

*Comprehensive Annual
Financial Report
of the
Oklahoma Lottery Commission*

*For the Fiscal Year Ended
June 30, 2010*



An Agency of the State of Oklahoma



Comprehensive Annual Financial Report for the
Fiscal Year Ended June 30, 2010

Oklahoma Lottery Commission
An Agency of the State of Oklahoma

Prepared by the Staff of the Oklahoma Lottery Commission



Oklahoma Lottery Commission 2010 Comprehensive Annual Financial Report

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Introduction Section

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, 2009

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Oklahoma Lottery
3817 North Santa Fe
Oklahoma City, Oklahoma 73118

December 31, 2010

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, 2010. 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

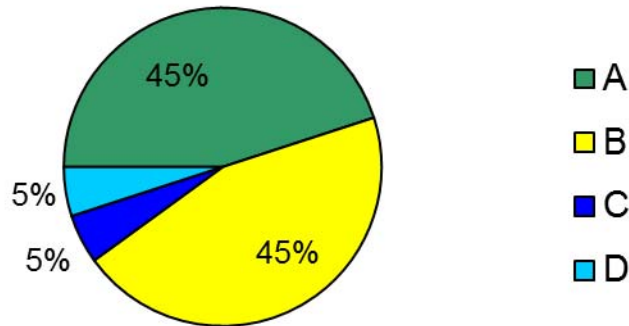
The Lottery was approved by the citizens of Oklahoma upon approval of a voter referendum authorizing the Oklahoma Education Lottery Act in November 2004. The Oklahoma Education Lottery Act has been codified as Title 3A, Section 701, et. seq., of the Oklahoma Statutes. The Lottery was established as an 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); and Mega Millions (started January 30, 2010). 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.⁽²⁾

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. Oklahoma’s Pre-Kindergarten program has been held as an example for America with more four-year-olds attending public preschool programs than any other State.⁽¹⁾

According to a forecast report presented by state economists, from the Center for Applied Economic Research in Oklahoma State University’s Spears School of Business, Oklahoma’s economic recovery will gain momentum in 2011 and carry into 2012. The report called for a modest rebound in Oil and Gas activity in fiscal years 2011-2012, although the state will have to deal with strained government budgeting. The economists predict a modest recovery statewide, with firming budgets bringing about employment and income gains. 2011 is expected to be a year of recovery.⁽²⁾

Some State Economic Highlights over the past two years ⁽²⁾

- According to the US Bureau of Economic Analysis, Oklahoma led the nation in the growth of its Gross Domestic Product during the past year.
- The US Bureau of Labor Statistics ranked Oklahoma City ninth in the nation in the growth or private sector jobs for 2010
- Oklahoma's diversification for green energy sources has continued. Oklahoma is ranked 10th in the nation in wind power production.

Oklahoma Forecast for 2011 ⁽¹⁾

- Oklahoma recovers roughly at the pace of the nation – 2011 is a year of genuine recovery.
- FY-2011 will continue to strain governing budgets
- Rural areas are relatively insulated: stable commodity prices and a return to oil/gas activity should help many communities.
- Employment and income are expected to make gains.
- Public sector job loss offset by private sector job gains.

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.⁽²⁾

The Lottery expects revenues for FY-2011 to be flat to slightly less than FY-2010 and revenues for the following years to decline based partly on economic conditions but mainly because of the 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 the Lottery revenues include the increasing competition from other gaming venues, most notably Tribal casinos and horse racing / racinos. Oklahoma has entered into compacts with 33 Oklahoma tribes to direct a portion of casino gaming revenues to education. There are approximately 100 tribal casinos operated in Oklahoma and the many opportunities to spend entertainment dollars limits consumer spending on Lottery products.

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

⁽¹⁾Oklahoma Office of State Finance 2010 CAFR ⁽²⁾Spears School of Business 2011 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.







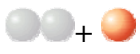




Powerball – Oklahoma started selling Powerball tickets on January 12th, 2006 and the first drawing was January 14th, 2006. Players select 5 out of 59 numbers from the white balls (these can be drawn in any order to win), then select 1 out of 39 numbers for the red Powerball. Jackpots begin at \$20 million and continue to build (rollover) until a player(s) matches all six numbers. Powerball tickets cost \$1 per game and a player can select the Power Play option which allows non-jackpot prizes to be increased by 2, 3, 4 or 5 times for an additional \$1. If Power Play is selected, the 2nd level prize is \$1 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”. Jackpots are advertised using the estimated annuity amount. The jackpot can be taken as a cash prize or as an annuity prize paid out in 30 annual payments over 29 year period. Forty four (44) lotteries participate in Powerball 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			POWER PLAY			
MATCH	PRIZE	ODDS: 1 in	2x	3x	4x	5x
○○○○○+●	Grand Prize	195,249,054	Power Play does not apply to the Grand Prize			
○○○○○	\$200,000	5,138,133	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
○○○○+●	\$10,000	723,145	\$20,000	\$30,000	\$40,000	\$50,000
○○○○	\$100	19,030	\$200	\$300	\$400	\$500
○○○+●	\$100	13,644	\$200	\$300	\$400	\$500
○○○	\$7	359	\$14	\$21	\$28	\$35
○○+●	\$7	787	\$14	\$21	\$28	\$35
○+●	\$4	123	\$8	\$12	\$16	\$20
●	\$3	62	\$6	\$9	\$12	\$15



Hot Lotto – Fifteen state lotteries participate in Hot Lotto, a game that has a progressive Jackpot starting at \$1.0 million dollars. 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. Beginning with the Oklahoma launch on January 3, 2008, 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 31st, 2010 and our first drawing was February 2nd, 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 Megaball. 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 two (42) lotteries participate in Mega Millions 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 first online game sales launched on November 10th, 2005. The game is designed to provide very good odds of winning smaller prizes. 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 Web site. Players have 180 days after the draw date to claim prizes.

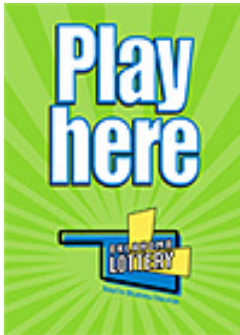
PLAYS	EXAMPLE	IF LOTTERY DRAWS	YOU WIN	ODDS
Straight	7 2 4	7 2 4 Only Exact Match Wins	\$500	1 in 1,000
Box 3-Way	1 1 3	1 1 3 1 3 1 3 1 1	\$160	3 in 1,000
Box 6-Way	7 2 4	7 2 4 2 4 7 4 2 7 7 4 2 2 7 4 4 7 2	\$80	6 in 1,000
Front Pair	7 2 ★	7 2 ★ 72 + Any Number	\$50	1 in 100
Back Pair	★ 2 4	★ 2 4 Any 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 a \$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 City radio and TV news stations and on the Lottery Web site. Players have 180 days after the draw date to claim prizes.

MATCH	PRIZE	ODDS: 1 IN
● ● ● ● ● ●	\$25,000 taxes paid	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.



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 \$5000 can be claimed at any of the fourteen (14) Super Retailers located throughout Oklahoma. Prizes that exceed \$5000 must be claimed at the Lottery 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 2010

Millions Contributed to Education

The Lottery contributed \$69.9 million for education on total Lottery revenues of \$199 million in FY-2010. Through December 2010 as this report is submitted, more than \$380 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 its inception in 2006. The first jackpot winner made history 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. They planned to purchase a used truck with their winnings, as well as share their good fortune with their family and pay off bills. The couple has also contributed part of their winnings to help with research and treatment of diabetes in children and they indicated that they will continue to play the Lottery because it benefits education.

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 on January 20, 2010. The annuitized amount was \$32.8 million.

In addition, Oklahoma has had 3 Hot Lotto jackpot winners and has awarded 9 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 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 the Governor and the legislative oversight committee. 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 (SAS 70) 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 Auditing Standards (SAS) No. 70, *Service Organizations*, engagement with testing of identified internal controls. The SAS 70 is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SAS 70 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 employs internal audit staff who report directly to the Finance and Audit Committee of the Board of Trustees and to the Executive Director. Internal Audit staff annually performs a study and evaluation 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.
- Lottery drawing balls are weighed and measured at periodic intervals to ensure standard compliance to their established weight and measures.
- Back-up sites for gaming systems are properly maintained.

Employees

The Lottery had 36 full-time employees as of June 30, 2010.

Debt Administration

At the end of FY-2008, 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 on August 2007. The Lottery borrowed approximately \$200,000 in 2005, and has fully repaid this debt. The State of Oklahoma received a rating of "Aa3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service general obligation bonds.

Cash Management

Cash due from approximately 1,963 retailers is collected on a weekly basis through an electronic funds transfer system and deposited into an account held by the State Treasurer. The Lottery earned \$440,113 in interest in FY-2010 that resulted from investments of idle cash under a cash management program administered by the State Treasurer. State law requires full collateralization of all State Treasurer bank balances. Generally, the State Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. The State Treasurer is required to keep at least 80% of available cash invested.

Risk Management

The Lottery is self-insured against loss or liability through the state's risk management program administered by the Risk Management Division of the Department of Central Services. In general, the State is "self-insured" for health care claims, workers' compensation, tort liability, vehicle liability, and property losses, with some exceptions for participation in health maintenance organizations and for excess coverage items. The property loss excess coverage is limited to a maximum loss of \$1 billion. The Oklahoma State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees, including Lottery employees and their dependents. CompSource Oklahoma provides workers' compensation coverage for both public and private sector employees in Oklahoma.

