2007 Comprehensive Annual Financial Report

For the year ended June 30, 2007

About the Cover

The cover photo, shot in the midlands of South Carolina, was taken by Matthew Brodie (brodiefoto@hotmail.com), a 2003 graduate of the University of South Carolina.

South Carolina Education Lottery™

sceducationlottery.com
P.O. Box 11949 Columbia, SC 29211 1333 Main Street, 3rd & 4th Floor Columbia, SC 29201

South Carolina Education Lottery Commission
A Component Unit of the State of South Carolina

From the Chairman

Dear Fellow South Carolinians:

The 2006-2007 fiscal year represents another winning year for education in our state from the South Carolina Education Lottery (SCEL). The dollars transferred for educational programs totaled more than $273 million, bringing total contributions to the Education Lottery Account to nearly $1.5 billion since our first sale in January 2002. This transfer, when considered in relationship to the state's population, is a key benchmark to overall performance. SCEL ranks among the nation's best in our per capita contributions to education.

We continue to operate SCEL in a fiscally conservative manner. The operational cost of your lottery remains a recognized leader among lotteries in the United States (we rank 7th lowest in administrative expenses and 9th lowest in advertising expenses as a percentage of gross revenue). We diligently keep costs low to create additional revenue for education and our state's students.

Beyond our efficiency, SCEL continues to enjoy recognition as a leader in the lottery industry. Our management and staff are key to this recognition. Executive Director Ernie Passailaigue is now President of the North American Association of State and Provincial Lotteries (NASPL). This professional association represents 51 lottery organizations in North America. Several other members of our key management team have received outstanding achievement awards from NASPL as well as other important professional organizations.

Our lottery has now reached full maturity. When we opened for business in 2002, and for several years thereafter, we had no competition from any nearby state other than Georgia. Today, North Carolina and Tennessee maintain fully mature lotteries. These new operations along with higher gasoline prices have negatively impacted gross sales. Going forward, our creative staff and dedicated retailer network will work diligently to maintain sales and create new sources of revenue. As always, we remain focused on our main objective – to raise funds that support education while marketing our products in a socially responsible manner.

We appreciate your support and welcome your participation in our effort.

Sincerely,
Timothy E. Madden
Chairman
South Carolina Education Lottery Commission

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October 30, 2007

To the Board of the South Carolina Education Lottery, Commission and the citizens of the State of South Carolina:

We are pleased to submit the Comprehensive Annual Financial Report of the South Carolina Education Lottery Commission (the Commission) for the fiscal year ended June 30, 2007. The audit report of our auditors, Elliot Davis, LLC, appears in the Financial Section and expresses an unqualified opinion on the Commission's financial statements.

Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included. The Commission has no legal requirement to prepare this report.

Management of the Commission is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or abuse, and to ensure that the accounting systems allow compilation of accurate and timely financial information. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

Access to the Commission's offices and instant ticket warehouse is limited through high-level security. The Commission has segregated responsibilities to enhance controls over accounting procedures relative to personnel and payroll; purchasing and accounts payable; sales and accounts receivable; and general ledger. Management personnel maintain oversight and approval authority over all areas of operation. The Commission's independent auditors review significant and relevant areas annually and issue a report on their financial audit to the State Office of Budget and Control.

The Commission's financial statements have been audited by Elliott Davis, LLC, who issued the Commission an unqualified ("clean") opinion on the Commission's financial statements for the year ended June 30, 2007. The independent auditor's report is presented as the first component in the financial section of this report.

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

Profile of the Commission

The South Carolina Education Lottery Commission, headquartered in Columbia, South Carolina, was created by the South Carolina General Assembly in 2001 as an instrumentality of the State and a public commission, with powers comparable to those exercised by commissions engaged in entrepreneurial pursuits.

The Commission, as an agency of the State of South Carolina, is included as a component unit with other component units of the State within the Comprehensive Annual Financial Report. This report presents all activities of the Commission as a discretely presented component unit.

The Commission is governed by a nine-member board and has a staff of approximately 150 employees. The Commission has eight departments: Executive; Internal Operations; Internal Audit; Information Technology Systems; Sales & Marketing; Security; Legal Services; and Finance. The Internal Auditor reports directly to the South Carolina Education Lottery Commission Board. All employees of the Commission serve at-will and are not covered by the State Employee Grievance Procedures Act.

In addition to its headquarters, the Commission has four Regional Offices (Columbia, Charleston, Greenville, and Fort Mill). The regional offices validate winning tickets from lottery players. There is a sales staff of approximately 36 employees, which service lottery retailers throughout their respective territories. Regional sales employees provide delivery of point-of-sale materials as well as advise retailers on marketing techniques, assist with retail licensure, and perform other duties as directed by senior management.

The Commission operates its games through a network of approximately 3,500 retailers.

Financial planning

The Commission budgets for spending annually. In conjunction with the Board of Economic Advisors, the Commission projects sales on an annual basis. The Commission expenses all net proceeds on a monthly basis to the state Education Lottery Account.

The Commission is in the procurement process for an online vendor, with the current online vendor contract expiring during the next fiscal year. This is a major procurement that may require a large amount of resources.

Relevant financial policies

All proceeds from the Commission's operations are designated to be appropriated to support education in South Carolina. Once a month, these proceeds are expensed to the Education Lottery Account, which is managed by the South Carolina State Treasurer's Office for disbursement as determined by the South Carolina Legislature.

Major initiatives

A new game, "MegaMatch 6," designed to excite loyal lottery players by providing multiple opportunities to win will be introduced during fiscal year 2008.

The Commission is considering membership in a new multi-state game now under development by the Multi-State Lottery Association, which is intended to complement Powerball®. Drawings would occur on days other than those of the current Powerball® drawings.

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 South Carolina Education Lottery for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government component unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

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

The preparation of the Comprehensive Annual Financial Report would not have been possible without the coordinated efforts of the Commission's Finance and Marketing Departments. All employees who made contributions in the preparation of the report have my sincere appreciation.

Sincerely,

Ernie Passailaigue, CPA
Executive Director

letter of transmittal

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Carolina Education Lottery

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

President

Executive Director

mission, vision & values

Our Mission

The South Carolina Education Lottery Commission's (the "Commission") mission is to provide entertainment options to adults, with integrity, to support education in South Carolina.

To fulfill our mission, the Commission holds true to the vision and values engrained in the culture as guideposts to success.

The work of the Commission is to provide games for players, support for the retailers, and funds for the Legislature to appropriate for education. Security and oversight are built into the process at every step to ensure ongoing integrity.

Our Vision

A vision describes an organization's ultimate destination and the Commission's vision is to operate the South Carolina Education Lottery in a "world-class" manner – "literally." Every aspect of our operations will function at a high level of excellence. We intend to maintain our integrity through openness, honesty, and hard work. We will also vigorously support responsible gaming through our marketing strategies and funding of treatment programs.

We will control our expenses so as to give the General Assembly as much money as possible to allocate toward educational funding in the state of South Carolina. We will not compromise our integrity.

Achieving this level of performance requires a loyal and well-trained workforce with high ethical standards, and this is why we intend to be known for employing bright and creative individuals, providing them with a supportive work environment, and empowering them to achieve their best.

Our Values

Values represent the desired behavior and beliefs of an organization. They are the yardstick against which all major decisions are measured. The Commission's values include:

Integrity – We will maintain public trust through our high ethical standards.

Education – The purpose of the Commission is to support educational funding in the state of South Carolina.

Play Responsibly – We strongly support the concept of playing responsibly.

Fair Treatment – We will treat employees, retailers, players, the public, and vendors fairly.

Quality Products – We will be known for offering the finest possible products through a program of innovation, creativity, and continuous improvement.

Fiscal Responsibility – We will manage our resources so as to maximize the dollars going to support education in South Carolina.

Non-political – We will operate the Education Lottery as a business, and we are dedicated to being both non-partisan and non-political in all our operations.

Board of Commissioners

Timothy E. Madden, Chairman
Greenville, SC

James J. Bailey, Jr.
Charleston, SC
Vice Chairman

T. Moffatt Burriss
Columbia, SC
Treasurer

Ashley Landess
Columbia, SC
Secretary

Lisa H. Stevens
Greenville, SC
At-Large Executive Committee Member

Dr. Edward Keith
Sumter, SC

A. Marvin Quattlebaum, Jr.
Greenville, SC

B. Boykin Rose
Charleston, SC

Nathaniel Spells, Sr.
Hopkins, SC

Standing Committees of the Board

Executive
Timothy E. Madden, Chair
James J. Bailey, Jr., Vice Chair
Ashley Landess, Secretary
T. Moffatt Burriss, Treasurer
Lisa H. Stevens, At-Large

Marketing & Retailer Relations
Ashley Landess, Chair
T. Moffatt Burriss
Edward Keith
Nathaniel Spells, Sr.

Legal & Security
A. Marvin Quattlebaum, Jr., Chair
James J. Bailey, Jr.
Lisa H. Stevens
B. Boykin Rose

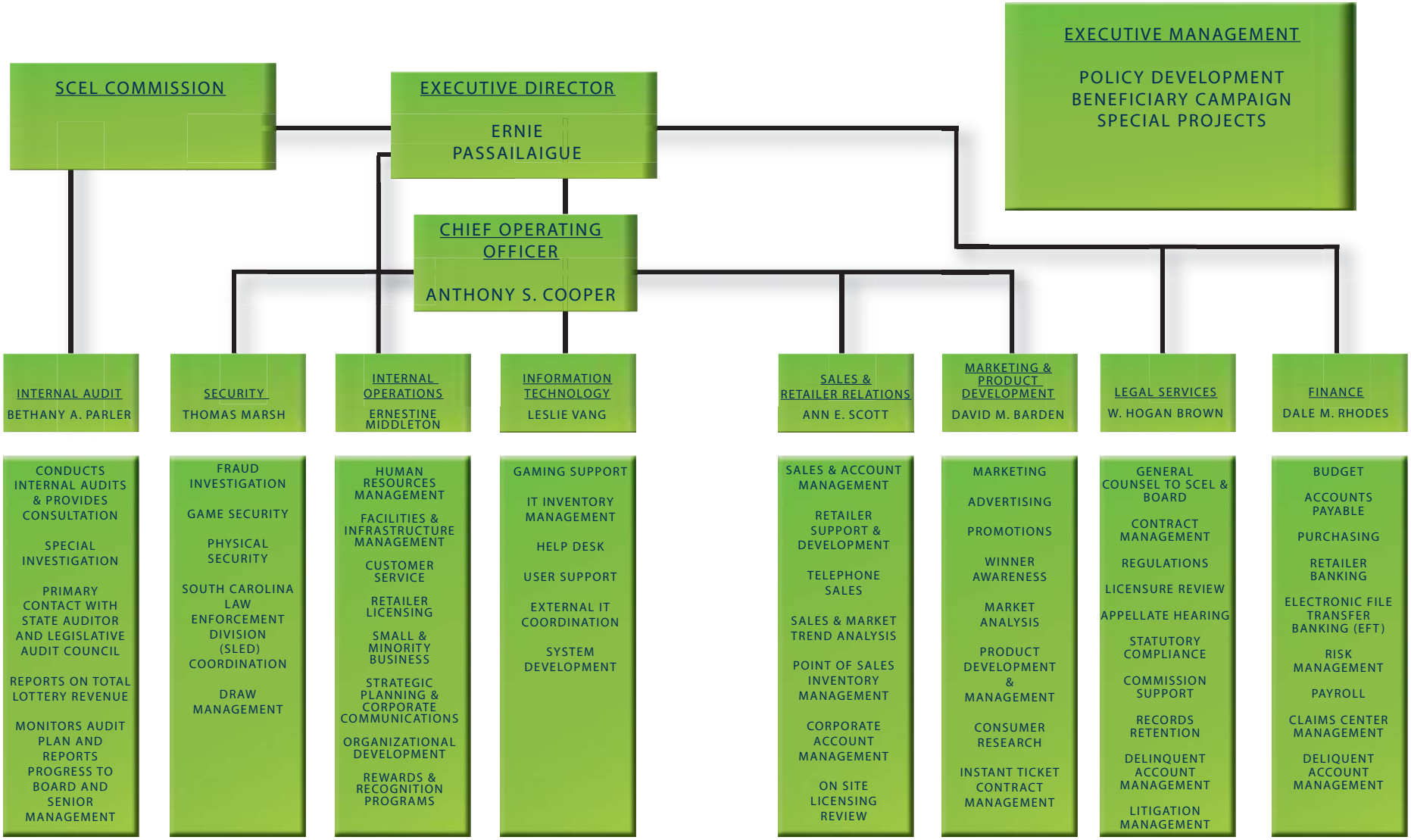
Audit
James J. Bailey, Jr., Chair
Edward Keith
B. Boykin Rose
Nathaniel Spells, Sr.

