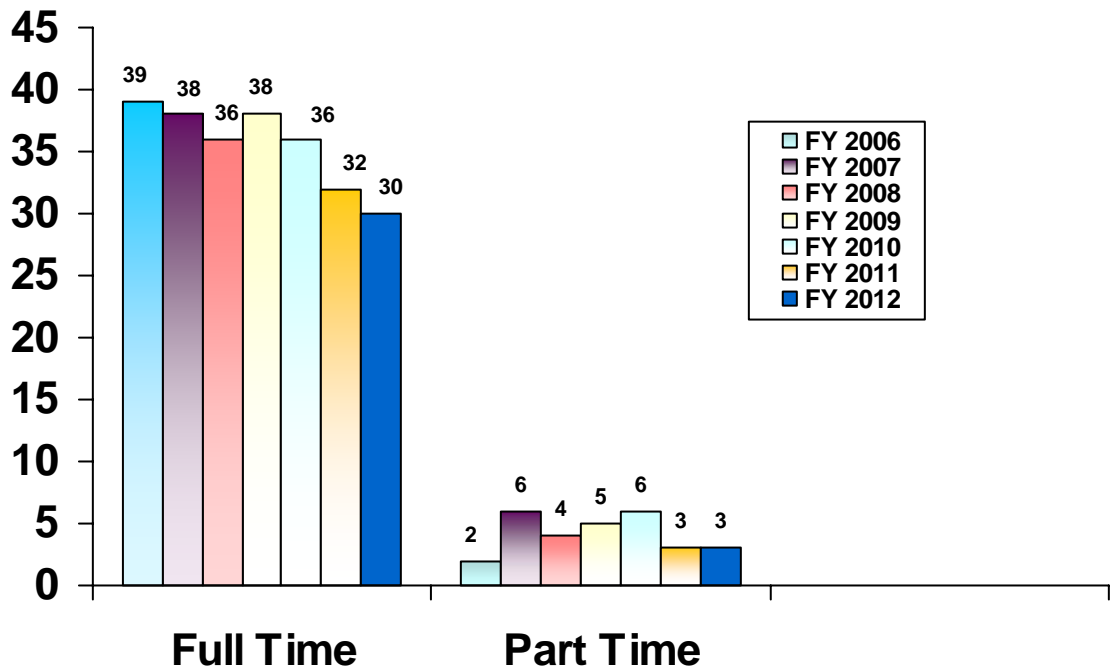
Other online games are also popular, with the Oklahoma Pick 3, Cash 5 and Pick 4 games having a consistent player following.

OKLAHOMA LOTTERY COMMISSION
 Schedule of Lottery Employees
 Fiscal Years Ending June 30

Schedule of Employees by Program

FY 2006		FY 2007		FY 2008		FY 2009		FY 2010	
Full Time	39	Full Time	38	Full Time	36	Full Time	38	Full Time	36
Part Time	<u>2</u>	Part Time	<u>6</u>	Part Time	<u>4</u>	Part Time	<u>5</u>	Part Time	<u>6</u>
Total	43	Total	44	Total	40	Total	43	Total	42

FY 2011		FY 2012	
Full Time	32	Full Time	30
Part Time	<u>3</u>	Part Time	<u>3</u>
Total	35	Total	33