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 \$66.1 million to education in FY-2011, which will bring the total transferred by the Lottery for Oklahoma Education to \$415.2 million by the end of FY-2011.

Leverage Technology

Like most industries, the Lottery intends to use technology to provide effective and efficient service to its external customers, such as retailers and players, as well as our internal customers. Several technology projects are underway to achieve this objective. Projects include: improved off-site backup and emergency drawing capabilities; internal reporting for sales staff and retailers; and improved data storage capabilities.

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.

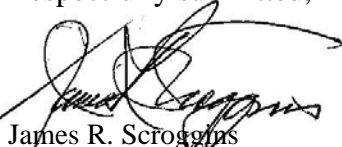
Awards and Acknowledgements

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 and June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 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. Credit is also given to our Board of Trustees for their responsiveness and guidance in operating the Lottery.

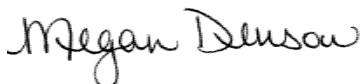
Respectfully submitted,



James R. Scroggins
Executive Director



Rollo Redburn
Director of Administration



Megan Densow
Comptroller

Oklahoma Lottery Commission Board of Trustees



Chairman
William Paul
Oklahoma City



Vice-Chair
George R. Charlton, Jr.
Tulsa



Treasurer
Charlotte Edwards
Oklahoma City



Secretary
Blake Virgin
Norman



Trustee
Cindy Ball
Muskogee



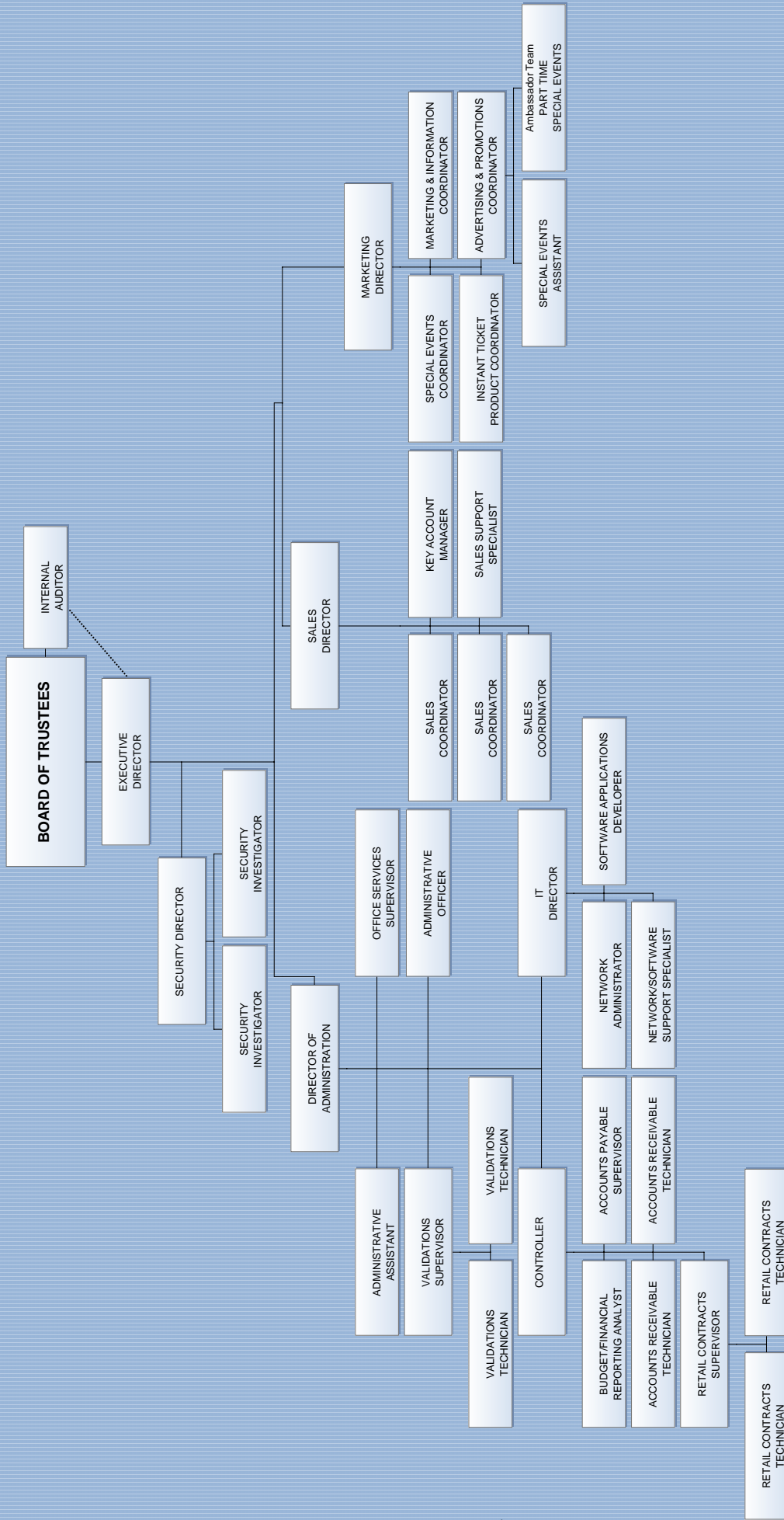
Trustee
James Orbison
Tulsa



Trustee
Jerry Lee Eden
Elk City

OKLAHOMA LOTTERY COMMISSION

ORGANIZATION AS OF 7/1/2010





Financial Section

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"), a component unit of the State of Oklahoma, as of June 30, 2010 and 2009, 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 of America. 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, 2010 and 2009, 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.

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



In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2010 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, 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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. This 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
August 27, 2010

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, 2010 and 2009. 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 \$199,747,294 and \$193,164,684 respectively for the fiscal years ending June 30, 2010 and 2009. The OLC returned \$105,092,616 and \$95,922,950 to winners of lottery games; paid commissions and incentives to retailers totaling \$13,150,714 and \$12,753,727; incurred other game related expenses of \$5,903,703 and \$5,675,014; and had operating expenses of \$7,994,755 and \$8,109,261 for each of the respective fiscal years of 2010 and 2009. The OLC's net assets decreased by \$2,249,841 in fiscal year 2010 compared to an increase of \$1,731,380 in fiscal year 2009. Transfers made and due to the OELTF were \$69,974,064 and \$69,226,501 respectively for fiscal years ending June 30, 2010 and 2009.

The increase in sales from fiscal year 2009 to fiscal year 2010, despite the impact from a floundering economy, is due to increased development and marketing of instant tickets and improvement of prize payouts. Sales for the online jackpot games and number games decreased, but were offset by the sales increase in the instant games.

FINANCIAL AND ACTIVITY HIGHLIGHTS--Continued

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

	2010	2009	2008
Current Assets	\$ 22,624,734	\$ 24,723,406	\$ 35,605,018
Noncurrent Assets			
Deposit with MUSL	3,749,310	3,465,906	2,397,916
Capital Assets, Net	234,050	398,509	620,680
Total Assets	<u>26,608,094</u>	<u>28,587,821</u>	<u>38,623,614</u>
Current Liabilities	17,429,577	17,154,697	28,925,444
Noncurrent Liabilities	57,826	62,592	59,018
Total Liabilities	<u>17,487,403</u>	<u>17,217,289</u>	<u>28,984,462</u>
Net Assets			
Invested in Capital Assets, Net	234,050	398,509	620,680
Restricted Expendable Net Assets	8,886,641	10,972,023	9,018,472
Total Net Assets	<u>\$ 9,120,691</u>	<u>\$ 11,370,532</u>	<u>\$ 9,639,152</u>

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

	2010	2009	2008
Operating Revenues			
Gaming revenues	\$ 199,747,294	\$ 193,164,684	\$ 204,510,946
Other revenues	178,604	161,359	123,264
Total	<u>199,925,898</u>	<u>193,326,043</u>	<u>204,634,210</u>
Less Prize Expense	105,092,616	95,922,950	102,572,615
Less Retailer Commissions/Incentives	13,150,714	12,753,727	13,425,128
Less Other Direct Game Costs	5,903,703	5,675,014	6,079,013
Less Operating Expenses	7,994,755	8,109,261	9,774,573
Total Expense	<u>132,141,788</u>	<u>122,460,952</u>	<u>131,851,329</u>
Nonoperating Revenue (Expense)			
Interest Income	440,113	592,790	1,143,557
Transfers to ODMHSAS	(500,000)	(500,000)	(500,000)
Transfers to OELTF	(69,974,064)	(69,226,501)	(71,608,831)
Net nonoperating revenue (expense)	<u>(70,033,951)</u>	<u>(69,133,711)</u>	<u>(70,965,274)</u>
Increase (Decrease) in Net Assets	(2,249,841)	1,731,380	1,817,607
Net Assets, Beginning of Year	<u>11,370,532</u>	<u>9,639,152</u>	<u>7,821,545</u>
Net Assets, End of Year	<u>\$ 9,120,691</u>	<u>\$ 11,370,532</u>	<u>\$ 9,639,152</u>

FINANCIAL AND ACTIVITY HIGHLIGHTS--Continued

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. While these funds are the property of the OLC, they may only be used for certain expenses approved by the MUSL Board of Directors. 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.