*Chair serves ex-officio on all committees

Executive Director
Ernie Passailaigue, CPA

Agency Directors

organizational chart



GAMES

Players must be 18 years of age or older and must pay cash for tickets. Tickets may be purchased at any of SCEL's approximately 3,500 retailers across the state. Live drawings are carried on the following TV stations: WHNS in Greenville/Spartanburg, WCBD in Charleston, WLTX in Columbia, WFXB in Myrtle Beach, WHHI in Hilton Head, WMYT in Rock Hill, and WRDW in Aiken. For all games, prize payouts are subject to SCEL rules and regulations that may be obtained at www.sceducationlottery.com or by writing to the following address:

South Carolina Education Lottery
PO Box 11949
Columbia, SC 29211-1949

There are three ways to claim a prize:

- For winning tickets up to and including $500, winners may claim a prize at an authorized lottery retailer.

- For winning tickets up to and including $1,000,000, winners may claim a prize at one of the Regional Claims Centers (Charleston, Greenville, Ft. Mill, or Columbia). Prizes over $1,000,000 may be redeemed ONLY at the SCEL Columbia Claims Center. Winnings greater than $100,000 must be claimed in person.

- Winners may also mail in their winning tickets up to and including $100,000. The back of the winning ticket must be signed and accompanied by an official SC Education Lottery claim form, available at any authorized SC Education Lottery retailer or on the SCEL website. A copy of picture identification (state ID, driver's license, or military ID) is required for all winnings over $500. Given that the risk of mailing tickets remains with the player, registered mail is recommended.

Instant Games

Instant Games are easy to play and provide instant entertainment for players. In Fiscal Year 2007, 40 new instant games were launched. To play, an individual purchases an instant ticket from any licensed retailer. Tickets sell for $1 to $10. The player scratches off the latex-covered area with a coin as instructed on the ticket to reveal the ticket's play area. Following the instructions, the player also looks for a special feature or a bonus area that may be part of the ticket. Players can discover in an ***instant*** if they have won and the amount of the prize. Plus, there is a play style for everyone – from **Palmetto Pirates, Carolina Crab Cakes,** and **High-Heeled Cash** to licensed properties such as **American Idol™** and (coming in Fiscal Year 2008) **Deal or No Deal™** instant games. If the player wins, the lottery retailer will validate the winning ticket. For instant games, players have 90 days after the end of the game to redeem a prize. The official end of the different instant games will be posted at retail locations as well as on the SCEL website at www.sceducationlottery.com. New instant games are introduced each month, usually on the first Tuesday.

Many of the instant games are designed in-house by the Commission's Marketing Department. SCEL decreased the total number of tickets printed for each game so that no game gets stale and so as to allow new games to be introduced more frequently. Revenue from instant games for Fiscal Year 2007 totaled over $617.5 million.

Online Games

Pick 3
Live Pick 3 drawings occur every night at 6:59 P.M. and air on the TV stations previously listed. Midday drawings occur Monday through Saturday at 12:59 P.M. and are not televised. Players can pick up a Pick 3 play slip at an SCEL retailer. To play, an individual selects three (3) numbers from 0 to 9 and marks them on the play slip. The play slip has five play areas or panels, and players have the option of playing one panel or up to five. The player marks the "Day" or "Eve" box to select the drawing. Players may choose up to 28 advance draws or 14 days. The player either fills out the play slip with a pencil, blue or black ink, or marks the "Quick Pick" box to allow the computer to select the numbers. Players mark on the play slip whether they want to spend $0.50 or $1. After selecting the three numbers, players present the completed Pick 3 play slip and total play amount to the retailer. Prior to each drawing, Pick 3 sales will be temporarily suspended to allow for the drawing. Pick 3 sales are suspended at 12:45 P.M., Monday through Saturday, and at 6:45 P.M. every night. After making a Pick 3 purchase, a player has up to 20 minutes to cancel the sale; however, a retailer may NOT cancel a ticket sold for a given draw after sales have been suspended for that drawing. Odds of winning a prize are from 1 in 167 to 1 in 1,000, depending upon the play type selected. Pick 3 players have 180 days after the date of the drawing to redeem a prize.

Pick 3 has maintained consistent sales, making up more than $138.4 million total sales in Fiscal Year 2007.

Pick 4
Pick 4 allows players to bet $0.50 or $1.00 per play. Live drawings are held every night at 6:59 P.M. and air on the TV stations previously listed. Midday drawings occur Monday through Saturday at 12:59 P.M. and are not televised. Players must mark the "Day" or "Eve" box to select the draw and may select up to 28 advance draws or 14 days. To play, an individual selects four (4) numbers from 0 to 9 and marks them on the play slip. The play slip has five (5) panels, and players have the option of playing one panel or up to five. Players can also mark "Quick Pick" for random selection of numbers. Prior to each drawing, Pick 4 sales will be temporarily suspended to allow for the drawing. Pick 4 sales are suspended at 12:45 P.M., Monday through Saturday, and at 6:45 P.M. every night. After making a Pick 4 purchase, a player has up to 20 minutes to cancel the sale; however, a retailer may NOT cancel a ticket sold for a given draw after sales have been suspended for that drawing. Odds of winning a prize are from 1 in 417 to 1 in 10,000, depending upon the play type selected. Pick 4 players have 180 days after the date of the drawing to redeem a prize.

Pick 4 has maintained consistent sales, making up more than $62.1 million total sales in Fiscal Year 2007.

games

Palmetto Cash 5

Palmetto Cash 5 is a unique numbers game that offers a top prize of $100,000 and a chance to purchase a multiplier option to win up to $500,000. Drawings occur every Monday, Wednesday, and Friday at 6:59 P.M., but will move to five days a week, Monday through Friday, beginning September 2007. Players choose five (5) numbers from 1 to 38. Each play costs $1. Players win $100,000 for matching all five numbers correctly. The player can also add the "Power-Up" multiplier option. This option multiplies all winnings by a number (ranging from 2 to 5) drawn separately during the Palmetto Cash 5 drawing. If the player chooses to "Power-Up," the cost of each play is $2. Players can buy tickets for up to 20 consecutive draws by marking the appropriate box in the "Multi Draw" area. Prior to each drawing, Palmetto Cash 5 sales will be temporarily suspended to allow for the drawing. Palmetto Cash 5 sales are suspended at 6:45 P.M. on Monday, Wednesday, and Friday. After making a Palmetto Cash 5 purchase, a player has up to 20 minutes to cancel the sale; however, a retailer may NOT cancel a ticket sold for a given draw after sales have been suspended for that drawing. Overall odds of winning a prize are 1 in 8.4. Overall odds of matching all five numbers are 1 in 501,942. Palmetto Cash 5 players have 180 days after the date of the drawing to redeem a prize.

Palmetto Cash 5 players won approximately $12.5 million in Fiscal Year 2007, while total sales for the same time period were $26.7 million.

Powerball®

Powerball® drawings take place every Wednesday and Saturday at 10:59 P.M. Eastern time. Players pay $1 and select five white ball numbers from the first set of 55 numbers plus a single red ball number, the Powerball®, from the second set of 42 numbers. Players may select their own numbers using a Powerball® play slip or they may opt for computer-selected "Quick Picks." Players must match all five white ball numbers drawn PLUS the red Powerball® number to win the jackpot. Players may spend an extra $1 per play and mark or ask for the PowerPlay® option to multiply winnings by a factor of 2, 3, 4, or 5 (excluding the jackpot). The PowerPlay® multiplier is determined in a separate drawing aired during the Powerball® drawing. Tickets for Powerball® may be purchased for up to 20 draws in advance. Powerball® tickets are available for purchase 5:00 A.M. to midnight daily, except for drawing days (Wednesday and Saturday), when sales are temporarily suspended at 9:59 P.M. to allow for the Powerball® drawing. Powerball® ticket sales CANNOT be canceled. Overall odds of winning a prize are 1 in 36.6. Overall odds of winning the jackpot are 1 in 146,107,962. Powerball® players have 180 days after the date of the drawing to redeem a prize.

Powerball® sales totaled $134.3 million for Fiscal Year 2007.

Carolina Millionaire Raffle®

The Carolina Millionaire Raffle was a groundbreaking lottery concept, with ticket sales that began Monday, October 30, 2006. Each of the game's $10 tickets offered a 1 in 250,000 chance of winning a $1 million prize. SCEL offered a limited number of tickets: no more than one million tickets were to be sold, with the idea that when Carolina Millionaire Raffle tickets were gone, they were gone! Carolina Millionaire Raffle tickets were sold over a ten-week period, and offered four (4) $1 million cash prizes; two (2) $100,000 cash prizes; sixty (60) $10,000 cash prizes; and seven hundred (700) $1,000 cash prizes, for a total of 766 prizes worth $5.5 million.

Each Carolina Millionaire Raffle ticket contained a unique, eight-digit number issued sequentially across South Carolina from the Lottery's central gaming computer, starting with ticket number 00000001. If all one million tickets sold, the last ticket number issued for the game would be 01000000. When the last ticket number was issued, the game was to close and no additional tickets would be available for purchase. A complete list of all 766 winning raffle numbers was available on January 8, 2007, on the Lottery's website at www.sceducationlottery.com, following the drawing. The winning tickets were selected by SCEL's Security Department and an independent auditor using a certified random number generator. The eight-digit raffle ticket number printed on the ticket had to match the eight-digit raffle number combination selected in the draw—in the exact sequence in which it was selected—to be considered a winning ticket and be entitled to a Carolina Millionaire Raffle prize.

To play, a person paid $10 to an SCEL retailer authorized to sell online tickets and received one Carolina Millionaire Raffle online ticket. The ticket was printed with its individual eight-digit number. There was NO "Quick Pick" option available to the player. There was NO option to manually enter a player's number selection(s). The player received a printed ticket for each $10 purchase and the ticket number was automatically selected by the game management system at the time of purchase. Odds of winning were as follows:

700	$1,000 prizes – 1 in 1428.57
60	$10,000 prizes – 1 in 16,666.67
2	$100,000 prizes – 1 in 500,000
4	$1,000,000 prizes – 1 in 250,000

Carolina Millionaire Raffle showed revenues of over $9 million for Fiscal Year 2007.