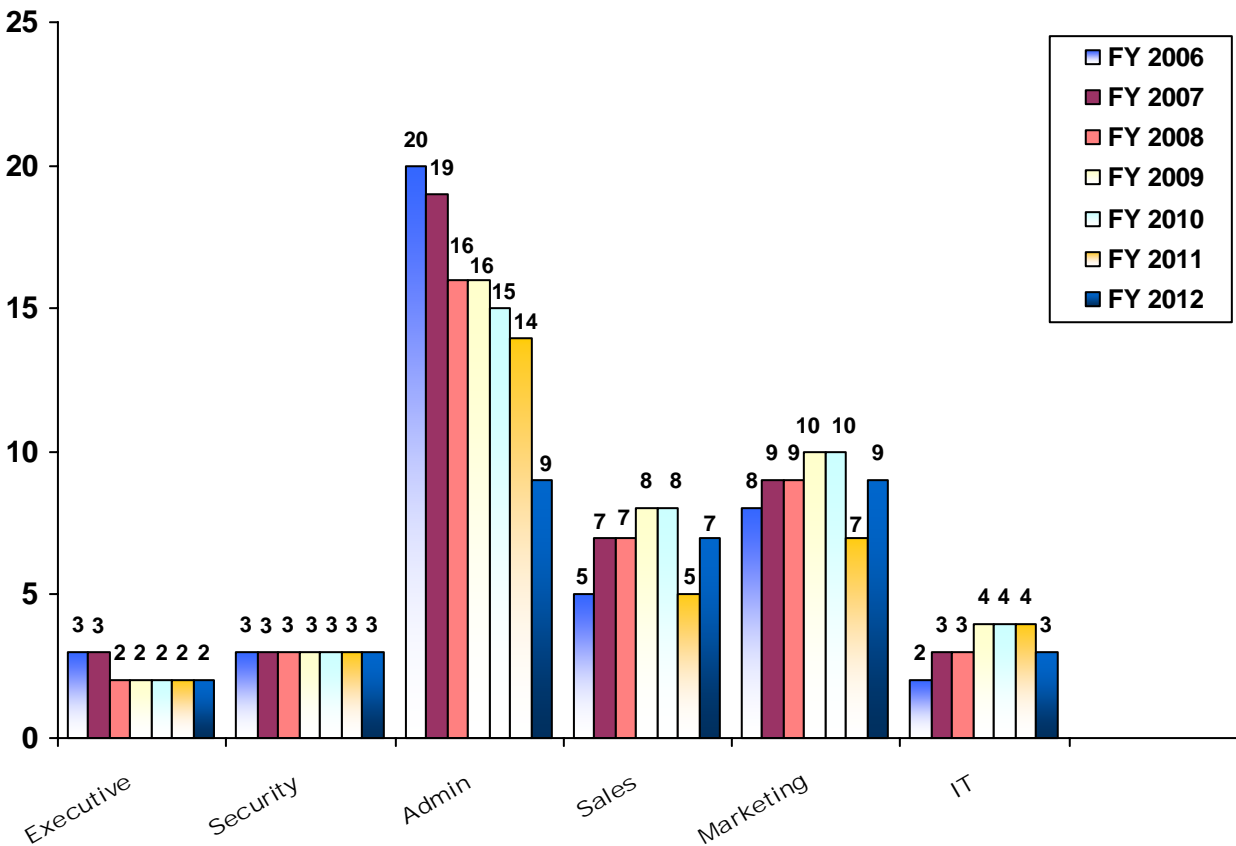
OKLAHOMA LOTTERY COMMISSION

Schedule of Lottery Employees

Fiscal Years Ending June 30

Schedule of Employees by Activity Type

	Executive	Security	Admin	Sales	Marketing	IT	Total
FY 2006	3	3	20	5	8	2	41
FY 2007	3	3	19	7	9	3	44
FY 2008	2	3	16	7	9	3	40
FY 2009	2	3	16	8	10	4	43
FY 2010	2	3	15	8	10	4	42
FY 2011	2	3	14	5	7	4	35
FY 2012	2	3	9	7	9	3	33



**Oklahoma Lottery Commission
National Lottery Statistics
Comparative Sales by Product**

FY '12 Sales by Product (millions)