For the years ended June 30, 2010 and 2009, the total transfers made or due to the OELTF related to operations were \$69,974,064 and \$69,226,501, respectively. Since inception to June 30, 2010, total transfers made or due to the OELTF were \$349,136,821. For each of the years ended June 30, 2010 and 2009, 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, 2010, total transfers to the Oklahoma Department of Mental Health and Substance Abuse Services were \$2,044,600.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Provided (Used) By:			
Operating Activities	\$ 65,578,691	\$ 67,346,826	\$ 73,170,906
Noncapital Financing Activities	(68,632,345)	(78,893,647)	(68,275,582)
Capital and Related			
Financing Activities	(35,727)	(30,261)	(5,653)
Investing Activities	<u>449,435</u>	<u>638,104</u>	<u>1,132,431</u>
Net Increase (Decrease) in Cash	(2,639,946)	(10,938,978)	6,022,102
Cash at Beginning of Year	<u>15,725,854</u>	<u>26,664,832</u>	<u>20,642,730</u>
Cash at End of Year	<u>\$ 13,085,908</u>	<u>\$ 15,725,854</u>	<u>\$ 26,664,832</u>

POTENTIAL FACTORS IMPACTING FUTURE OPERATIONS

During fiscal year 2010, effective January 30, 2010, the Mega Millions jackpot game was introduced in Oklahoma due to an agreement between the states comprising the Mega Millions group and the states Powerball members of MUSL to allow the cross-selling of Mega Millions and Powerball in non-member states. The main purpose of this agreement is to improve sales in the member states and increase profits for the beneficiary in each state. United States lotteries including the OLC are in the process of developing a potential national lottery game. OLC will continue to release additional new fun and entertaining instant scratch-off games in fiscal year 2011 while also focusing efforts on increasing sales for online games. OLC is continually reviewing options for other lottery game opportunities.

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	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,948,577	\$ 8,219,737
Cash - restricted	5,137,331	7,506,117
Retailer accounts receivable	9,022,140	8,033,951
Accounts receivable - Multi-State Lottery	516,686	963,601
TOTAL CURRENT ASSETS	<u>22,624,734</u>	<u>24,723,406</u>
CAPITAL ASSETS, net	234,050	398,509
DEPOSIT WITH MULTI-STATE LOTTERY	<u>3,749,310</u>	<u>3,465,906</u>
TOTAL NONCURRENT ASSETS	<u>3,983,360</u>	<u>3,864,415</u>
TOTAL ASSETS	<u>\$ 26,608,094</u>	<u>\$ 28,587,821</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Oklahoma Education Lottery Trust Fund	\$ 9,398,946	\$ 7,557,227
Due to Multi-State Lottery	1,188,475	1,760,703
Prizes payable	5,641,613	6,166,871
Accounts payable	718,578	844,542
Accrued liabilities	159,299	194,274
Deferred revenue	322,666	631,080
TOTAL CURRENT LIABILITIES	<u>17,429,577</u>	<u>17,154,697</u>
ACCRUED COMPENSATED ABSENCES, net	<u>57,826</u>	<u>62,592</u>
TOTAL LIABILITIES	<u>17,487,403</u>	<u>17,217,289</u>
NET ASSETS		
Invested in capital assets, net	234,050	398,509
Restricted net assets - expendable	<u>8,886,641</u>	<u>10,972,023</u>
TOTAL NET ASSETS	<u>9,120,691</u>	<u>11,370,532</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,608,094</u>	<u>\$ 28,587,821</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OKLAHOMA LOTTERY COMMISSION

	Years ended June 30	
	2010	2009
REVENUES		
Instant games	\$ 88,966,304	\$ 77,883,679
Pick 3 game	6,279,596	6,861,481
Cash 5 game	5,445,698	4,135,719
Hot Lotto game	12,467,350	13,253,129
Mega Millions game	6,938,995	-
Powerball game	79,649,351	91,030,676
Retailer application fees	115,585	111,934
Other	63,019	49,425
TOTAL REVENUES	<u>199,925,898</u>	<u>193,326,043</u>
DIRECT COSTS		
Commissions and incentives to retailers	13,150,714	12,753,727
Prize expense		
Instant games	53,159,059	42,361,471
Pick 3 game	2,980,480	3,321,150
Cash 5 game	2,706,052	1,863,791
Hot Lotto game	5,894,100	6,199,878
Mega Millions game	3,621,713	-
Powerball game	36,731,212	42,176,660
Instant and on-line costs	5,903,703	5,675,014
TOTAL DIRECT COSTS	<u>124,147,033</u>	<u>114,351,691</u>
GROSS PROFIT	75,778,865	78,974,352
OPERATING EXPENSES		
Advertising	3,406,740	3,502,432
Promotion	549,825	631,141
Salaries, wages and benefits	3,091,050	2,991,764
Contracted and professional services	238,146	267,886
Depreciation	200,186	252,432
Equipment	23,096	7,767
Rent expense	229,973	242,114
Office supplies	62,328	41,300
Travel	27,284	21,892
Other general and administrative	166,127	150,533
TOTAL OPERATING EXPENSES	<u>7,994,755</u>	<u>8,109,261</u>
OPERATING INCOME	67,784,110	70,865,091
NONOPERATING INCOME (EXPENSE)		
Interest income	440,113	592,790
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	(69,974,064)	(69,226,501)
NET NONOPERATING INCOME (EXPENSE)	<u>(70,033,951)</u>	<u>(69,133,711)</u>
CHANGE IN NET ASSETS	(2,249,841)	1,731,380
NET ASSETS, beginning of year	<u>11,370,532</u>	<u>9,639,152</u>
NET ASSETS, end of year	<u>\$ 9,120,691</u>	<u>\$ 11,370,532</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA LOTTERY COMMISSION

	Years ended June 30	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	\$ 185,481,464	\$ 180,954,262
Cash payments to prize winners	(105,789,408)	(98,431,331)
Cash payments to suppliers for goods and services	(10,701,660)	(11,106,115)
Cash payments to employees for services	(3,128,301)	(3,002,000)
Cash payments to fund deposit with Multi-State Lottery	(283,404)	(1,067,990)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>65,578,691</u>	<u>67,346,826</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	(68,132,345)	(78,393,647)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(68,632,345)</u>	<u>(78,893,647)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(35,727)	(30,261)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(35,727)</u>	<u>(30,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	449,435	638,104
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>449,435</u>	<u>638,104</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,639,946)	(10,938,978)
CASH AND CASH EQUIVALENTS, beginning of year	15,725,854	26,664,832
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,085,908</u>	<u>\$ 15,725,854</u>
OPERATING ACTIVITIES		
Operating income	\$ 67,784,110	\$ 70,865,091
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	200,186	252,432
Bad debt expense	30,714	8,188
Changes in operating assets and liabilities		
Retailer accounts receivable	(1,028,222)	(30,102)
Accounts receivable - Multi-State Lottery	446,915	(80,766)
Deposit with Multi-State Lottery	(283,404)	(1,067,990)
Due to Multi-State Lottery	(572,228)	(73,347)
Accounts payable and accrued liabilities	(165,708)	(560,450)
Prizes payable	(525,258)	(2,034,340)
Deferred revenue	(308,414)	68,110
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 65,578,691</u>	<u>\$ 67,346,826</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA LOTTERY COMMISSION

June 30, 2010

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 a component unit 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. Therefore, the OLC is reported as a discretely presented component unit in the State of Oklahoma's Comprehensive Annual Financial Report ("CAFR").

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, 2010

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, 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 instant games is recognized upon activation of ticket packs for sale by the retailers.

Every instant ticket game has a predetermined number of free tickets in its prize structure. The majority of free tickets relate to instant 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 instant 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 instant 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 \$6,065,325 and \$6,488,816 for fiscal years 2010 and 2009, 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, 2010

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Invested in capital assets - This represent's 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 instant 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, 2010

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, 2010 and 2009 no amounts were available for transfer as net proceeds. During fiscal years 2010 and 2009, \$30,714 and \$8,188 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, 2010 and 2009, restricted cash totaled \$5,137,331 and \$7,506,117 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 funds 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, 2010

NOTE B--SIGNIFICANT ACCOUNTING POLICIES--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, Hot Lotto and Mega Millions sales. The net amount of 50% 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:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Set Prize Reserve Account (SPRA)	\$ 867,753	\$ 854,858
Prize Reserve Account (PRA)	2,878,099	2,495,468
Balance of Unreserved Account	<u>3,458</u>	<u>115,580</u>
	<u>\$ 3,749,310</u>	<u>\$ 3,465,906</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, 2010 and 2009, bad debt expense was \$30,714 and \$8,188, 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, 2010 and 2009, the carrying amount of the OLC's deposits with the OST was \$13,085,908 and \$15,725,854, respectively, and the bank balance was \$13,101,320 and \$15,762,798, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2010

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, 2010			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets</u>				
Machinery and equipment	\$ 703,536	\$ 33,429	\$ -	\$ 736,965
Computers and software	397,708	2,298	-	400,006
	<u>1,101,244</u>	<u>35,727</u>	<u>-</u>	<u>1,136,971</u>
Accumulated depreciation				
Machinery and equipment	378,772	126,559	-	505,331
Computers and software	323,963	73,627	-	397,590
	<u>702,735</u>	<u>200,186</u>	<u>-</u>	<u>902,921</u>
Total capital assets, net	<u>\$ 398,509</u>	<u>\$ (164,459)</u>	<u>\$ -</u>	<u>\$ 234,050</u>
	Year Ended June 30, 2009			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets</u>				
Machinery and equipment	\$ 673,275	\$ 30,261	\$ -	\$ 703,536
Computers and software	397,708	-	-	397,708
	<u>1,070,983</u>	<u>30,261</u>	<u>-</u>	<u>1,101,244</u>
Accumulated depreciation				
Machinery and equipment	258,909	119,863	-	378,772
Computers and software	191,394	132,569	-	323,963
	<u>450,303</u>	<u>252,432</u>	<u>-</u>	<u>702,735</u>
Total capital assets, net	<u>\$ 620,680</u>	<u>\$ (222,171)</u>	<u>\$ -</u>	<u>\$ 398,509</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2010

NOTE E--COMPENSATED ABSENCES

Compensated absences: 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 2010	\$ 187,401	\$ 132,309	\$ 146,233	\$ 173,477	\$ 115,651
Compensated absences 2009	\$ 177,055	\$ 126,118	\$ 115,772	\$ 187,401	\$ 124,809

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, 2010 or 2009. Rent expense under all operating leases was \$229,973 for the year ended June 30, 2010, and \$242,114 for the year ended June 30, 2009.