PROMOTIONS

Summer Mystery Shopper
Retailer Incentive

This promotion, just for retailers, was such a hit the summer of 2005, SCEL brought it back for 2006, only bigger and better. There were 200 winners drawn in each of the three regions of the state in June, July, August, and September 2006, a total of 600 winners each month. A retailer qualified for an entry to win $100 by meeting established incentive criteria as evaluated by the individual store's Marketing Sales Representative (MSR) or other SCEL designated staff. The MSR gave entry postcards to the retail employee qualifying, and the employee mailed the postcard in for the monthly drawings. A total of $240,000 was awarded to the hard working retail staffs who go the extra mile to maximize lottery displays in their locations.

Million Dollar Second-Chance Summer Promotion

Launched in May 2006, the Million Dollar Second-Chance Summer Promotion offered several chances to win a 2006 Ford Mustang® convertible with $1 million in the trunk! Four different instant ticket games were included in the Million Dollar Second-Chance Summer Promotion: **$1 Money Clip, $2 Lucky Horseshoe Cash, $2 Cash Explosion,** and **$5 Mustang Money**. (Each qualifying ticket included lots of prizes; however, only the $5 Mustang Money instant ticket featured the chance to instantly win one of six 2006 Ford Mustang® convertibles.)

At the State Fair Grand Prize event, three 2006 Ford Mustangs® were given away in the Million Dollar Second-Chance Summer Promotion drawing, and one of the vehicles had $1 million in the trunk! To enter, players sent in $20 worth of non-winning instant tickets from any of the four qualifying games, in any combination, by September 8, 2006. Leading up to the Grand Prize Event, 1,500 Mustang prize packages valued at $416 were awarded.

Mustang Trivia Radio Promotion

In addition to the Million Dollar Second-Chance Summer Promotion drawings, a statewide promotion through 10 radio stations, incorporating Mustang Trivia, took place throughout the summer months. Callers won a $5 Mustang Money instant ticket and their names went into a pool for the week. One person drawn from the weekly pools, who correctly answered the trivia question (questions and answers featured on the SCEL website) won a Mustang prize package and advanced to the semi-finals. One semi-finalist was selected to represent each radio station at the Grand Prize Event at the State Fair in October for a chance to win a 2006 Ford Mustang® convertible.

Carolina Power Deal Game Show

The Carolina Power Deal Game Show was a Powerball® promotion in the form of a fast-paced television game show. To enter, a player purchased a ticket consisting of 5 Powerball® plays ($5) and 5 PowerPlays® ($5) on the same ticket for a total $10 purchase. An entry form automatically printed along with the ticket at the terminal. The player completely filled out the entry form and mailed it in (one entry per envelope) for a chance to appear as a contestant on the Carolina Power Deal show. SCEL drew multiple contestants in each of the seven draws conducted August 14, 2006, October 10, 2006, December 4, 2006, January 29, 2007, March 26, 2007, May 21, 2007, and June 18, 2007. The contestants appeared in video-taped game shows aired at different times on WHHI Hilton Head, WFXB Florence/Myrtle Beach, WLTX Columbia, WCBD Charleston, WHNS Greenville/Spartanburg, WRDW Aiken and WJZY Rock Hill/Charlotte. The contestants won at least $2,000 each, and they could win as much as $20,000! Starting with the first of five randomly drawn numbers, the contestant had to choose if the next number would be higher or lower than the previous number, winning or losing $2,000 each time, but never going below $2,000. They could quit after playing four of the five numbers, but if they chose to play the fifth number, the winning and losing scheme changed. If they correctly chose higher or lower than the fourth number, their winnings would double; if they incorrectly chose higher or lower than the fourth number, their winnings were cut in half, but never below $2,000.

Carolina Power Deal Game Show players won over $587,000 in Fiscal Year 2007.

State Fair

The 2006 South Carolina State Fair provided the backdrop for the **Million Dollar Second-Chance Summer Promotion** Grand Prize Event where three 2006 Ford Mustangs® were awarded from a second-chance drawing (one with $1 million in the trunk), as well as one 2006 Ford Mustang® from the **Mustang Trivia Radio Promotion**. SCEL staff was on-hand for wheel spins. A player purchasing at least $10 in online or instant tickets earned a chance to spin the wheel to win promotional items. In addition, a special edition of the Carolina Power Deal Game Show was held at the Fair.

Sweethearts and Magnolias 2 Radio Promotion

The Lottery teamed with the SC Sports Network, Kilburnie Inn at Craig Farm (Lancaster), The Red Horse Inn (Lyman), and the Walnut Lane Inn (Inman) to offer both listeners and players a chance to keep the romance burning long after Valentine's Day. To enter, more than 30 men of South Carolina wrote to the SC Sports Network radio show during January and part of February to pour out their hearts with their most romantic experiences for a chance to win a two-night stay for two at one of the three participating South Carolina Bed & Breakfast Inns. Six lucky winners, two at each Inn, were selected.

American Idol™ Second-Chance Promotion

If a player did not win instantly on an American Idol™ instant ticket, he or she could mail in the ticket just like a postcard or register online at sceducationlottery.com to enter in a second-chance drawing specially designed for the American Idol™ fan! This was the first promotion offered by SCEL that allowed players to enter online. There were three preliminary drawings on February 16, 2007, March 16, 2007, and April 16, 2007, where 900 American Idol™ prize packs worth over $425 (including an American Idol™ T-shirt, a long sleeve T-shirt, 2 tumblers, a watch, a hat, a bag and an iPod® nano) were awarded. One Grand Prize winner was drawn on April 17, 2007, from the 900 prize pack winners to receive a trip to the American Idol™ finale in Hollywood, California. The Grand Prize Trip included airfare for two to Hollywood, two tickets to the final competition show, two tickets to the season finale, four nights' accommodations in a deluxe room, two tickets to the post show VIP party, and $1,000!

Powerball® "X10" Promotion

From April 1-28, 2007, Powerball® players who purchased the PowerPlay® multiplier option had a shot at multiplying non-jackpot winnings by 10, instead of the usual maximum of 5. During the promotion, a "10" multiplier replaced one of the four "5" multipliers on the PowerPlay® wheel, spun at each Powerball® drawing, and was available for all eight drawings from April 4 – April 28, 2007. When the "10" multiplier space on the wheel was randomly selected, all players who added PowerPlay® purchases to their tickets multiplied their winnings (not including the jackpot) by 10.

Clean$weep

The South Carolina Education Lottery Commission and PalmettoPride have engaged for the fifth year in a joint effort entitled "Clean$weep" to promote an anti-littering campaign. The promotion utilizes second-chance drawings of non-winning instant tickets to encourage players to properly dispose of paper tickets. Clean$weep has continued to be a great opportunity to urge South Carolinians to be environmentally responsible while still having fun. Clean$weep is also a means of providing lottery players with added value, a second chance to win $50!

Remember, now is the time to take pride, take responsibility, and take action against litter in your community. Let's work together to keep South Carolina clean and beautiful!

During fiscal year 2007, Clean$weep recovered approximately 1,542,000 paper tickets, which translates into about 5.88 tons of paper recycled. With the assistance of lottery players, approximately 100 trees; 2,725 gallons of oil; 23,970 kilowatt hours of electricity; 3,450 pounds of air pollution; and 160 cubic feet of landfill space have been saved.

Clean$weep is part of a successful partnership with PalmettoPride. Together, we have recycled about 25 tons of paper in five years.

SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 13, 2007

The Honorable Mark Sanford, Governor
and
Members of the South Carolina Education Lottery Commission
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Education Lottery Commission for the fiscal year ended June 30, 2007, was issued by Elliott Davis, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

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ElliottDavis

Elliott Davis, LLC
Accountants and Business Advisors

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying statements of net assets of the South Carolina Education Lottery Commission (the Commission), a discretely presented component unit of the State of South Carolina (the State), as of June 30, 2007 and 2006 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 Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2007 and 2006, and the changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Commission. The schedule of business-type activities for the state-wide CAFR is supplementary information required by the South Carolina Office of the Comptroller General and is not a required part of the basic financial statements. It has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elliott Davis, LLC

Columbia, South Carolina
September 7, 2007

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Commission provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Commission's financial statements. This narrative provides an overview of the Commission's financial activity for the fiscal year ended June 30, 2007. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Commission's financial activities based on facts, decisions, and conditions currently facing management.

Understanding the Commission's Financial Statements

The Commission, an instrumentality of the State of South Carolina, 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 discussion and analysis by management, and are designed to highlight the Commission's net assets and changes to those assets resulting from Commission operations.

The most important relationship demonstrated within the Commission's financial statements is the requirement that the Commission transfer net proceeds to the State Treasurer for the Education Lottery Account (ELA). Accordingly, the primary focus of these financial statements is determining net proceeds available for transfer to the Education Lottery Account, rather than the change in net assets of the Commission.

Financial Highlights

For the year ended June 30, 2007, there was a decrease from the prior fiscal year of $156.1 million in revenues from lottery games. The Commission returned $600.1 million to winners of lottery games and $70.0 million was paid to retailers for commissions and incentives. Other game related expenses totaled $18.1 million and operating expenses were $27.7 million. Net proceeds expensed to and due to the Education Lottery Account were $279.2 million as of and for the year ended June 30, 2007.

For the year ended June 30, 2006, revenues from lottery games increased from year ended June 30, 2005 by $187.7 million. The Commission returned $702.3 million to winners of lottery games and $81.1 million was paid to retailers for commissions and incentives. Other game related expenses totaled $20.4 million and operating expenses were $26.3 million. Net proceeds expensed to and due to the Education Lottery Account were $320.6 million as of and for the year ended June 30, 2006.

The Commission continues to introduce new games and promote existing games to keep players interested. There is increased competition with the introduction of a lottery in North Carolina, as well as economic factors such as increasing gas prices. There are various elements that contribute to the level of sales, which the Commission attempts to identify while marketing products in efforts to increase sales.

Assets and Liabilities (in millions) (See Notes to Financial Statements 4 and 6)

	2007	2006	2005
Capital Assets	$ 2.6	$ 5.6	$ 8.7
Current and Other Assets	54.2	46.1	57.5
Total Assets	56.8	51.7	66.2
Current Liabilities	53.3	45.7	57.3
Long-term Liabilities	0.5	0.8	1.9
Total Liabilities	53.8	46.5	59.2
Net Assets			
Capital Assets Net of Related Debt	2.6	4.7	6.5
Restricted Assets	0.4	0.5	0.5
Total Net Assets	3.0	5.2	7.0

Commission Operations

	2007	2006	2005
Sales by game and other revenues:			
Revenue - Instant games	617.5	696.5	578.8
Revenue – Online games	236.4	226.3	199.2
Revenue – Powerball®	134.3	221.8	178.9
Other Revenues	3.5	3.2	3.2
Total Revenues	991.7	1,147.8	960.1
Expense by prize and other expenses:			
Retailer Commissions and Incentives	70.0	81.1	67.5
Prize expense - Instant games	428.7	482.0	396.7
Prize expense - Online games	110.2	115.5	96.1
Prize expense – Powerball®	61.2	104.9	80.9
Instant and online direct costs	18.1	20.4	18.2
Operating expenses	27.6	26.3	23.7
Total Expenses	715.8	830.2	683.1
Non-operating income and expense:			
Interest Income	1.2	1.2	0.6
Interest Expense	(0.0)	(0.1)	(0.2)
Total Non-Operating Income (Expense)	1.2	1.1	0.4
Net proceeds expensed to and due to ELA	**279.2**	320.6	279.7
Change in Net Assets	(2.1)	(1.8)	(2.3)
Ending Net Assets	3.0	5.2	7.0

All proceeds of the Commission must be expensed to the State Treasurer for the Education Lottery Account with the following exceptions: 1) the cost of capital assets net of depreciation and related debt, and 2) the Restricted Fidelity Fund, derived from the licensing fees of new retailers, which may be retained by the Commission up to $500,000 and used to cover losses the commission may experience due to nonfeasance, misfeasance, or malfeasance of lottery retailers. Therefore, the net assets of the Commission will never exceed $500,000 related to the Restricted Fidelity Fund plus the cost of capital assets, net of depreciation and related debt. As of June 30, 2007 the balance in the Restricted Fidelity Fund was $410,933. A transfer was made during the year in the amount of $135,771 to cover retailer losses. As of July 12, 2007 the Commission had expensed $286.4 million, including $16.4 million in unclaimed prize funds to the State Treasurer for the Education Lottery Account for the fiscal year ended June 30, 2007. Total net proceeds expensed to the Education Lottery Account are $1.5 billion from inception to June 30, 2007.