Lottery Jurisdiction	INSTANT	PULL TAB	3-DIGIT	4-DIGIT	5-DIGIT	LOTTO	HOT LOTTO	CASH LOTTO	MULTI-JURISDICTION	KENO	VLT EGMs	TABLE GAMES	OTHER	TOTAL SALES
Arizona	\$409.77	\$3.27	\$8.49			\$34.63		\$24.23	\$160.28				\$6.01	\$646.68
Arkansas	\$391.29		\$6.18	\$3.33		\$5.24			\$63.47				\$3.58	\$473.09
California	\$2,755.38		\$135.32	\$29.53		\$423.76		\$164.03	\$720.08	\$131.06			\$12.33	\$4,371.49
Colorado	\$364.24					\$33.28		\$28.79	\$118.99					\$545.30
Connecticut	\$653.31		\$121.52	\$98.54		\$54.24		\$33.78	\$114.91				\$5.44	\$1,081.74
Delaware	\$45.71		\$25.03	\$18.63				\$5.64	\$36.92		\$475.73	\$74.96	\$20.61	\$703.23
District of Columbia	\$59.94		\$53.05	\$65.65	\$15.08		\$2.62		\$27.74	\$12.47			\$12.98	\$249.53
Florida	\$2,566.99		\$314.75	\$244.71		\$511.39		\$308.36	\$503.70					\$4,449.90
Georgia	\$2,584.96		\$468.84	\$195.69	\$10.64	\$28.74		\$101.55	\$269.99	\$174.27				\$3,834.68
Idaho	\$99.83	\$15.58	\$1.77			\$2.71	\$2.70	\$2.25	\$48.82				\$2.17	\$175.83
Illinois	\$1,624.61		\$278.56	\$194.15		\$104.37		\$131.45	\$336.99				\$10.01	\$2,680.14
Indiana	\$547.64	\$10.15	\$29.74	\$30.21		\$61.17		\$8.95	\$147.29	\$20.43				\$855.58
Iowa	\$188.81	\$17.44	\$6.74	\$2.79			\$10.53	\$4.31	\$80.23					\$310.85
Kansas	\$123.58	\$9.46	\$6.00				\$6.98	\$17.44	\$53.33	\$23.13			\$6.22	\$246.14
Kentucky	\$505.91		\$123.29	\$37.57		\$7.91		\$25.75	\$123.12					\$823.55
Louisiana	\$158.03		\$48.96	\$38.51		\$31.02		\$13.42	\$139.68					\$429.62
Maine	\$165.14		\$5.27	\$4.31		\$21.13	\$2.46		\$30.04					\$228.35
Maryland	\$506.80		\$254.59	\$265.54		\$30.71		\$21.87	\$193.71	\$387.41	\$194.73		\$134.26	\$1,989.62
Massachusetts	\$3,251.48	\$0.85	\$333.86			\$50.36		\$84.59	\$184.39	\$790.45			\$33.62	\$4,729.60
Michigan	\$771.72	\$27.31	\$323.48	\$357.65		\$48.30		\$53.54	\$286.29	\$538.38			\$6.79	\$2,413.46
Minnesota	\$355.26		\$12.84				\$9.43	\$29.55	\$99.90				\$13.05	\$520.03
Missouri	\$742.54		\$65.07	\$31.38		\$22.56		\$33.06	\$137.49	\$65.33				\$1,097.43
Montana	\$16.53						\$3.15	\$6.04	\$21.50	\$0.77			\$4.77	\$52.76
Nebraska	\$81.95		\$3.51					\$15.31	\$49.84					\$150.61
New Hampshire	\$179.37		\$5.25	\$5.19		\$15.37	\$3.21		\$48.43				\$1.08	\$257.90
New Jersey	\$1,417.70		\$431.48	\$261.76		\$84.16		\$142.22	\$422.08					\$2,759.40
New Mexico	\$68.74		\$3.63				\$5.43	\$7.51	\$48.03				\$0.45	\$133.79
New York	\$3,578.93		\$880.54	\$813.76		\$122.27		\$323.24	\$761.16	\$532.79	\$1,426.78			\$8,439.47
North Carolina	\$959.96		\$247.75	\$91.53				\$57.97	\$239.48					\$1,596.69
North Dakota							\$2.73	\$5.37	\$17.94					\$26.04
Ohio	\$1,507.46		\$357.41	\$207.93		\$42.28		\$63.79	\$284.64	\$218.10	\$11.08		\$57.36	\$2,750.05
Oklahoma	\$95.98		\$4.65	\$2.03			\$7.41	\$4.21	\$85.57					\$199.85
Oregon	\$117.52			\$1.35		\$43.09		\$1.76	\$60.99	\$93.46	\$2,550.71		\$4.99	\$2,873.87
Pennsylvania	\$2,134.58		\$359.92	\$245.60	\$40.75			\$250.17	\$428.92				\$20.96	\$3,480.90
Rhode Island	\$83.95		\$25.41			\$3.77		\$4.89	\$46.80	\$82.25	\$3,282.70		\$2.41	\$3,532.18
South Carolina	\$756.30		\$138.85	\$66.78				\$22.28	\$149.18				\$2.26	\$1,135.65
South Dakota	\$24.77						\$3.27	\$4.25	\$20.85		\$550.05			\$603.19
Tennessee	\$1,049.60		\$57.97	\$27.69				\$19.22	\$156.72					\$1,311.20
Texas	\$3,086.14		\$279.64	\$73.41		\$169.69		\$130.58	\$451.36					\$4,190.82
Vermont	\$74.54		\$1.38	\$1.30		\$7.36	\$1.06		\$14.33				\$0.96	\$100.93
Virginia	\$842.12		\$243.27	\$222.77		\$33.15		\$26.68	\$229.29				\$18.72	\$1,616.00
Washington	\$318.15		\$16.60			\$54.47		\$35.37	\$102.06	\$5.63			\$2.92	\$535.20
West Virginia	\$117.68		\$8.70	\$5.03			\$4.73	\$5.47	\$53.44	\$6.25	\$1,175.95	\$80.28		\$1,457.53
Wisconsin	\$320.13	\$2.35	\$24.13	\$12.17		\$24.80		\$47.66	\$115.20				\$1.20	\$547.64
TOTAL (\$US)	\$35,705.04	\$86.41	\$5,713.44	\$3,656.49	\$66.47	\$2,071.93	\$65.71	\$2,266.55	\$7,685.17	\$3,082.18	\$9,667.73	\$155.24	\$385.15	\$70,607.51