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, 2010

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, 2010 and 2009:

	June 30	
	<u>2010</u>	<u>2009</u>
Net assets, beginning of year	\$ 11,370,532	\$ 9,639,152
Change in net assets before transfers to OELTF	<u>67,724,223</u>	<u>70,957,881</u>
Net assets available for transfer to OELTF		
before amounts invested in capital assets		
and restricted net assets	79,094,755	80,597,033
Less: Net assets invested in capital assets	(234,050)	(398,509)
Less: Restricted net assets - expendable	<u>(8,886,641)</u>	<u>(10,972,023)</u>
Transfers to and due OELTF for the year	<u>\$ 69,974,064</u>	<u>\$ 69,226,501</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2010

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>2010</u>	<u>2009</u>	<u>2008</u>
Employee contributions	3.50%	3.50%	3.50%
Additional % for members electing stepup	2.91%	2.91%	2.91%
Employer contributions	15.50%	14.50%	13.50%

For the years ended June 30, 2010, 2009 and 2008 the OLC's contributions to OPERS were \$317,954, \$295,497 and \$276,686, 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, 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA LOTTERY COMMISSION

June 30, 2010

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, 2010 and 2009, the OLC paid SGI \$5,903,703 and \$5,675,014, 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% 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, 2010 and 2009, the OLC owed the MUSL \$1,188,475 and \$1,760,703 for ticket sales and the MUSL owed the OLC \$516,686 and \$963,601 for non-jackpot winning tickets. The OLC has recorded these items at their gross amounts in the accompanying statements of net assets.

OKLAHOMA
POWERBALL
POWER PLAY

OKLAHOMA
**MEGA
MILLIONS**
with MEGAPLIER

Oklahoma
Hot
Lotto
WITH SIZZLER
scratchers

PICK 3

OKLAHOMA
CASH 5

Statistical Section

**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 Commission’s overall financial well-being.

FINANCIAL TRENDS.....35

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

REVENUE CAPACITY.....39

These schedules contain information concerning revenue from the current year and the prior year 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.....41

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

**OPERATING
INFORMATION.....42**

This section includes a summary of the Commission’s operating indicators as well as schedules that contain information about the Commission’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 three years. All data within the Statistical section, including operating indicators and demographic data, are based on audited data where available.

Oklahoma Lottery Commission

Net Assets by Component

	Fiscal Years		
	2008	2009	2010
Invested in capital assets	620,680	398,509	234,050
Restricted assets	9,018,472	10,972,023	8,886,641
Unrestricted assets	0	0	0
Net Assets	9,639,152	11,370,532	9,120,691
Total Net Assets	9,639,152	11,370,532	9,120,691

Sales by Product and Other Revenues

	Fiscal Years		
	2008	2009	2010
Scratchers	78,212,513	77,883,679	88,966,304
Pick 3	7,071,679	6,861,481	6,279,596
Cash 5	5,450,289	4,135,719	5,445,698
Mega Millions			6,938,995
Hot Lotto	6,736,044	13,253,129	12,467,350
PowerBall	107,040,421	91,030,676	79,649,351
Total Sales	204,510,946	193,164,684	199,747,294
Interest Income	1,143,557	592,790	440,113
Retailer Application Fee	116,280	111,934	115,585
Other Income	6,984	49,425	63,019
Total other revenues	1,266,821	754,149	618,717
Total revenues	205,777,767	193,918,833	200,366,011

Expenses by Type

	Fiscal Years		
	2008	2009	2010
Prizes	102,572,615	95,922,950	105,092,616
Retailer costs	13,425,128	12,753,727	13,150,714
Instant & online game costs	6,079,013	5,675,014	5,903,703
Operating expenses	9,774,573	8,109,261	7,994,755
Total expenses	131,851,329	122,460,952	132,141,788

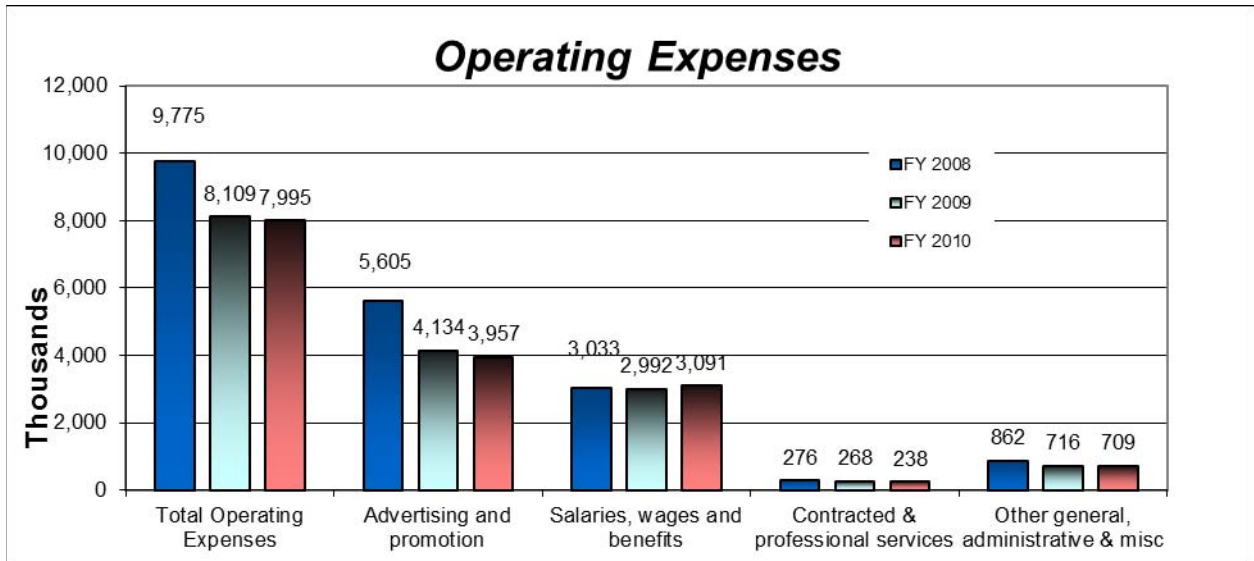
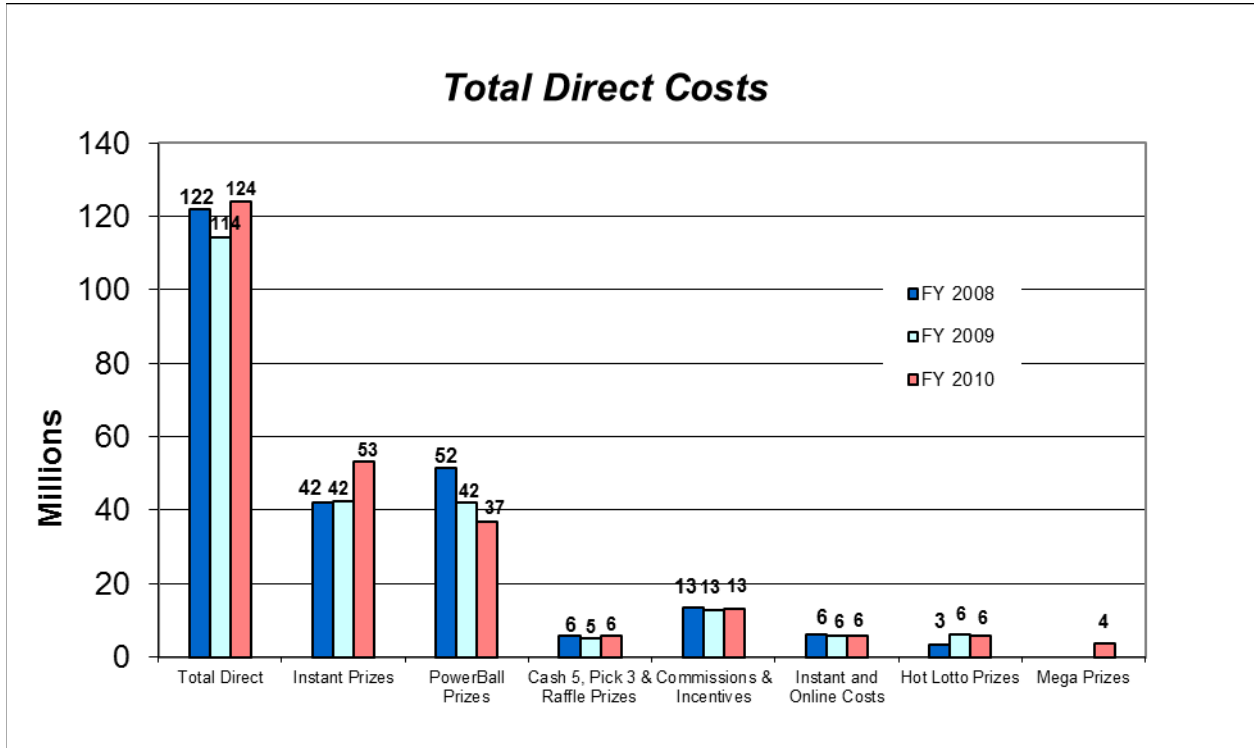
Contributions