As of July 13, 2006 the Commission had expensed $330.9 million, including $22.9 million in unclaimed prize funds to the State Treasurer for the Education Lottery Account for the fiscal year ended June 30, 2006. Total transfers to the Education Lottery Account were $1.2 billion from inception to June 30, 2006.

Capital Assets and Long Term Debt Activity (in millions)

	Capital Assets	21.9
Less:	Accumulated Depreciation	19.3
	Net assets invested in capital assets	2.6

The long term debt activity as related to the purchase of capital assets had a zero balance as of June 30, 2007. There was a six year contract for purchase of equipment and the last payment on the contract was made during the year. Additional discussion on capital assets and long term debt activity can be found in notes 4 and 6 of the financial statements.

Contacting the Commission's Financial Management

This financial report is designed to provide a general overview of the Commission's financial activity for all those interested in the Commission'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 Finance, South Carolina Education Lottery, Post Office Box 11949, Columbia, South Carolina 29211-1949.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF NET ASSETS

	JUNE 30, 2007	JUNE 30, 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,331,914	$ 4,997,173
Cash - Restricted fidelity fund	410,933	495,230
Retailer accounts receivable, net of allowance for doubtful accounts of $288,128 and $229,058 for 2007 and 2006, respectively	29,679,489	29,019,114
Accrued interest receivable - Multi-State Lottery	493,509	-
Inventory	2,244,238	3,381,484
Prepaid expenses and other current assets	840,332	834,711
Total current assets	48,000,415	38,727,712
NON-CURRENT ASSETS		
Capital assets, net	2,645,286	5,568,400
Deposit with Multi-State Lottery	6,162,310	7,425,000
Total non-current assets	8,807,596	12,993,400
Total assets	56,808,011	51,721,112
LIABILITIES		
CURRENT LIABILITIES		
Due to Education Lottery Account	21,848,082	10,939,754
Prizes payable	23,707,759	28,506,282
Prizes payable - Multi-State Lottery	1,983,868	1,016,738
Accounts payable	3,863,070	2,369,867
Accrued liabilities	983,362	1,064,908
Current portion of accrued compensated absences	425,044	443,056
Current portion of long-term debt	-	882,359
Deferred revenue	431,185	884,928
Total current liabilities	53,242,370	46,107,892
NON-CURRENT LIABILITIES		
Accrued compensated absences	509,422	431,949
Total non-current liabilities	509,422	431,949
Total liabilities	53,751,792	46,539,841
NET ASSETS		
Invested in capital assets, net of related debt	2,645,286	4,686,041
Restricted - fidelity funds	410,933	495,230
Total net assets	3,056,219	5,181,271

See notes to financial statements which are an integral part of these statements.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For the years ended June 30, 2007	2006
OPERATING REVENUES		
Instant games	$ 617,473,072	$ 696,459,836
On-line games	236,372,864	226,336,340
Powerball games	134,312,216	221,810,074
Retailer permit fees	503,180	505,230
Retailer telephone fees	2,777,700	2,690,863
Other	300,023	49,357
Total revenue	991,739,055	1,147,851,700
DIRECT COSTS		
Commissions and incentives to retailers	70,036,326	81,065,367
Prize expense		
Instant games	428,661,025	481,989,311
On-line games	110,197,558	115,450,912
Powerball games	61,227,842	104,901,331
Total prize expense	600,086,425	702,341,554
Instant and on-line costs	18,077,179	20,378,890
Total direct costs	688,199,930	803,785,811
Gross profit	303,539,125	344,065,889
OPERATING EXPENSES		
Advertising and promotion	9,866,628	8,682,936
Security checks	219,180	216,860
Salaries, wages and benefits	9,847,490	9,119,334
Contracted and professional services	494,705	685,931
Depreciation	3,726,082	3,647,532
Rent expense	804,196	711,261
Office supplies	211,861	160,318
Bad debt expense	111,356	691,200
Other general and administrative	2,366,594	2,404,460
Total operating expenses	27,648,092	26,319,832
Operating Income	275,891,033	317,746,057
NON-OPERATING INCOME (EXPENSE)		
Interest income	1,230,566	1,233,565
Gains on disposal of capital assets	14,825	12,549
Interest expense	(25,091)	(129,139)
Total non-operating income	1,220,300	1,116,975
Change in net assets before expensed to Education Lottery Account	277,111,333	318,863,032
EXPENSED TO AND DUE TO EDUCATION LOTTERY ACCOUNT	279,236,385	320,629,929
Change in net assets	(2,125,052)	(1,766,897)
NET ASSETS,		
BEGINNING OF YEAR	5,181,271	6,948,168
END OF YEAR	**$ 3,056,219**	**$ 5,181,271**

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF CASH FLOWS

	For the years ended June 30, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	$ 990,639,762	$ 1,147,639,131
Cash payments to prize winners	(603,917,819)	(700,450,398)
Cash payments to suppliers for goods and services	(99,791,168)	(119,221,465)
Cash payments to employees for services	(9,656,428)	(9,280,317)
Net cash provided by operating activities	277,274,347	318,686,951
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Refunds of excess deposits with Multi-State Lottery	1,262,690	328,026
Payments to Education Lottery Account	(268,328,057)	(330,934,444)
Net cash used for noncapital financing activities	(267,065,367)	(330,606,418)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from dispositions of capital assets	18,150	45,747
Interest paid	(25,091)	(129,139)
Purchase of capital assets	(806,293)	(539,072)
Net paid for short-term and long-term debt	(882,359)	(1,334,861)
Net cash used for financing activities	(1,695,593)	(1,957,325)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	737,057	1,233,565
Net cash provided by investing activities	737,057	1,233,565
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,250,444	(12,643,227)
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	5,492,403	18,135,630
END OF YEAR	**$ 14,742,847**	**$ 5,492,403**
OPERATING ACTIVITIES		
Operating income	275,891,033	317,746,057
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,726,082	3,647,532
Changes in assets and liabilities		
Retailer accounts receivable	(660,375)	(1,608,765)
Accounts receivable - Multi-State Lottery	-	1,509,562
Inventory	1,137,246	(976,629)
Prepaid expenses and other assets	(5,621)	(572,055)
Accounts payable and accrued liabilities	1,471,118	(2,836,541)
Prizes payable	(3,831,393)	1,891,156
Deferred revenue	(453,743)	(113,366)
Net cash provided by operating activities	**$ 277,274,347**	**$ 318,686,951**

See notes to financial statements which are an integral part of these statements.

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - REPORTING ENTITY

The ***South Carolina Education Lottery Commission*** (the Commission), was established as an instrumentality of the state of South Carolina (the State) with enactment of Act 59 of 2001 (the Act). The Commission is responsible for the provision of lotteries on behalf of the State in accordance with the Act. The Act established a board of nine commissioners as an organization legally separate from the State. Three commissioners are appointed by the Governor, three are appointed by the President Pro Tempore of the Senate and three are appointed by the Speaker of the House of Representatives. The Commission exercises powers comparable to those of a governing board of an entrepreneurial organization. The Commission transfers "net proceeds" as defined by the Act to the State. Therefore, the Commission is reported as a discretely presented component unit in the State's Comprehensive Annual Financial Report (CAFR).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Commission are as follows:

Method of accounting

The Commission 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 Government Accounting Standards Board (GASB) is the recognized standard setting body for generally accepted accounting principles applicable to governmental proprietary activities in the United States of America. The Commission 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 20, the Commission has elected not to implement FASB Statements 103 and after.

Basis of accounting

The financial statements are prepared on 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.

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.

Operating revenues

Operating revenue is defined as revenue earned from all operations related to the selling of tickets for instant and on-line games.

Non-operating income

Non-operating revenue is defined as all revenue that is not generated through ticket sales operations, such as interest income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue, accounts receivable, and deferred revenue recognition

Revenue and accounts receivable for on-line games are recognized when tickets are sold to the public by contracted retailers, except for on-line tickets sold in advance of the draw date for which deferred revenue is recorded.

Revenue and accounts receivable for instant scratch games are recognized upon activation of ticket packs for sale by the retailers. The Commission evaluates its receivables on an ongoing basis for collectability.

Commissions

Retailers receive a commission of 7% on total sales.

Prizes

In accordance with the Act, as nearly as practical, at least 45% of ticket sales must be returned to the public in the form of 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.

Ticket inventories

Inventories are carried at cost (as determined by the specific identification method) and consist of scratch tickets located in the Commission's warehouses or held by retailers. The cost of tickets is charged to operations upon the recognition of revenue under the procedures described above.

Unclaimed prizes

Prizes must be claimed within 90 days after game-end (end of sales) for instant games and within 180 days after the draw date for on-line games. Unclaimed prize money must be deposited in the Education Lottery Account each year.

Net assets

Net assets represent cumulative revenues less expenses in excess of net proceeds transferred or payable to the Education Lottery Account, as defined under the Act.

Change in net assets

Change in net assets equals net proceeds, as defined by the Act, and consists 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 capital assets and other operating costs.

Cash and cash equivalents

The Commission considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. This includes cash in banks, petty cash and cash on deposit with the South Carolina State Treasurer.

Retailer accounts receivable

Retailer accounts receivable represents lottery proceeds due from retailers for net ticket sales less commissions and prizes paid by the retailers. Lottery proceeds are collected weekly by the Commission from retailer bank accounts.

Accrued interest receivable

Accrued interest receivable represents interest earned from participation in the Multi-State Lottery. Interest is distributed annually to member lotteries on a pro rata basis.

Capital Assets

Capital assets, which consist of machinery, equipment, vehicles and leasehold improvements, are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three to five years. Leasehold improvements are amortized over their expected useful lives or the lease term, whichever is shorter. When assets are retired or otherwise disposed of, the costs 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. The Commission capitalizes all capital assets purchases of $1,000 or more.

Restricted fidelity fund

In accordance with the Act, retailers contribute a fee to a fidelity fund upon acceptance as a lottery retailer. The fund is used to cover losses the Commission may incur due to misfeasance, nonfeasance or malfeasance of retailers. At the end of each fiscal year, any amount in the fund in excess of $500,000 is treated as net proceeds from the Commission and is payable to the Education Lottery Account. A transfer was made during the year in the amount of $135,771 to cover retailer losses in accordance with the Act. At June 30, 2007, the balance in the fidelity fund was $410,933. The fidelity fund is held in a separate account and appears on the Statement of Net Assets as restricted fidelity fund cash and in net assets as restricted fidelity funds.