Reference: LaFleurs Magazine / September/October 2012 - Fiscal 2012 Lottery Sales Report (U.S. Lotteries' Unaudited Fiscal Sales by Game)

U.S. Lotteries Fiscal Total Sales & Profits

Lottery Jurisdiction	FY '06 Sales (millions)	FY '06 Profit (millions)	FY '07 Sales (millions)	FY '07 Profit (millions)	FY '08 Sales (millions)	FY '08 Profit (millions)	FY '09 Sales (millions)	FY '09 Profit (millions)	FY '10 Sales (millions)	FY '10 Profit (millions)	FY '11 Sales (millions)	FY '11 Profit (millions)	FY '12 Sales (millions)	FY '12 Profit (millions)
Arizona	\$468.70	\$141.12	\$462.20	\$140.00	\$472.90	\$144.60	\$484.49	\$129.08	\$551.50	\$141.90	\$583.50	\$146.30	\$646.68	\$164.72
Arkansas	na	na	na	na	na	na	na	na	\$383.70	\$82.60	\$464.00	\$156.60	\$473.09	\$97.78
California	\$3,585.00	\$1,240.57	\$3,318.40	\$1,170.00	\$3,049.60	\$1,069.40	\$2,954.80	\$1,020.70	\$3,041.00	\$1,077.00	\$3,438.60	\$1,128.60	\$4,371.49	\$1,320.73
Colorado	\$468.80	\$125.60	\$455.90	\$119.00	\$505.80	\$122.30	\$493.40	\$121.90	\$501.20	\$112.90	\$518.90	\$113.40	\$545.30	\$123.20
Connecticut	\$970.33	\$284.87	\$957.00	\$279.90	\$998.10	\$285.10	\$991.00	\$283.00	\$996.80	\$285.50	\$1,016.60	\$289.30	\$1,081.74	\$311.90
Delaware	\$727.99	\$248.80	\$754.00	\$256.70	\$736.40	\$252.50	\$702.20	\$317.50	\$670.90	\$335.60	\$623.50	\$287.00	\$703.23	\$271.33
District of Columbia	\$266.20	\$73.40	\$255.94	\$65.40	\$252.33	\$70.43	\$246.20	\$68.80	\$233.90	\$69.60	\$231.30	\$64.30	\$249.53	\$65.50
Florida	\$4,030.00	\$1,230.00	\$4,122.17	\$1,260.00	\$4,170.00	\$1,280.00	\$3,936.80	\$1,284.80	\$3,900.50	\$1,247.00	\$4,008.70	\$1,191.80	\$4,449.90	\$1,321.66
Georgia	\$3,177.59	\$822.40	\$3,421.70	\$853.55	\$3,520.00	\$867.70	\$3,660.00	\$872.10	\$3,645.40	\$883.90	\$3,597.90	\$846.10	\$3,834.67	\$901.33
Idaho	\$131.13	\$33.00	\$130.50	\$32.30	\$136.80	\$36.20	\$139.65	\$35.00	\$146.90	\$37.70	\$147.20	\$37.50	\$175.83	\$41.50
Illinois	\$1,964.83	\$637.67	\$2,021.30	\$622.40	\$2,078.20	\$657.00	\$2,095.50	\$625.00	\$2,216.20	\$657.90	\$2,278.80	\$690.00	\$2,680.14	\$708.50
Indiana	\$816.40	\$218.00	\$789.10	\$216.00	\$822.80	\$217.10	\$732.70	\$179.10	\$739.10	na	\$791.40	\$188.60	\$855.58	\$207.59
Iowa	\$339.52	\$80.88	\$235.00	\$58.00	\$249.00	\$57.00	\$243.00	\$61.00	\$256.30	\$57.90	\$271.40	\$112.50	\$310.85	\$78.73
Kansas	\$236.05	\$67.09	\$240.00	\$70.00	\$236.70	\$71.00	\$230.51	\$67.25	\$243.70	na	\$243.80	\$70.00	\$246.14	\$72.00