	Fiscal Years		
	2008	2009	2010
Lottery Education Trust Fund	71,608,831	69,226,501	69,974,064

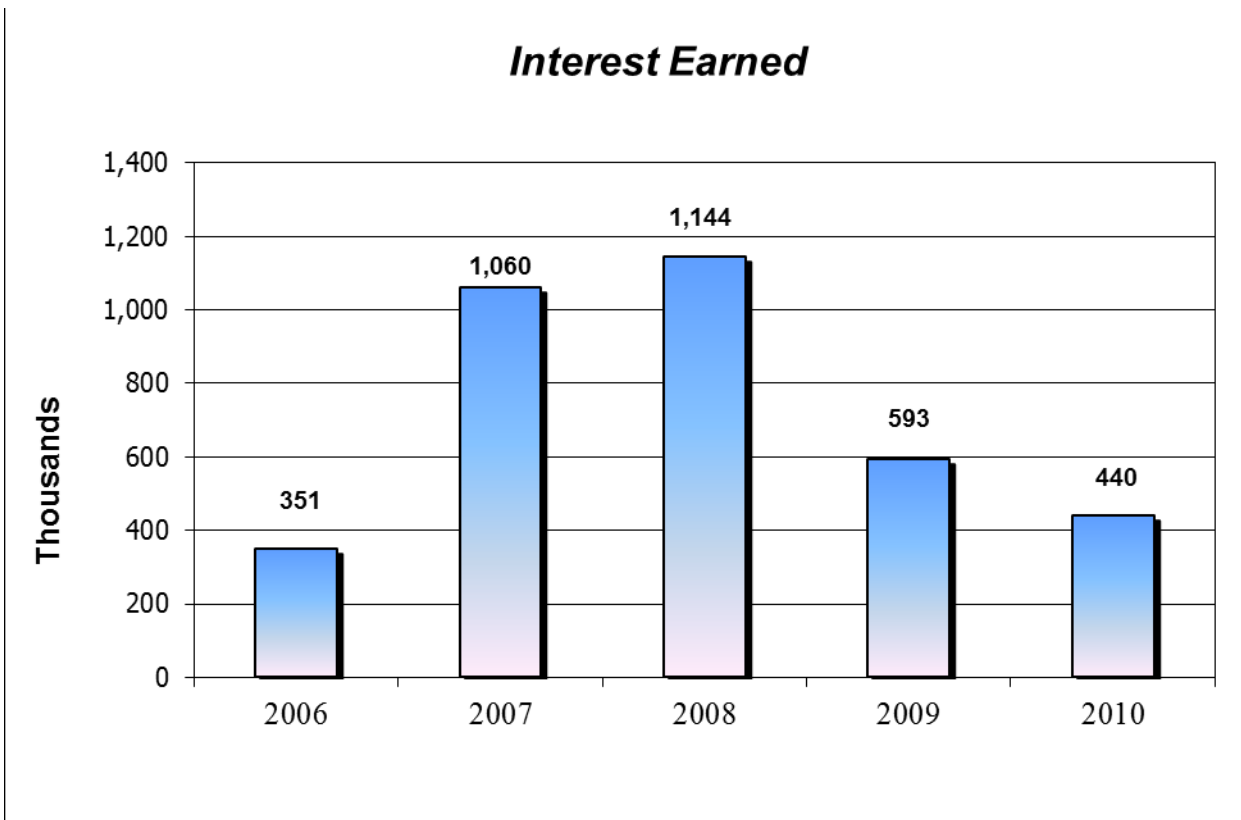
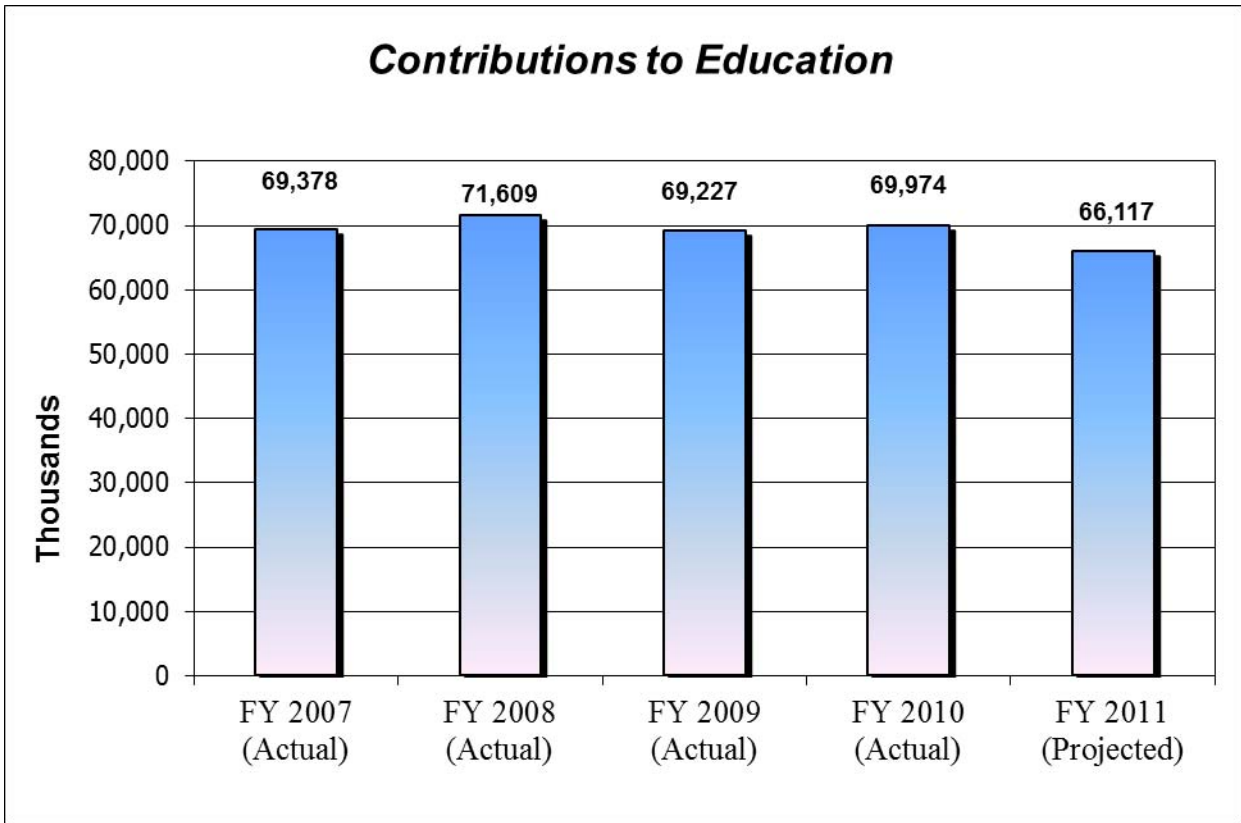
Oklahoma Lottery Commission Change in Net Assets

	Operational Fiscal Years		
	2008	2009	2010
Operating revenues			
Instant games	78,212,513	77,883,679	88,966,304
Online games	12,521,968	10,997,200	11,725,294
Mega Millions	0	0	6,938,995
Hot Lotto Games	6,736,044	13,253,129	12,467,350
PowerBall games	107,040,421	91,030,676	79,649,351
Retailer application fees	116,280	111,934	115,585
Other	6,984	49,425	63,019
Total Revenues	204,634,210	193,326,043	199,925,898
Prizes	102,572,615	95,922,950	105,092,616
Game costs			
Retailer incentive costs	13,425,128	12,753,727	13,150,714
Instant and Online costs	6,079,013	5,675,014	5,903,703
Total Game costs	19,504,141	18,428,741	19,054,417
Operating expenses			
Advertising and promotion	5,604,590	4,133,573	3,956,565
Salaries, wages and benefits	3,032,507	2,991,764	3,091,050
Contracted and professional services	275,506	267,886	238,146
Depreciation	245,320	252,432	200,186
Equipment	17,150	7,767	23,096
Rent expense	271,555	242,114	229,973
Office supplies	66,826	41,300	62,328
Travel	37,808	21,892	27,284
Other general and administrative	223,311	150,533	166,127
Total Operating expenses	9,774,573	8,109,261	7,994,755
Operating Income	72,782,881	70,865,091	67,784,110
Non-operating income (expense)			
Unclaimed prizes			
Interest income	1,143,557	592,790	440,113
Other income			
Interest expense			
Transfers to OK Department of Mental Health Services	(500,000)	(500,000)	(500,000)
Transfers to and due Oklahoma Education Lottery Trust Fund	(71,608,831)	(69,226,501)	(69,974,064)
Total non-operating income (expenses)	(70,965,274)	(69,133,711)	(70,033,951)
Change in Net assets	1,817,607	1,731,380	(2,249,841)
Net assets, beginning of year	7,821,545	9,639,152	11,370,532
Net assets, end of year	9,639,152	11,370,532	9,120,691
Invested in Capital assets			
Restricted assets	9,018,472	10,972,023	8,886,641
Unrestricted assets			
Components of Net assets, ending	9,639,152	11,370,532	9,120,691