Insurance

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission combines coverage provided by the South Carolina Insurance Reserve Fund with the purchase of commercial insurance to substantially cover these risks. The amount of settlements did not exceed insurance coverage in each of the past three years.

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.

Advertising

Costs incurred for producing and communicating advertising are expensed when incurred, which generally is when the advertising first takes place.

Deposit with Multi-State Lottery (MUSL)

The Commission is required to maintain funds in reserve with MUSL. This reserve serves as a contingent source for prize payouts should MUSL games not generate sufficient funds to pay amounts due to prize winners. MUSL is not a financial institution.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 3 - DEPOSITS

The Commission's cash and cash equivalents are considered to be cash-on-hand and interest bearing demand deposits held by banks and the State Treasurer.

At June 30, 2007 and 2006, the amounts of the Commission deposits were as follows:

	2007		2006	
	Carrying amount	Bank balances	Carrying amount	Bank balances
Demand deposits	$ 14,328,629	$ 15,012,767	$ 5,123,669	$ 7,217,440
Deposits held by State Treasurer	414,218	369,218	368,734	368,734
	$ 14,742,847	**$ 15,381,985**	**$ 5,492,403**	**$ 7,586,174**

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of June 30, 2007 and 2006, all of the Commission's bank balances of $15,381,985 and $7,586,174, respectively, were covered by FDIC insurance or by collateral held by the pledging financial institutions' trust departments in the Commission's name. Therefore, none of the Commission's bank balances were exposed to custodial credit risk, as of June 30, 2007 and 2006.

State law

The Act requires the Commission to transfer to the State Treasurer all net proceeds on a monthly basis. Net proceeds are not available to the Commission for long term investment. State Code Section 11-13-60 requires full collateralization of all deposits held by the State Treasurer.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation during fiscal year 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Cost				
Machinery and equipment	$ 20,322,081	$ 551,136	$ (18,900)	$20,854,317
Vehicles	68,826	-	-	68,826
Leasehold improvements	700,216	255,157	-	955,373
	21,091,123	806,293	(18,900)	21,878,516
Accumulated depreciation				
Machinery and equipment	(14,925,527)	(3,592,823)	15,575	(18,502,775)
Vehicles	(68,826)	-	-	(68,826)
Leasehold Improvements	(528,370)	(133,259)	-	(661,629)
	(15,522,723)	(3,726,082)	15,575	(19,233,230)
Total capital assets, net	**$ 5,568,400**	**$ (2,919,789)**	**$ (3,325)**	**$ 2,645,286**

NOTE 4 - CAPITAL ASSETS, Continued

The following is a summary of changes in capital assets and accumulated depreciation during fiscal year 2006:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Cost				
Machinery and equipment	$ 19,888,398	$ 480,205	$ (46,522)	$20,322,081
Vehicles	68,826	-	-	68,826
Leasehold improvements	641,349	58,867	-	700,216
	20,598,573	539,072	(46,522)	21,091,123
Accumulated depreciation				
Machinery and equipment	(11,424,731)	(3,514,120)	13,324	(14,925,527)
Vehicles	(65,326)	(3,500)	-	(68,826)
Leasehold Improvements	(398,458)	(129,912)	-	(528,370)
	(11,888,515)	(3,647,532)	13,324	(15,522,723)
Total capital assets, net	**$ 8,710,058**	**$ (3,108,460)**	**$ (33,198)**	**$ 5,568,400**

NOTE 5 - ACCRUED EXPENSES

Accrued liabilities at June 30, 2007 consist of the following:

Accrued payroll and related expenses	$ 771,323
Accrued paper costs	100,000
Accrued SLED costs	53,084
Other	58,955
	$ 983,362

Accrued liabilities at June 30, 2006 consist of the following:

Accrued payroll and related expenses	$ 658,869
Accrued audit fees	193,507
Accrued SLED costs	112,985
Other	99,547
	$ 1,064,908

NOTE 6 - LONG -TERM DEBT AND COMMITMENTS

In October 2001, the Commission entered into a six year contract with a vendor, to provide among other things, services and equipment for on-line lottery operations. The contract required an initial payment of $5,287,938, which was paid. The contract also calls for monthly administrative fees of $450,000 for the life of the contract. Under the original contract, additional payments, which were imputed for the purchase of equipment of $140,000 and $122,000 per month, were made for months three through twenty-six and twenty-seven through sixty-two of the contract, respectively. These additional payments were imputed to include principal and interest at 8%. A lump sum payment of $5,270,000 was due and paid in March 2004. Title to and risk of loss for this equipment occurred upon installation and acceptance in March 2002.

In January 2005, the contract for the vendor to provide administrative services was extended for an additional ten and a half (10½) months through November 15, 2008. The extension will require ten monthly payments of $450,000 with a final payment of $225,000.

NOTE 6 - LONG -TERM DEBT AND COMMITMENTS, Continued

The balance of the long term debt for purchase of equipment to include the imputed principal and interest was paid in full in February 2007 as follows:

Principal	Interest	Payment
$ 882,359	**$ 25,091**	**$ 907,450**

The following is a summary of changes in long-term debt during fiscal year 2007:

	Balance June 30, 2006	Proceeds	Payments	Balance June 30, 2007
Long-term debt	**$ 882,359**	**$ -**	**$ 882,359**	**$ -**

The following is a summary of changes in long-term debt during fiscal year 2006:

	Balance June 30, 2005	Proceeds	Payments	Balance June 30, 2006
Long-term debt	**$ 2,217,220**	**$ -**	**$ 1,334,861**	**$ 882,359**

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences during fiscal year 2007:

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Accrued compensated absences	**$ 875,005**	**$ 466,275**	**$ 406,814**	**$ 934,466**

Compensated absences due in the next fiscal year is estimated at $425,044, which is based on an average of prior year's expenses plus all compensatory time.

The following is a summary of changes in accrued compensated absences during fiscal year 2006:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Accrued compensated absences	**$ 854,257**	**$ 426,879**	**$ 406,131**	**$ 875,005**

NOTE 8 - OPERATING LEASES

The Commission has entered into operating leases for the rental of office space for its headquarters and district offices. Certain operating leases contain provisions for scheduled rental increases and are renewable at the option of the Commission.

Future minimum rental payments, to entities outside the State reporting entity, on noncancellable leases with original terms of one year or more are scheduled as follows for the year ending June 30:

Fiscal Year	Operating leases
2008	$ 665,283
2009	685,040
2010	700,696
2011	704,786
2012 and after	2,813,516

Rental expenses under all operating leases including those on month-to-month terms totaled approximately $804,196 and $711,261 for the years ended June 30, 2007, and 2006, respectively. This includes $87,551 and $63,463 of vehicle rental expense to the State Fleet management.

NOTE 9 - DUE TO EDUCATION LOTTERY ACCOUNT

In accordance with the Act, all net proceeds of the Commission are to be transferred to the Education Lottery Account within the State Treasury. In accordance with the Act, 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. The following payables resulted from net proceeds transfers due to the Education Lottery Account at June 30:

	2007	2006
Amount payable to the Education Lottery Account, beginning of year	$ 10,939,754	$ 21,244,269
Change in net assets subject to transfer	277,111,333	318,863,032
	288,051,087	340,107,301
Change in capital assets, net of related debt		
Capital assets, net	2,923,114	3,141,658
Long-term debt	(882,359)	(1,334,861)
	2,040,755	1,806,797
Net amount (collected for) paid from fidelity fund	84,297	(39,900)
Amount paid during the year	(268,328,057)	(330,934,444)
Amount payable to the Education Lottery Account, end of year	**$ 21,848,082**	**$ 10,939,754**

Net proceeds transfers related to the above payable were made to the Education Lottery Account in July 2007, and 2006, respectively.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

The Commission contributes to the South Carolina Retirement System (SCRS) cost sharing multiple-employer defined benefit plan administered by the Retirement Division of the State Budget and Control Board.

As established by Title 9-1-480 Code Laws of South Carolina, 1976 (as amended), all eligible persons, except those specifically excluded, shall become members of the retirement system as a condition of their employment. The responsibility of the administration of the system is assigned by law to the State Budget & Control Board.

SCRS 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 9 of the SC Code of Laws.

The following is a recap of the mandated contribution rates for the current fiscal year.

	SCRS
Employee contributions	6.50% of salary
Employer contributions	
Retirement	8.05% of salary
Insurance surcharge	3.35% of salary
Group life insurance	.15% of salary

For the years ending June 30, 2007, 2006, and 2005 the Commission contributions to SCRS were $844,606, $721,520, and $710,153 respectively.

All employer contributions were equal to the required contribution rates for the year. Contributions as a percentage of statewide contributions were not available for June 30, 2007.

Commission employees may participate in Sections 457 and/or 401(k) deferred compensation plans, which are available to state and local governmental employees and administered by a state approved nongovernmental third party. The plans, available to all Commission employees, permit them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the program before July 1, 2005 do not have to contribute to SCRS as long as they are covered under the TERI program. TERI participants that continue to work after their TERI participation has ended will pay working retiree contributions like active members.

New employees may elect to participate in the Optional Retirement Program (ORP), which provides retirement and death benefits through the purchase of individual or fixed variable annuity contracts, which are issued to and become the property of the participants. To elect ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

A comprehensive annual financial report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

NOTE 11 - CONTINGENCIES

The Commission is subject to litigation in the ordinary course of its business. In the opinion of management and legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the Commission for the year ending June 30, 2007.

NOTE 12 -TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2007, the Commission had certain transactions with the State and various other state agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	$ 6,322,329	Transfers of state tax withholding, use taxes, debt setoffs, and retailer credit checks
SLED	393,749	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	268,328,057	Transfers of net proceeds and unclaimed prizes
South Carolina State Treasurer	9,167,302	Transfer of payroll funds for processing
Comptroller General	30,000	Fees for payroll processing
Comptroller General	43,175	Unemployment compensation premium
South Carolina Budget & Control Board	328,107	Insurance, telephone, printing, misc. services
Prison Industries-Department of Corrections	21,393	Recycling services and office furniture
South Carolina Department of Social Services	44,974	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	321,478	Security services
SC Legislative Audit Council	116,427	Legislative audit of commission operations
State Accident Fund	59,608	Workers compensation insurance premium

For the year ended June 30, 2006, the Commission had certain transactions with the State and various other state agencies as follows:

Related Party	Amount	Nature of Transaction
South Carolina Department of Revenue	$ 6,152,393	Transfers of state tax withholding, use taxes and debt setoffs
SLED	277,926	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	330,934,444	Transfers of net proceeds and unclaimed prizes
South Carolina State Treasurer	8,551,465	Transfer of payroll funds for processing
Comptroller General	30,000	Fees for payroll processing
Comptroller General	24,648	Unemployment compensation premium
South Carolina Budget & Control Board	251,828	Insurance, telephone, printing, misc. services
Prison Industries-Department of Corrections	5,679	Recycling services and office furniture
South Carolina Department of Social Services	12,183	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	306,181	Security services
SC Legislative Audit Council	116,426	Legislative audit of commission operations
CB Richard Ellis	485,215	Rent for offices used in commission operations, building owned by commission chair

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION SUPPLEMENTARY SCHEDULE OF BUSINESS-TYPE ACTIVITIES FOR THE STATEWIDE CAFR

	For the years ended June 30, 2007	For the years ended June 30, 2006
Charges for services	$ 991,739,055	$ 1,147,851,700
Operating grants and contributions	1,245,391	1,246,114
Less expenses	715,873,113	830,234,782
Net program revenue	277,111,333	318,863,032
Transfers out to state agencies/funds	(279,236,385)	(320,629,929)
Change in net assets	(2,125,052)	(1,766,897)
NET ASSETS - BEGINNING	5,181,271	6,948,168
NET ASSETS - ENDING	**$ 3,056,219**	**$ 5,181,271**

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

Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina

We have audited the financial statements of South Carolina Education Lottery Commission (the Commission), a discretely presented component unit of the State of South Carolina (the State), as of and for the year ended June 30, 2007 and 2006, and have issued our report thereon dated September 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, and the Office of the State Auditor of South Carolina and is not intended to be and should not be used by anyone other than those specified parties.