Kentucky	\$742.30	\$204.30	\$744.20	\$196.30	\$778.20	\$192.10	\$810.54	\$204.40	\$772.50	\$214.20	\$772.30	\$212.30	\$823.55	\$216.44
Louisiana	\$332.12	\$118.76	\$354.20	\$128.30	\$373.70	\$131.80	\$378.50	\$135.40	\$372.40	\$133.70	\$383.60	\$136.40	\$429.62	\$156.91
Maine	\$229.69	\$51.70	\$230.02	\$50.62	\$228.52	\$49.49	\$210.67	\$50.56	\$217.30	\$52.20	\$216.40	\$50.20	\$228.35	\$54.33
Maryland	\$1,560.91	\$500.97	\$1,577.31	\$494.12	\$1,673.04	\$529.40	\$1,698.07	\$493.20	\$1,706.60	\$510.60	\$1,817.50	\$519.40	\$1,989.62	\$556.26
Massachusetts	\$4,534.12	\$951.24	\$4,460.91	\$892.00	\$4,709.00	\$913.00	\$4,442.92	\$859.40	\$4,412.10	\$903.50	\$4,403.30	\$887.90	\$4,729.60	\$983.79
Michigan	\$2,212.37	\$688.02	\$2,342.60	\$748.90	\$2,330.20	\$740.70	\$2,378.40	\$730.60	\$2,348.00	\$704.20	\$2,364.10	\$731.90	\$2,413.46	\$771.00
Minnesota	\$450.00	\$121.30	\$422.61	\$112.35	\$461.52	\$116.27	\$481.20	\$119.60	\$499.00	\$122.60	\$504.40	\$121.90	\$520.03	\$123.81
Missouri	\$913.52	\$260.67	\$934.30	\$257.90	\$995.50	\$266.60	\$969.00	\$256.20	\$971.60	\$255.00	\$1,001.30	\$259.40	\$1,097.43	\$273.60
Montana	\$39.92	\$9.11	\$41.60	\$11.40	\$43.80	\$11.00	\$43.90	\$10.11	\$47.00	\$10.60	\$46.00	\$10.60	\$52.76	\$13.06
Nebraska	\$113.11	\$30.32	\$114.49	\$29.19	\$121.91	\$31.03	\$123.26	\$29.29	\$130.60	\$32.00	\$131.90	\$32.10	\$150.61	\$36.08
New Hampshire	\$262.74	\$80.32	\$263.94	\$79.04	\$261.13	\$75.65	\$239.58	\$68.03	\$233.20	\$66.00	\$228.40	\$62.30	\$257.90	\$66.77
New Jersey	\$2,406.57	\$849.25	\$2,350.90	\$828.30	\$2,538.50	\$882.10	\$2,503.30	\$887.20	\$2,605.20	\$893.60	\$2,636.40	\$890.90	\$2,759.41	\$950.00
New Mexico	\$154.71	\$36.86	\$148.00	\$34.80	\$147.10	\$40.80	\$142.30	\$40.80	\$143.60	\$43.60	\$135.50	\$41.30	\$133.79	\$41.33
New York	\$6,803.00	\$2,203.00	\$7,175.10	\$2,359.60	\$7,548.40	\$2,556.10	\$7,660.10	\$2,544.00	\$7,818.40	\$2,666.40	\$7,868.30	\$3,049.20	\$8,439.47	\$2,887.99
North Carolina	\$229.53	\$64.59	\$885.58	\$315.37	\$1,078.08	\$350.01	\$1,293.00	\$414.10	\$1,421.30	\$430.80	\$1,461.10	\$437.40	\$1,596.69	\$460.47
North Dakota	\$22.33	\$6.92	\$22.64	\$6.80	\$22.12	\$6.07	\$21.72	\$5.73	\$24.30	\$5.80	\$23.00	\$92.20	\$26.04	\$7.62
Ohio	\$2,221.00	\$646.30	\$2,259.40	\$669.30	\$2,325.10	\$672.20	\$2,420.00	\$702.00	\$2,487.10	\$728.60	\$2,596.10	\$738.80	\$2,750.05	\$771.03