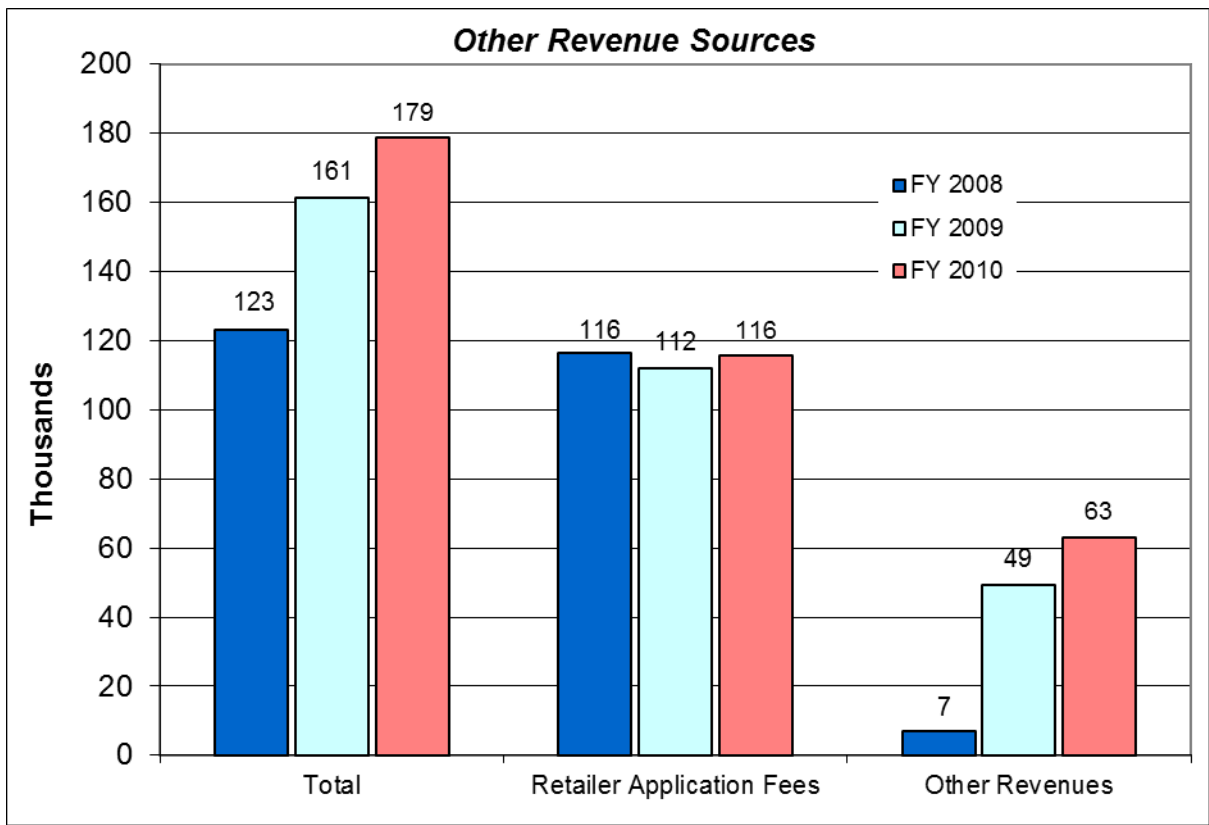
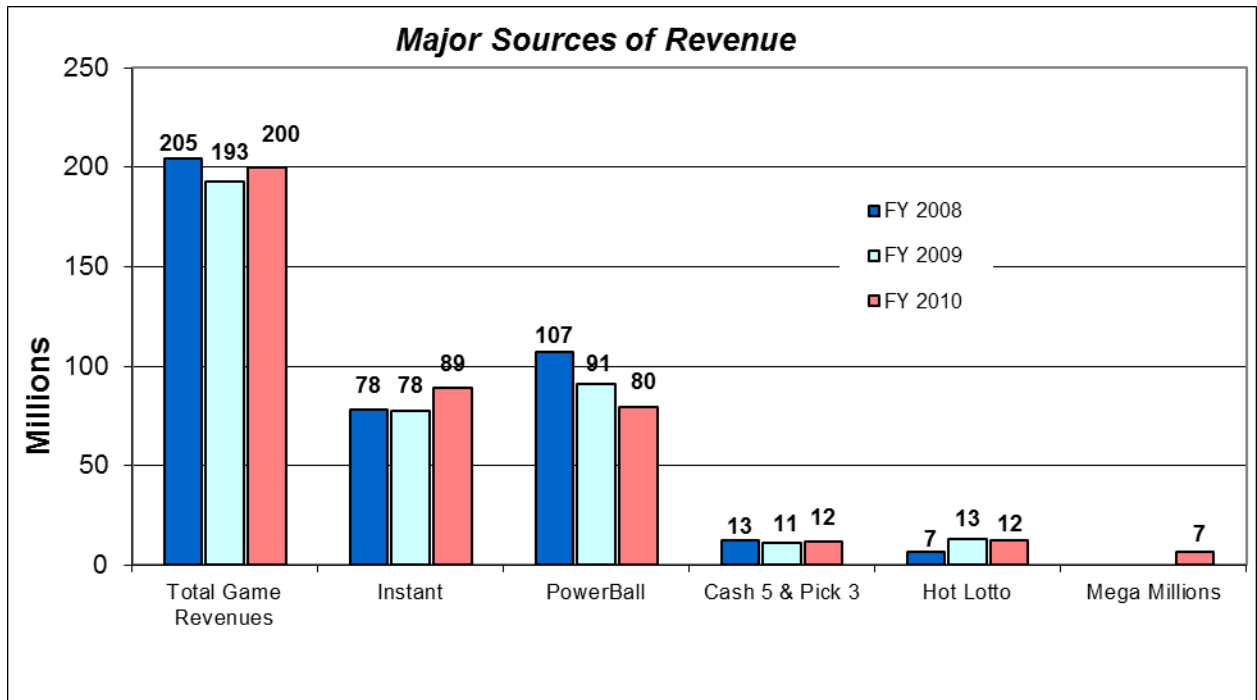
Oklahoma Lottery Commission



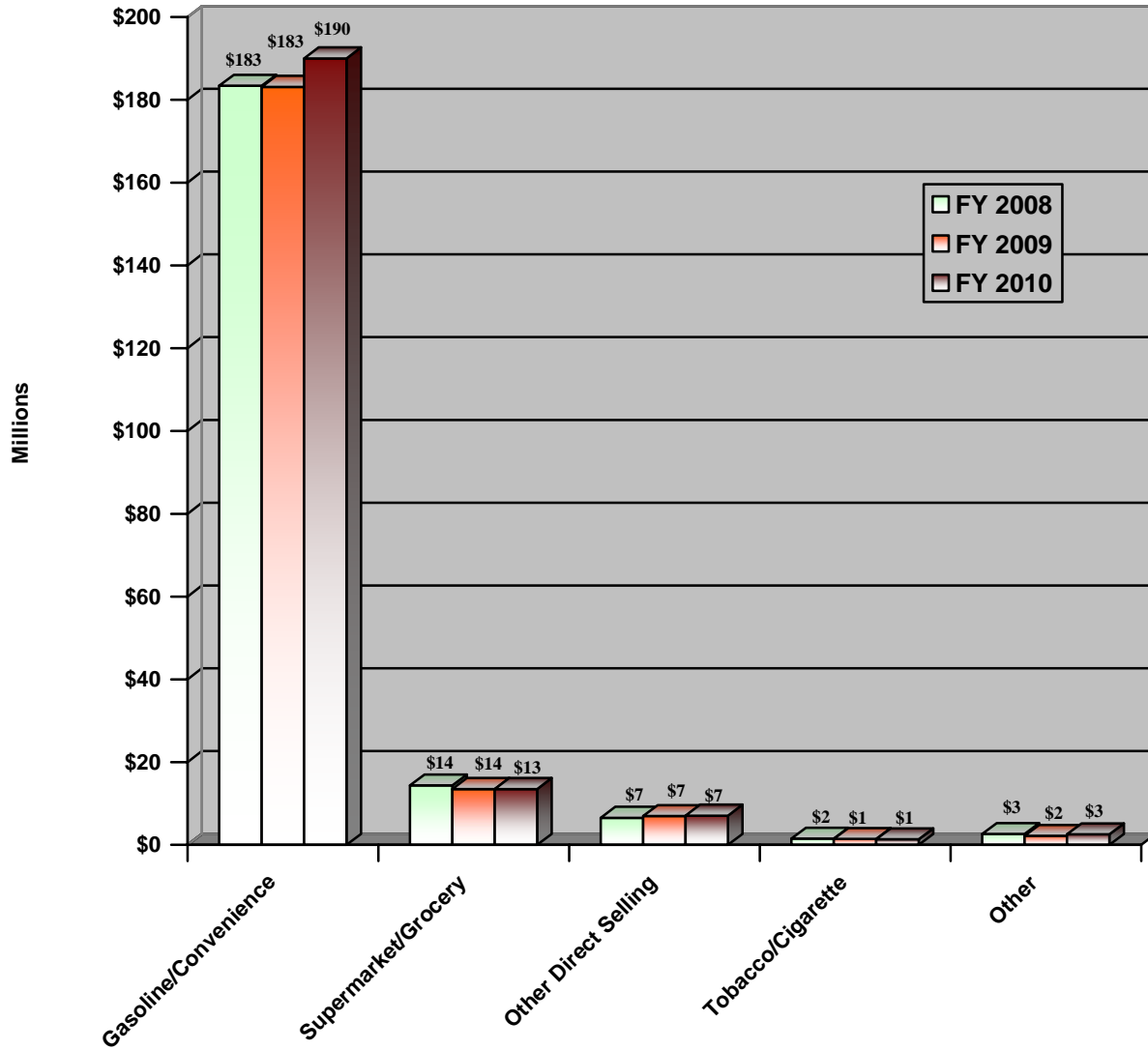
Oklahoma Lottery Commission



Oklahoma Lottery Commission



Revenues by Retailer Classification (Unaudited)