Elliott Davis, LLC

Columbia, South Carolina
September 7, 2007

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SCHEDULE OF FINDINGS
For the years ended June 30, 2007and 2006

I. SUMMARY OF AUDITORS' RESULTS

We have issued an unqualified opinion, dated September 7, 2007 on the financial statements of the Commission as of and for the year ended June 30, 2007 and 2006.

Our audit disclosed no material weaknesses relating to the audit of the Commission's financial statements.

Our audit disclosed no significant deficiencies that are not considered to be material weaknesses relating to the audit of the Commission's financial statements.

Our audit disclosed no instances of noncompliance which are material to the Commission's financial statements

II. FINANCIAL STATEMENTS FINDINGS

Our audit disclosed no findings which are required to be reported in accordance with *Government Auditing Standards*.

SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION

2007 Statistical Information

Report on financial statements for the fiscal year ended June 30, 2007

The Statistical Section of the Commission's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the Commission's overall financial health.

Contents

Financial Trends:
These schedules and graphs contain information to help the reader understand how the Lottery's financial performance has changed over time. The increase or decrease in net assets does not reflect the condition of the Commission's financial position, because by law the Commission is required to expense all net proceeds to the Education Lottery Account on a monthly basis.

Operating Information:
These schedules and graphs offer miscellaneous statistics showing the reader yearly comparisons of certain information contained in the Commission's financial report as it relates to the programs it offers and the activities it performs.

Demographic Information:
These schedules and graphs contain player and non-player comparisons to help the reader understand who plays the South Carolina Education Lottery, where revenues are generated, and where the money goes.

Industry Comparisons:
These schedules and graphs offer the reader an understanding of how the South Carolina Education Lottery Commission performs financially in comparison to other lotteries in the industry.

Focus

Global

In the September 2007 issue of *La Fleur's Magazine*, the South Carolina Education Lottery Commission was included in the top 15 in four national lottery rankings. *La Fleur's Magazine* is a publication for the global lottery industry. The magazine researches and reports on the 200+ legal, state-operated lotteries in the United States and around the world. The rankings reported in the September 2007 issue are for sales during the 2007 fiscal year.

In terms of total sales per capita, the Commission ranked 6th with instant ticket sales per capita of $143 and 12th in the United States in total sales per capita. This ranking reflects total sales of instant and online games for the 2007 fiscal year.

Local

Part of being a global lottery with a local focus is supporting initiatives that would assist the state of South Carolina in becoming a global leader in cutting edge research. In 2002, the General Assembly enacted the South Carolina Research Centers of Economic Excellence Act designating $200 million through 2010 from the South Carolina Education Lottery Account to establish the Centers of Economic Excellence (CoEE) Program also known as the Endowed Chairs Program. The goal of the program is through endowed professorships to bring leading researchers to South Carolina's three research universities: the University of South Carolina, Clemson University, and the Medical University of South Carolina. The CoEE Program also establishes endowed professorships held by internationally recognized scientists dedicated to enhance the state's hi-tech economy. Through fiscal year 2008, more than $180 million has been appropriated by the Legislature to the CoEE Program. The funding must be matched dollar-for-dollar through major private sector funding and federal grants.

A Centers of Economic Excellence (CoEE) report finds that an important program funded by lottery proceeds is fueling critical research in areas that will advance South Carolina's economy. The report emphasizes the collaboration of endowed professorships created by the CoEE Program from 2003-06 and credits the Endowed Chairs Program for unprecedented scientific collaboration among the three research universities, citing one-third of the CoEEs are scientific partnerships between and among S.C. public institutions.

Lottery proceeds are already funding research projects with wide ranging applications. The Medical University of South Carolina is working diligently in the areas of neuroscience, cancer research, vascular disease, and health care quality and finance. The University of South Carolina focuses on the fields of biomedical science, nanotechnology, and future fuels. Clemson University explores the research fields of automotive engineering, architectural science, and materials development.

Economic impact is occurring through the generation of new patents in technology transfer, through corporate relocations to S.C., and through the development of industrial consortiums as well as increased research funding and CoEE spin-off companies.

The CoEE Program is an investment in the state's higher education system and future economy. The South Carolina Education Lottery is proud to raise capital for the CoEE Program to ensure our students receive a world-class education while investing in our state's future families through the creation of new, higher-paying, and knowledge-based jobs.

global & local focus

The ABCs of the South Carolina Education Lottery

Why does South Carolina have a Lottery?

In 2000, the citizens of South Carolina voted to amend the Constitution permitting a state-run lottery. As a result of this action, the General Assembly established the South Carolina Education Lottery (SCEL) to enhance the educational opportunities for the people of the Palmetto State.

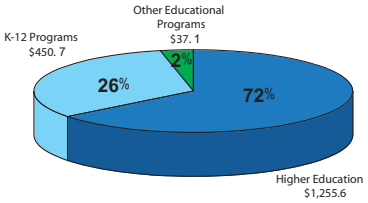
Who decides which programs are funded?

Each year the Legislature, in concert with the Governor, decides which educational programs are funded by lottery dollars.

How many dollars have been appropriated to date?

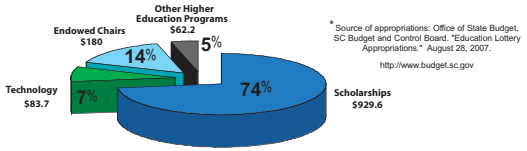
Since the start of the Lottery in January of 2002, the Legislature has appropriated more than $1.74 billion through fiscal year 2007-08.

Lottery Dollars Appropriated to Date***



***Dollar figures for all charts are in millions and incorporate the period from January 7, 2002-June 30, 2008. Figures are accurate as of August 28, 2007.

Higher Education Appropriations To Date*



* Source of appropriations: Office of State Budget, SC Budget and Control Board. "Education Lottery Appropriations." August 28, 2007.

http://www.budget.sc.gov

Higher Education Scholarship Information**

How does a student apply for a lottery-funded college scholarship? Who is eligible? How much scholarship aid is available?

Prospective students should contact their high school guidance councelor and/or their college's financial aid office. Outlined below are the criteria established by the General Assembly that govern eligibility:

Scholarship/Grant	Eligibility Requirements		Application Deadlines & Awards Notification	Award-Amount
Palmetto Fellows Must not be a recipient of a LIFE or SC HOPE Scholarship or Lottery Tuition Assistance	**High school requirements** • Score at least 1200 on the SAT or 27 on the ACT • Earn a 3.5 cumulative grade point average (GPA) on SC Uniform Grading Scale (UGS) • Rank in the top 6% of class **Alternate high school criteria** • 1400 on SAT or 32 ACT and 4.0 GPA based on SC UGS **To retain eligibility** • Earn at least a 3.0 cumulative GPA each academic year • Earn a minimum of 30 credit hours each academic year		**Early Award Deadline** December 15th of senior year of high school **Award Date** February of senior year of high school **Final Award Deadline** June 15th at end of senior year of high school **Award Date** Summer following graduation **Application required in senior year - obtain through high school guidance office**	**4-year degree** **(S.C. Public or Private Institution)** Up to $6,700 per academic year not to exceed the cost of attendance
LIFE Must not be a recipient of a SC HOPE or Palmetto Fellows Scholarship or Lottery Tuition Assistance	**High school requirements for a 4-year institution** **Earn two out of the following three:** • Score 1100 SAT or 24 ACT or above • Earn 3.0 cumulative GPA based on SC UGS at end of senior year • Rank in the top 30% of graduating class **To retain eligibility** • Earn a 3.0 LIFE GPA each academic year • Earn an average of 30 credit hours each academic year	**High school requirements for a 2-year institution** • Earn 3.0 cumulative GPA based on SC UGS	No application needed College notifies and awards eligible students	**4-year degree (S.C. Public or Private Institution)** Up to $5,000 ($4,700 plus $300 book allowance) per academic year not to exceed the cost of attendance **2-year college associate degree (S.C. Public or Private Institution)** Up to the cost of tuition plus $300 book allowance per academic year toward cost of attendance **S.C. technical college degree** Up to the cost of tuition plus $300 book allowance per academic year toward cost of attendance
SC HOPE Must not be a recipient of a LIFE or Palmetto Fellows Scholarship or Lottery Tuition Assistance	**High school requirements** **(Award valid for first year only)** • Must be an incoming freshman at a 4-year institution with at least a cumulative 3.0 GPA based on SC UGS		No application needed College notifies and awards eligible students	**4-year degree (S.C. Public or Private Institution)** Up to $2,650 (including a $150 book allowance) for the first academic year only toward cost of attendance
National Guard Student Loan Repayment Program	**Initial eligibility** • Must enlist, reenlist, or be commissioned for at least 6 years in the S.C. Army or Air National Guard and must meet a critical needs area • Must maintain a satisfactory performance in the National Guard • Must be a legal resident of South Carolina • Loans must not be in default and must be at least one year old		Complete and submit a Loan Repayment Program Annual Application to the S.C. Commission on Higher Education **Deadline** Each fiscal year within 30 days after anniversary of enlistment date	Loans may be repaid up to $4,500 per year for a maximum of 4 years 4-year degree and 2-year degree (S.C. Public or Private Institution)
State Need-based Grant	**Initial eligibility** • Be a "needy" student as determined by the FAFSA results • Be enrolled in a minimum of 12 credit hours per semester for full-time student • Be enrolled in a minimum of 6 credit hours per semester for part-time student **To retain eligibility** • Earn a 2.0 GPA each academic year • Earn a minimum of 24 credit hours per academic year for full-time student • Earn a minimum of 12 credit hours per academic year for part-time student • Compete FAFSA each academic year		Complete FAFSA and submit to the public institution's financial aid office **Deadline** After January 1st of each academic year	Up to $2,500 per academic year for full-time student toward cost of attendance Up to $1,250 per academic year for part-time student toward cost of attendance
Lottery Tuition Assistance Must not be eligible for or a recipient of a SC HOPE, LIFE or Palmetto Fellows Scholarship	**Initial eligibility** • Must make reasonable progress toward completion of a certificate, degree, or diploma **To retain eligibility** • Earn a 2.0 GPA each academic year after completing 24 credit hours • Complete FAFSA or FAFSA Waiver (if applicable) each academic year		**Deadline** Complete FAFSA or FAFSA Waiver (if applicable) and submit to the institution's financial aid office each academic year	Award based on enrollment status of the student. In addition, award amounts are subject to change each term based upon the number of eligible recipients and available funding each academic year. Award will be applied toward cost of tuition only.