Oklahoma	\$204.84	\$68.95	\$202.53	\$69.40	\$203.82	\$71.61	\$193.16	\$69.23	\$199.70	\$70.00	\$198.20	\$69.40	\$199.85	\$70.49
Oregon	\$1,104.00	\$483.00	\$1,221.94	\$656.40	\$1,245.50	\$678.70	\$1,106.00	\$566.80	\$1,027.70	\$526.10	\$1,038.00	\$560.00	\$2,873.87	\$549.05
Pennsylvania	\$3,070.00	\$975.85	\$3,076.34	\$949.07	\$3,089.19	\$928.05	\$3,088.16	\$910.48	\$3,065.70	\$915.70	\$3,207.90	\$960.00	\$3,480.90	\$1,060.89
Rhode Island	\$1,731.47	\$323.90	\$1,808.85	\$320.99	\$2,398.91	\$355.57	\$2,558.90	\$351.50	\$702.50	\$344.60	\$3,125.60	\$354.90	\$3,532.18	\$377.71
South Carolina	\$1,144.60	\$319.40	\$988.20	\$277.10	\$992.50	\$263.90	\$1,005.10	\$260.40	\$1,007.50	\$272.50	\$1,047.10	\$271.00	\$1,135.65	\$297.74
South Dakota	\$686.16	\$118.99	\$692.50	\$120.79	\$704.26	\$122.56	\$694.00	\$118.20	\$687.90	\$116.90	\$630.00	\$105.20	\$603.19	\$100.40
Tennessee	\$996.27	\$277.66	\$1,058.13	\$284.30	\$1,065.00	\$283.10	\$1,087.90	\$280.20	\$1,138.40	\$288.90	\$1,186.60	\$293.50	\$1,311.20	\$323.44
Texas	\$3,774.69	\$1,036.11	\$3,774.20	\$1,083.60	\$3,671.15	\$1,038.00	\$3,720.10	\$1,000.40	\$3,738.40	\$1,007.80	\$3,783.20	\$960.60	\$4,190.82	\$1,153.56
Vermont	\$104.88	\$22.88	\$104.50	\$23.40	\$102.00	\$22.60	\$96.00	\$21.00	\$97.00	\$21.60	\$95.60	\$21.40	\$100.93	\$22.33
Virginia	\$1,365.00	\$454.90	\$1,362.34	\$437.18	\$1,386.41	\$455.26	\$1,365.60	\$439.10	\$1,435.10	\$430.20	\$1,482.70	\$435.20	\$1,616.00	\$487.06
Washington	\$477.89	\$116.95	\$492.60	\$114.20	\$521.10	\$130.30	\$487.70	\$120.39	\$491.00	\$142.49	\$510.50	\$150.10	\$535.20	\$138.04
West Virginia	\$1,522.00	\$610.00	\$1,562.00	\$593.00	\$1,523.00	\$579.00	\$1,493.00	\$556.70	\$1,325.80	\$560.80	\$1,392.45	\$558.10	\$1,457.53	\$662.98
Wisconsin	\$508.90	\$150.60	\$492.90	\$138.80	\$494.70	\$140.00	\$474.04	\$129.93	\$480.80	na	\$502.50	\$148.60	\$547.64	\$150.35
TOTAL U.S. (\$US)	\$57,435.68	\$17,102.12	\$58,663.45	\$17,545.77	\$60,625.99	\$17,889.80	\$60,517.55	\$17,587.09	\$59,134.80	\$17,460.49	\$63,005.55	\$18,484.20	\$70,607.51	\$19,451.00

Reference: LaFlours Magazine / September/October 2012 Issue - Fiscal Lottery Sales Report, and NASPL 'Fiscal 2012 Lottery Sales and Revenues' (U.S. Lotteries' Unaudited FY Results)



Oklahoma Lottery Commission

3817 N Santa Fe
Oklahoma City, OK 73118

405-522-7700

www.lottery.ok.gov