Oklahoma Lottery Commission

Demographics and Economic Information 1996-2009

Year	Population (millions)	Per Capita Income	Unemployment Rate
1997	3,317,000	\$20,671.00	2.1%
1998	3,347,000	\$21,766.00	2.5%
1999	3,358,000	\$22,567.00	3.4%
2000	3,450,654	\$24,406.00	3.0%
2001	3,466,687	\$26,008.00	3.8%
2002	3,488,447	\$25,850.00	4.6%
2003	3,504,347	\$26,424.00	5.6%
2004	3,522,827	\$28,394.00	4.2%
2005	3,543,442	\$29,948.00	4.2%
2006	3,579,212	\$32,210.00	4.5%
2007	3,617,316	\$34,910.00	4.4%
2008	3,642,361	\$36,899.00	6.7%
2009	3,687,050	\$35,840.00	6.9%

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, Hot Lotto in January 2008, and Mega Millions in January 2010. The Lottery ended its fifth fiscal year June 30, 2010 with more than \$199 million in sales, bringing total sales through FY 2010 to more than \$991 million. Contributions to education for fiscal year 2010, was \$69.9 million, bringing total Lottery contributions to Education to approximately \$349 million. (Note – through December 2010, more that \$380.8 million has been provided by the Lottery to Oklahoma Education) Our largest expense for all years was the payment of prizes to lottery winners.

Powerball has been the top selling online game every year, contributing 39% of total revenue in FY-2010. Powerball sales as a percent of total sales have been declining from 47% of total revenue in FY 2009 and 52% of total revenue in FY-2008. Powerball sales are mainly impacted by the value of the estimated annuity jackpot. Several high dollar winners, including Oklahoma's first 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, and competition from other gaming venues adversely affect current lottery sales.

Scratchers (instant tickets) offered by the Oklahoma Lottery Commission, made up 45% of total sales for FY-2010. This is an increase in percent of sales from FY 2009 (40%) and FY-2008 (38%), due mainly to Commission efforts to enhance prize payouts. During FY-2010, seventy two (72) different Scratcher games were offered for sale, including 48 that were launched in FY-2010. Factors that influenced 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 which are adversely affected by the current minimum mandated profit (35% profit restriction) in the Oklahoma Education Lottery Act.

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

OKLAHOMA LOTTERY COMMISSION

Schedule of Lottery Employees

Fiscal Year Ending June 30, 2008, 2009, and 2010

Schedule of Employees by Program

FY 2008

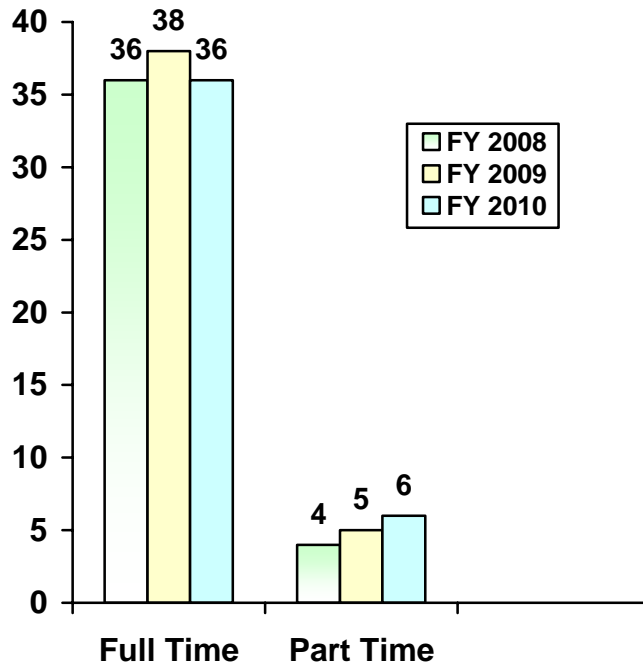
Full Time	36
Part Time	<u>4</u>
Total Employees	40

FY 2009

Full Time	38
Part Time	<u>5</u>
Total Employees	43

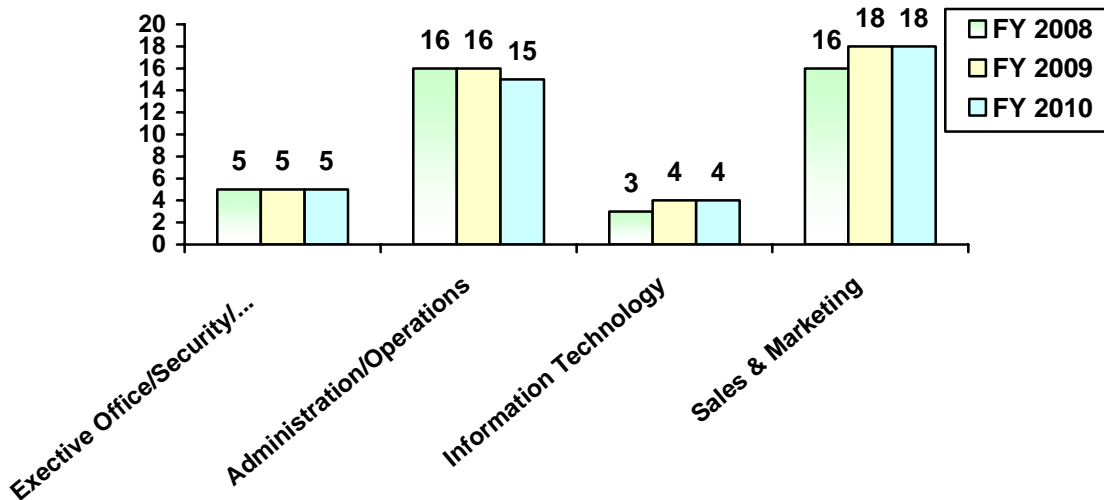
FY 2010

Full Time	36
Part Time	<u>6</u>
Total Employees	42



Schedule of Employees by Activity Type

	FY 2008	FY2009	FY 2010
Executive Office/Security/Audit	5	5	5
Administration/Operations	16	16	15
Information Technology	3	4	4
Sales & Marketing	<u>16</u>	<u>18</u>	<u>18</u>
Total Employees	40	43	42



Oklahoma Lottery Commission Comparative Sales by Product

FY '10 Sales by Product (millions)