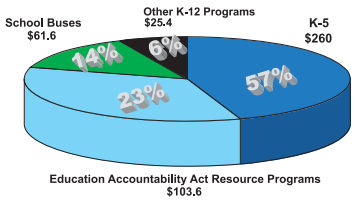
**Information for the 2006-07 academic year only and is subject to change. The information presented is accurate as of December 2006. Please visit the Commission on HIgher Education at www.che.sc.gov for updates.

Endowed Chairs Program

The Endowed Chairs Program awards lottery funds to South Carolina's three research universities: Clemson University, the University of South Carolina, and the Medical University of South Carolina based upon these institutions raising private, matching funds. The program's goal is to attract world-class researchers whose research will create the highly skilled jobs necessary to meet the economic challenges of the twenty-first century.

K-12 Program Information

K-12 Appropriations To Date*



First Steps

First Steps to School Readiness (First Steps) is a statewide education initiative created in 1999 to help prepare kindergarten-age children for the first grade. The program is a joint public/private partnership that enables individual communities to address the unmet needs of young children and their families.

K-5 Academic Enhancement Programs

The K-5 enhancement funds support efforts to improve teaching and student achievement in kindergarten through grade five (K-5) in reading, mathematics, social studies, and science. Every school district in South Carolina receives lottery money based upon a formula set by the Legislature. For a more detailed analysis of the amount of money received by your local school district, please visit www.sceducationlottery.com.

Grades 6-8

Since school year 2004-05, lottery funds have been appropriated toward improving teacher and student achievement in grades six through eight in reading, mathematics, social studies, and science.

School Buses

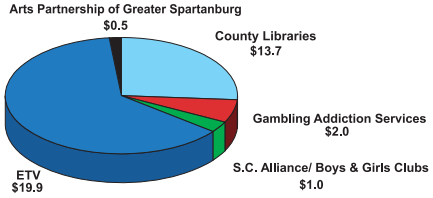
Lottery funds have purchased more than 450 school buses. Lottery money also repairs buses currently in service.

Governor's School for the Arts & Humanities

One million dollars has been appropriated to the South Carolina Governor's School for the Arts and Humanities in Greenville that affords artistically-gifted students the opportunity to refine and expand their skills. Students receive professional training in drama, creative writing, dance, visual arts, and music, in addition to other normal academic requirements.

Are there additional educational programs that receive lottery funds?

Community Education Appropriations to Date*



*Dollar figures for all charts are in millions and incorporate the period from January 7, 2002-June 30, 2008. Figures are accurate as of August 28, 2007.

County Libraries

County libraries have been appropriated $8.3 million to date, based upon a formula set by the General Assembly. An additional $5.4 million was appropriated from surplus funds in August 2006.

Gambling Addiction Services

SCEL strongly encourages people to "play responsibly." To this end, $2 million has been appropriated to gambling addiction treatment programs. Citizens who need help can call a toll-free number (1-877-452-5155) for assistance.

Educational Television Network (ETV)

South Carolina's Educational Television Network has been awarded nearly $20 million, primarily to upgrade to digital technology.

Are there websites available for additional information?

For more information on scholarship assistance or where the money goes, you are encouraged to visit the following websites:

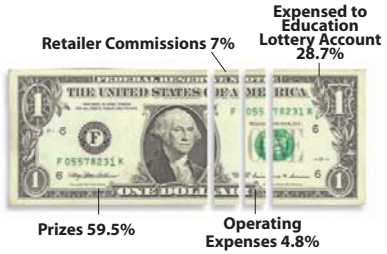
South Carolina Education Lottery
www.sceducationlottery.com

South Carolina Department of Education (K-12)
www.ed.sc.gov

South Carolina Commission on Higher Education (scholarships)
www.che.sc.gov

South Carolina Technical College System (technical and 2-year colleges)
www.sctechsystem.com

What is the breakdown of SCEL's gross proceeds?



Distribution of lottery revenue from January 7, 2002–June 30, 2007

State Fiscal Year	Revenues*	Prizes	Retailer Commissions	Operating Expenses	Expensed to Education Lottery Acct.**
2001-2002	$337.1	$200.3	$23.5	$25.6	$87.7
	100%	59%	7%	8%	26%
2002-2003	$726.9	$415.7	$51.1	$40.8	$219.3
	100%	57%	7%	6%	30%
2003-2004	$953.2	$552.3	$67.0	$43.8	$290.1
	100%	58%	7%	5%	30%
2004-2005	$960.1	$573.6	$67.5	$41.5	$277.5
	100%	60%	7%	4%	29%
2005-2006	$1,147.9	$702.3	$81.1	$45.6	$318.9
	100%	61%	7%	4%	28%
2006-2007	$991.7	$600.1	$70.0	$44.5	$277.1
	100%	61%	7%	4%	28%
TOTAL	$5,116.9	$3,044.3	$360.2	$241.8	$1,470.6
	100%	59%	7%	5%	29%

Dollar figures are in millions.
*Revenues include ticket sales, permit fees, retailer telephone fees, and other items.
**Includes Unclaimed Prizes.

South Carolina Education Lottery™
www.sceducationlottery.com

appropriations

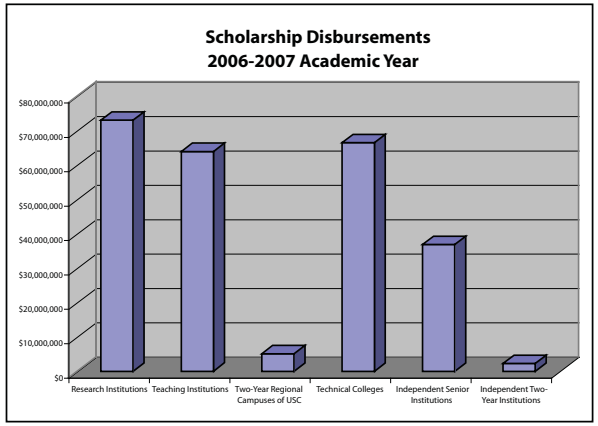
Lottery Scholarship Distribution by County Since Inception

County	K-12*	Scholarship Awards**	Scholarship Amounts**	Library Totals***	Totals By County
ABBEVILLE	$ 1,403,738.90	3,530	$ 4,223,611.97	$ 209,200.67	$ 5,836,551.54
AIKEN	$ 7,597,432.81	15,790	$ 23,800,373.13	$ 380,354.58	$ 31,778,160.52
ALLENDALE	$ 5,141,718.04	1,102	$ 1,199,542.54	$ 187,206.63	$ 6,528,467.21
ANDERSON	$ 9,877,855.81	19,333	$ 26,817,110.92	$ 414,454.47	$ 37,109,421.20
BAMBERG	$ 3,303,646.26	2,159	$ 2,421,477.31	$ 195,216.90	$ 5,920,340.47
BARNWELL	$ 3,207,316.21	2,981	$ 3,899,726.46	$ 205,246.28	$ 7,312,288.95
BEAUFORT	$ 6,942,965.56	10,252	$ 14,054,455.58	$ 348,567.90	$ 21,345,989.04
BERKELEY	$ 8,773,913.44	17,201	$ 21,996,705.99	$ 380,500.16	$ 31,151,119.59
CALHOUN	$ 1,830,272.65	1,840	$ 2,152,810.18	$ 193,050.73	$ 4,176,133.56
CHARLESTON	$ 24,631,860.80	35,524	$ 49,238,932.84	$ 626,555.32	$ 74,497,348.96
CHEROKEE	$ 3,961,925.50	4,455	$ 5,838,446.42	$ 247,979.97	$ 10,048,351.89
CHESTER	$ 2,721,937.48	2,837	$ 3,818,055.88	$ 220,819.76	$ 6,760,813.12
CHESTERFIELD	$ 3,338,827.94	5,329	$ 6,258,826.56	$ 233,613.84	$ 9,831,268.34
CLARENDON	$ 4,212,690.20	3,744	$ 4,291,099.26	$ 218,516.83	$ 8,722,306.29
COLLETON	$ 4,561,136.17	3,662	$ 4,442,495.82	$ 226,990.33	$ 9,230,622.32
DARLINGTON	$ 6,656,937.70	6,734	$ 8,759,032.62	$ 269,828.44	$ 15,685,798.76
DILLON	$ 4,654,058.29	3,184	$ 4,033,258.74	$ 215,899.19	$ 8,903,216.22
DORCHESTER	$ 9,431,437.07	15,542	$ 21,337,218.90	$ 312,503.31	$ 31,081,159.28
EDGEFIELD	$ 1,527,679.47	2,374	$ 3,052,661.36	$ 206,888.92	$ 4,787,229.75
FAIRFIELD	$ 3,574,137.46	2,103	$ 2,727,890.99	$ 205,210.99	$ 6,507,239.44
FLORENCE	$ 10,876,934.95	15,713	$ 22,977,407.89	$ 355,662.01	$ 34,210,004.85
GEORGETOWN	$ 3,746,235.20	6,443	$ 9,114,280.40	$ 252,774.08	$ 13,113,289.68
GREENVILLE	$ 21,013,424.50	48,450	$ 71,989,322.35	$ 728,977.06	$ 93,731,723.91
GREENWOOD	$ 4,356,278.94	11,258	$ 14,032,101.19	$ 268,176.97	$ 18,656,557.10
HAMPTON	$ 3,154,743.56	2,414	$ 2,906,942.33	$ 202,169.82	$ 6,263,855.71
HORRY	$ 9,556,935.88	18,960	$ 28,030,239.51	$ 459,879.34	$ 38,047,054.73
JASPER	$ 4,142,991.94	909	$ 1,010,094.94	$ 201,128.64	$ 5,354,215.52
KERSHAW	$ 3,584,112.89	6,211	$ 8,735,971.92	$ 248,141.73	$ 12,568,226.54
LANCASTER	$ 3,992,665.27	5,688	$ 8,689,636.10	$ 260,941.70	$ 12,943,243.07
LAURENS	$ 4,561,312.22	7,800	$ 9,336,124.88	$ 273,024.02	$ 14,170,461.12
LEE	$ 3,482,349.90	1,670	$ 1,916,585.29	$ 200,306.59	$ 5,599,241.78
LEXINGTON	$ 21,057,271.67	27,532	$ 44,721,469.89	$ 488,386.61	$ 66,267,128.17
MARION	$ 4,815,751.09	3,308	$ 4,160,717.84	$ 222,875.64	$ 9,199,344.57
MARLBORO	$ 4,267,696.71	3,652	$ 3,516,848.95	$ 213,099.19	$ 7,997,644.85
McCORMICK	$ 733,520.57	1,019	$ 1,240,172.87	$ 185,363.98	$ 2,159,057.42
NEWBERRY	$ 3,051,154.87	4,570	$ 5,828,548.97	$ 223,819.75	$ 9,103,523.59
OCONEE	$ 3,677,079.87	7,482	$ 10,819,585.55	$ 268,094.62	$ 14,764,760.04
ORANGEBURG	$ 11,211,296.62	11,923	$ 13,584,357.25	$ 305,398.92	$ 25,101,052.79
PICKENS	$ 4,563,367.60	13,318	$ 19,382,742.42	$ 333,597.36	$ 24,279,707.38
RICHLAND	$ 23,429,928.15	36,059	$ 51,523,691.17	$ 642,302.32	$ 75,595,921.64
SALUDA	$ 1,319,268.29	2,158	$ 2,796,561.36	$ 198,927.18	$ 4,314,756.83
SPARTANBURG	$ 18,174,076.33	30,053	$ 42,881,465.53	$ 543,940.85	$ 61,599,482.71
SUMTER	$ 7,237,466.14	13,500	$ 16,920,765.17	$ 324,610.63	$ 24,482,841.94
UNION	$ 2,933,509.49	3,491	$ 4,537,435.53	$ 214,662.43	$ 7,685,607.45
WILLIAMSBURG	$ 3,138,532.99	4,994	$ 5,103,407.58	$ 225,450.63	$ 8,467,391.20
YORK	$ 10,356,725.38	19,574	$ 32,582,543.23	$ 412,798.60	$ 43,352,067.21
Others****	$ 6,775,060.16	20,222	$ 24,538,393.67	*NA*	*$ 31,313,453.83*
Total	**$ 316,561,178.94**	**488,047**	**$ 677,241,147.26**	**$ 13,753,115.89**	**$ 1,007,555,442.09**

* Information provided by SC Department of Education for FY 2003-2007.
**Scholarship information for academic years 2002-06 provided by CHE. Academic year 2007 figures from CHE expected March 2008.
***Information provided by SC State Library for years in which appropriations were received.
*****"Others" K-12 amounts from DOE include items not broken down by county.
The "Others" category for Higher Education scholarships includes information not tracked by county.