Lottery Jurisdiction	INSTANT	PULL TAB	3-DIGIT	4-DIGIT	LOTTO	CASH LOTTO	MULTI-JURISDICTION	KENO	VLT	OTHER	TOTAL SALES
Arizona	\$336.90		\$8.60	\$0.00	\$44.40	\$16.50	\$125.60			\$19.50	\$551.50
Arkansas	\$335.50		\$5.30				\$42.90				\$383.70
California	\$1,661.30		\$128.80	\$30.70	\$463.10	\$144.40	\$484.70	\$117.90		\$10.10	\$3,041.00
Colorado	\$328.10				\$41.60	\$21.30	\$104.00			\$6.20	\$501.20
Connecticut	\$593.40		\$115.60	\$95.70	\$29.90	\$35.00	\$96.50			\$30.70	\$996.80
Delaware	\$36.10		\$25.90	\$17.80	\$5.60		\$37.00		\$547.70	\$0.80	\$670.90
District of Columbia	\$47.40		\$56.70	\$70.40	\$3.50	\$0.20	\$32.00	\$12.40		\$11.40	\$234.00
Florida	\$2,073.10		\$304.00	\$235.00	\$445.90	\$92.10	\$434.10			\$316.30	\$3,900.50
Georgia	\$2,413.50		\$488.30	\$219.90	\$17.40	\$112.60	\$245.50	\$129.20		\$19.10	\$3,645.50
Idaho	\$90.60	\$3.10	\$1.60	\$0.00	\$0.00	\$4.70	\$42.90			\$4.00	\$146.90
Illinois	\$1,190.10		\$301.40	\$191.00	\$111.20	\$119.60	\$274.40			\$28.50	\$2,216.20
Indiana	\$463.50	\$9.50	\$28.90	\$28.40	\$54.20	\$4.70	\$127.30			\$22.70	\$739.20
Iowa	\$143.80	\$20.20	\$6.50	\$2.70		\$119.60	\$78.40			\$0.80	\$372.00
Kansas	\$125.10	\$9.00	\$6.10	\$0.00	\$2.30	\$4.70	\$55.60	\$26.60		\$3.50	\$232.90
Kentucky	\$458.80	\$12.50	\$123.90	\$36.60	\$8.50	\$3.90	\$109.20			\$9.90	\$763.30
Louisiana	\$136.00		\$46.50	\$36.10	\$30.50	\$14.80	\$105.80			\$3.00	\$372.70
Maine	\$152.10		\$5.00	\$4.00	\$24.00	\$13.20	\$28.00			\$0.80	\$227.10
Maryland	\$490.90		\$266.90	\$246.70	\$35.20	\$14.60	\$154.10	\$391.80		\$100.20	\$1,700.40
Massachusetts	\$3,015.70	\$0.90		\$345.10	\$35.40	\$3.40	\$157.40	\$772.90		\$0.00	\$4,330.80
Michigan	\$746.60	\$28.80	\$343.10	\$357.00	\$44.20	\$20.80	\$235.60	\$500.80		\$37.60	\$2,314.50
Minnesota	\$338.10		\$12.90	\$0.00		\$84.60	\$108.70			\$11.90	\$556.20
Missouri	\$637.60	\$0.00	\$68.20	\$29.10	\$28.80	\$54.30	\$124.90	\$55.20	\$0.00	\$1.10	\$999.20
Montana	\$14.30				\$2.90	\$27.40	\$22.60	\$0.60		\$2.70	\$70.50
Nebraska	\$66.90		\$3.20	\$2.10	\$2.00	\$26.70	\$42.90			\$0.00	\$143.80
New Hampshire	\$160.30		\$5.20	\$5.10	\$12.70	\$4.00	\$44.50			\$1.00	\$232.80
New Jersey	\$1,301.50		\$435.30	\$264.10	\$81.90	\$13.40	\$378.30			\$0.00	\$2,474.50
New Mexico	\$78.40		\$3.40			\$4.30	\$54.00			\$0.00	\$140.10
New York	\$3,611.10		\$845.40	\$765.90	\$178.20	\$144.00	\$594.50	\$411.90	\$1,037.30	\$32.20	\$7,620.50
North Carolina	\$855.60		\$222.80	\$57.40		\$7.60	\$224.80			\$0.00	\$1,368.20
North Dakota	\$0.00				\$2.40	\$341.90	\$18.30			\$0.00	\$362.60
Ohio	\$1,375.80		\$366.80	\$201.30	\$42.80	\$60.90	\$239.40	\$130.30		\$63.60	\$2,480.90
Oklahoma	\$89.00		\$6.30		\$5.40	\$3.60	\$99.00			\$0.00	\$203.30
Oregon	\$113.30			\$1.30	\$40.10	\$67.10	\$54.70	\$95.30	\$707.00	\$16.00	\$1,094.80
Pennsylvania	\$1,748.70		\$387.80	\$260.40	\$81.50	\$180.40	\$354.30			\$52.70	\$3,065.80
Rhode Island	\$78.00	\$0.10		\$25.20	\$0.00	\$4.80	\$46.80	\$77.70	\$467.80	\$2.30	\$702.70
South Carolina	\$646.50		\$136.40	\$63.40	\$8.80	\$20.30	\$132.10				\$1,007.50
South Dakota	\$20.40				\$2.80	\$2.50	\$20.10		\$642.20	\$0.00	\$688.00
Tennessee	\$890.30		\$57.20	\$25.60	\$9.50	\$11.90	\$143.80				\$1,138.30
Texas	\$2,761.00		\$274.90	\$58.10	\$255.90	\$66.30	\$273.20			\$49.10	\$3,738.50
Vermont	\$71.40		\$1.60	\$1.30	\$7.30	\$1.50	\$13.10			\$0.90	\$97.10
Virginia	\$711.20		\$246.90	\$197.50	\$28.40	\$28.20	\$209.50			\$13.50	\$1,435.20
Washington	\$289.30		\$17.00	\$13.60	\$54.80	\$22.30	\$88.60	\$5.30			\$490.90
West Virginia	\$97.50		\$8.40	\$4.70	\$0.00	\$5.50	\$57.70	\$7.40	\$1,144.60	\$0.00	\$1,325.80
Wisconsin	\$269.30	\$3.90	\$26.20	\$12.20	\$18.80	\$51.00	\$99.60				\$481.00
TOTAL (\$US)	\$31,064.00	\$88.00	\$5,389.00	\$3,905.40	\$2,261.90	\$1,980.60	\$6,416.40	\$2,735.30	\$4,546.60	\$872.10	\$59,259.30

Reference: LaFleurs Magazine / September/October 2010 - Fiscal 2010 Lottery Sales Report (U.S. Lotteries' Unaudited Fiscal Sales by Game)

Oklahoma Lottery Commission Comparative Sales and Profit

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)
Arizona	\$468.70	\$141.12	\$462.20	\$140.00	\$472.90	\$144.60	\$484.49	\$129.08	\$551.50	\$141.90
Arkansas									\$383.70	\$82.60
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
Colorado	\$468.80	\$125.60	\$455.90	\$119.00	\$505.80	\$122.30	\$493.40	\$121.90	\$501.20	\$112.90
Connecticut	\$970.33	\$284.87	\$957.00	\$279.90	\$998.10	\$285.10	\$991.00	\$283.00	\$996.80	\$285.50
Delaware	\$727.99	\$248.80	\$754.00	\$256.70	\$736.40	\$252.50	\$702.20	\$248.00	\$670.90	-
District of Columbia	\$266.20	\$73.40	\$255.94	\$65.40	\$252.33	\$70.43	\$246.20	\$68.80	\$233.90	\$69.60
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
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
Idaho	\$131.13	\$33.00	\$130.50	\$32.30	\$136.80	\$36.20	\$139.65	\$35.00	\$146.90	\$37.70
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
Indiana	\$816.40	\$218.00	\$789.10	\$216.00	\$822.80	\$217.10	\$732.70	\$179.10	\$739.10	-
Iowa	\$339.52	\$80.88	\$235.00	\$58.00	\$249.00	\$57.00	\$243.00	\$61.00	\$256.30	\$57.90
Kansas	\$236.05	\$67.09	\$240.00	\$70.00	\$236.70	\$71.00	\$230.51	\$67.25	\$243.70	-
Kentucky	\$742.30	\$204.30	\$744.20	\$196.30	\$778.20	\$192.10	\$810.54	\$204.40	\$772.50	\$214.20
Louisiana	\$332.12	\$118.76	\$354.20	\$128.30	\$373.70	\$131.80	\$378.50	\$135.40	\$372.40	\$133.70
Maine	\$229.69	\$51.70	\$230.02	\$50.62	\$228.52	\$49.49	\$210.67	\$50.56	\$217.30	\$52.20
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
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
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
Minnesota	\$450.00	\$121.30	\$422.61	\$112.35	\$461.52	\$116.27	\$481.20	\$119.60	\$499.00	\$122.60
Missouri	\$913.52	\$260.67	\$934.30	\$257.90	\$995.50	\$266.60	\$969.00	\$256.20	\$971.60	\$255.00
Montana	\$39.92	\$9.11	\$41.60	\$11.40	\$43.80	\$11.00	\$43.90	\$10.11	\$47.00	\$10.60
Nebraska	\$113.11	\$30.32	\$114.49	\$29.19	\$121.91	\$31.03	\$123.26	\$29.29	\$130.60	\$32.00
New Hampshire	\$262.74	\$80.32	\$263.94	\$79.04	\$261.13	\$75.65	\$239.58	\$68.03	\$233.20	\$66.00
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
New Mexico	\$154.71	\$36.86	\$148.00	\$34.80	\$147.10	\$40.80	\$142.30	\$40.80	\$143.60	\$43.60
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
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
North Dakota	\$22.33	\$6.92	\$22.64	\$6.80	\$22.12	\$6.07	\$21.72	\$5.73	\$24.30	\$5.80
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
Oklahoma	\$204.84	\$68.95	\$202.53	\$69.40	\$203.82	\$71.61	\$193.16	\$69.23	\$199.70	\$70.00
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
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
Rhode Island	\$1,731.47	\$323.90	\$1,808.85	\$320.99	\$2,398.91	\$355.57	\$2,558.90	\$351.50	N/A	N/A
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
South Dakota	\$686.16	\$118.99	\$692.50	\$120.79	\$704.26	\$122.56	\$694.00	\$118.20	\$687.90	\$116.90
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
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
Vermont	\$104.88	\$22.88	\$104.50	\$23.40	\$102.00	\$22.60	\$96.00	\$21.00	\$97.00	\$21.60
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
Washington	\$477.89	\$116.95	\$492.60	\$114.20	\$521.10	\$130.30	\$487.70	\$120.39	\$491.00	\$142.49
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
Wisconsin	\$508.90	\$150.60	\$492.90	\$138.80	\$494.70	\$140.00	\$474.04	\$129.93	\$480.80	-
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	\$17,517.59	\$58,432.30	\$16,780.29

Reference: LaFleurs Magazine / September/October 2010 - Fiscal 2010 Lottery Sales Report (U.S. Lotteries' Unaudited FY10 Results)



Oklahoma Lottery Commission

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