South Carolina Commission on Higher Education
Scholarship Disbursements
2006-2007 Academic Year (Fall, Winter, Spring and Summer Combined)

	Total Number	Total Amount
Research Institutions		
Clemson Univ.	6,951	$32,309,771
U.S.C. Columbia	9,747	40,482,450
Medical University of S.C.	84	284,966
Sub Totals	16,782	73,077,186
Teaching Institutions		
The Citadel	484	1,908,804
Coastal Carolina University	1,924	6,724,004
College of Charleston	3,544	15,594,515
Francis Marion University	1,839	5,790,621
Lander University	1,234	3,954,002
South Carolina State Univ.	1,329	3,285,703
U.S.C. Aiken	1,329	5,118,322
U.S.C. Beaufort	267	941,039
U.S.C. Upstate	1,921	7,091,345
Winthrop University	2,658	10,786,749
Sub Totals	16,529	61,195,103
Two-Year Regional Campuses of USC		
U.S.C. Lancaster	688	1,800,540
U.S.C. Salkehatchie	540	1,088,991
U.S.C. Sumter	745	1,630,997
U.S.C. Union	427	622,609
Sub Totals	2,400	5,143,138
Technical Colleges		
Aiken Tech	1,600	1,897,869
Central Carolina Tech	1,836	1,928,130
Denmark Tech	536	594,602
Florence-Darlington Tech	2,331	3,220,839
Greenville Tech	9,239	12,128,176
Horry-Georgetown Tech	3,182	4,167,436
Midlands Tech	7,075	10,024,139
Northeastern Tech	913	866,048
Orangeburg-Calhoun Tech	1,900	1,944,799
Piedmont Tech	3,542	4,131,651
Spartanburg Tech	3,049	4,194,172
Tech Coll.of the Lowcountry	1,367	1,296,060
Tri-County Tech	3,696	5,891,536
Trident Tech	7,645	10,016,850
Williamsburg Tech	455	379,792
York Tech	2,729	3,846,891
Sub Totals	51,095	66,528,990
Independent Senior Institutions		
Allen University	187	199,313
Anderson University	1,404	2,671,021
Benedict College	1,013	1,193,055
Bob Jones University	446	2,139,667
Charleston Southern Univ.	1,845	3,267,746
Claflin University	1,587	2,445,507
Coker College	938	1,016,198
Columbia College	988	2,789,068
Columbia International Univ.	198	436,213
Converse College	593	1,464,953
Erskine College	594	1,532,934
Furman University	1,074	3,703,923
Limestone College	1,061	1,055,092
Morris College	557	379,143
Newberry College	780	1,426,255
North Greenville University	1,703	3,699,140
Presbyterian College	972	2,771,080
South University	17	63,686
Southern Wesleyan Univ.	804	829,222
Voorhees College	204	179,486
Wofford College	1,087	3,646,280
Sub Totals	18,052	36,909,083
Independent Two-Year Institutions		
Spartanburg Methodist Coll.	1,194	2,308,425
Sub Totals	1,194	2,308,425
ACADEMIC TOTALS	**106,052**	**$245,161,926**



* Unduplicated headcount for the academic year for each scholarship type.

beneficiaries

South Carolina Education Lottery
Statement of Revenue, Expenses, and Changes in Net Assets
For Fiscal Years Ending June 30

	2007	2006	2005	2004	2003	2002
Revenues						
Revenue - Instant Games	617,473,072	696,459,836	578,838,811	537,339,766	426,311,967	306,321,772
Revenue - Pick 3	138,431,158	134,328,783	118,853,836	109,098,145	99,076,360	27,799,674
Revenue - Pick 4	62,134,053	58,390,812	51,322,171	48,592,577	19,490,444	-
Revenue - Powerball®	134,312,216	221,810,074	178,937,972	232,186,929	153,849,870	
Revenue - Palmetto Cash 5	26,749,573	33,616,745	28,999,228	22,790,254	25,584,634	1,367,324
Revenue - Millionaire Raffle	9,058,080	-	-	-	-	-
Permit Fees	503,180	505,230	480,600	496,555	327,813	566,492
Reserve for Bond	42,075	37,200	44,115	37,125	209,371	458,357
Retailer Telephone Fees	2,777,700	2,690,863	2,645,765	2,596,384	2,044,924	631,549
Miscellaneous Revenue	257,948	12,157	26,965	24,912	14,147	3,891
Total Revenues	991,739,055	1,147,851,700	960,149,462	953,162,647	726,909,530	337,149,060
Direct Costs						
Retailer Commissions	69,171,329	80,109,450	66,975,675	66,499,099	50,700,500	23,486,957
Retailer Incentives	864,997	955,917	558,372	451,304	435,750	-
Total Commissions and Incentives	70,036,326	81,065,367	67,534,047	66,950,403	51,136,250	23,486,957
Prize Expense						
Instant Games	428,661,025	481,978,668	396,667,017	359,887,244	274,301,493	186,493,692
On-line Games	171,425,400	220,362,886	176,928,852	192,399,813	141,415,762	13,816,805
Total Prize Expense	600,086,425	702,341,554	573,595,869	552,287,058	415,717,254	200,310,497
Instant and On-line Direct Costs						
Instant Game Costs	7,819,755	9,534,154	8,204,907	8,682,508	8,151,324	4,086,030
On-line Game Costs	10,257,424	10,844,736	9,970,800	11,703,272	11,101,724	6,218,991
Total Instant and On-line Direct Costs	18,077,179	20,378,890	18,175,707	20,385,780	19,253,048	10,305,020
Total Direct Costs	688,199,930	803,785,811	659,305,623	639,623,241	486,106,553	234,102,474
Gross Profit	303,539,125	344,065,889	300,843,839	313,539,406	240,802,977	103,046,585
Operating Expenses						
Advertising - Lottery	9,874,697	8,743,897	7,723,588	6,618,834	6,361,753	5,364,976
Security & Credit Checks	219,180	216,860	221,295	176,910	117,950	175,942
Salaries	7,607,490	7,127,283	6,810,895	6,961,080	6,384,103	4,238,248
Temporary Services	296,555	251,539	273,469	139,138	64,233	241,312
Per Diem	945	945	700	875	1,831	4,200
Employee Benefits	1,988,964	1,779,767	1,675,127	1,658,706	1,441,637	871,570
Advertising Employment	16,499	21,915	9,589	11,789	8,852	36,268
Auditing & Financial	167,349	405,291	170,194	370,892	232,070	13,000
Consultants	231,564	98,813	131,805	201,945	176,300	467,628
Depreciation	3,726,082	3,647,532	3,592,637	3,522,001	3,322,198	1,469,914
Dues & Memberships	34,790	29,380	28,432	25,552	46,797	10,696
Education & Training	89,369	94,139	61,473	71,511	65,214	10,858
Employee Recognition	13,403	8,322	3,003	901	1,715	709
Insurance	337,502	372,076	334,635	184,777	214,513	80,171
Lease - Computers	-	22,920	130,618	165,922	106,527	52,299
Lease - Office Space	655,471	566,250	557,630	562,746	559,021	290,282
Lease - Vehicles	87,551	63,463	65,738	84,669	76,577	51,712
Legal	95,792	181,828	90,032	49,592	21,216	140,662
Maintenance & Repairs	178,980	193,466	141,788	48,254	33,795	10,554
Miscellaneous Expense	100,313	80,208	68,327	57,423	53,790	56,815
Postage & Freight	51,326	51,314	61,116	56,929	54,152	33,612
Printing	28,217	30,719	31,412	35,070	39,252	26,484
Promotion - Retailers	34,210	122,932	23,265	110,644	43,645	309
Rent - Equipment	61,174	58,627	61,115	52,772	56,527	16,315
Security Services	578,752	536,961	439,041	430,555	436,965	228,985
Services - Payroll	30,000	30,000	30,000	30,000	57,450	7,550
Supplies - Office	217,649	164,616	102,800	167,448	158,581	458,784
Supplies - Data Processing	104,093	133,345	135,278	206,817	20,742	70,678
Telecommunications Services	113,976	124,205	155,066	234,026	162,665	114,030
Telephone	213,173	169,256	180,816	200,647	241,340	232,682
Travel - Commissioners	1,827	1,370	1,480	1,955	3,888	7,843
Travel - Field Service Reps Vehicle Mileage	269,488	209,104	209,897	206,865	236,437	196,495
Travel - Others	101,117	70,150	57,128	94,635	102,227	51,776
Uncollectible Accounts	111,356	691,200	110,000	271,092	-	-
Utilities	9,235	20,141	17,901	18,417	17,437	4,298
Total Operating Expenses	27,648,092	26,319,832	23,707,292	23,031,391	20,921,401	15,037,657
Non-Operating Income (Expense)						
Interest Income	1,230,566	1,233,565	590,010	225,481	223,287	60,592
Gains/Losses	14,825	12,549	2,597	1,012	-	-
Interest Expense	(25,091)	(129,139)	(231,441)	(602,948)	(815,892)	(348,118)
Total Non-Operating Income (Expense)	1,220,300	1,116,975	361,165	(376,455)	(592,605)	(287,526)
Change in Net Assets before expense to and due to the Education Lottery Account	277,111,333	318,863,031	277,497,712	290,131,560	219,288,971	87,721,403
Expensed to and due to the Education Lottery Account	279,236,385	320,629,929	279,738,059	286,751,598	220,056,527	81,145,294
Change in Net Assets	(2,125,052)	(1,766,898)	(2,240,347)	3,379,962	(767,556)	6,576,109
Net Assets - Beginning of Period	5,181,271	6,948,168	9,188,515	5,808,553	6,576,109	0
Net Assets - End of Period	3,056,219	5,181,271	6,948,168	9,188,515	5,808,553	6,576,109

8/13/07

FISCAL YEAR 2007 - MILLION DOLLAR SALES CLUB

In the fiscal year ending June 30, 2007, retailers sold over $988 million in lottery tickets, including 48 retailers that reached $1 million or more in sales! This resulted in over $273 million* expensed to the Education Lottery Account and more than $69 million in retailer commissions earned.

On the right is a listing of the ranking of sales by retailers who sold over $1 million in lottery tickets and made the MILLION DOLLAR SALES CLUB in fiscal year 2007! Congratulations to all of our lottery retailers for a successful year!

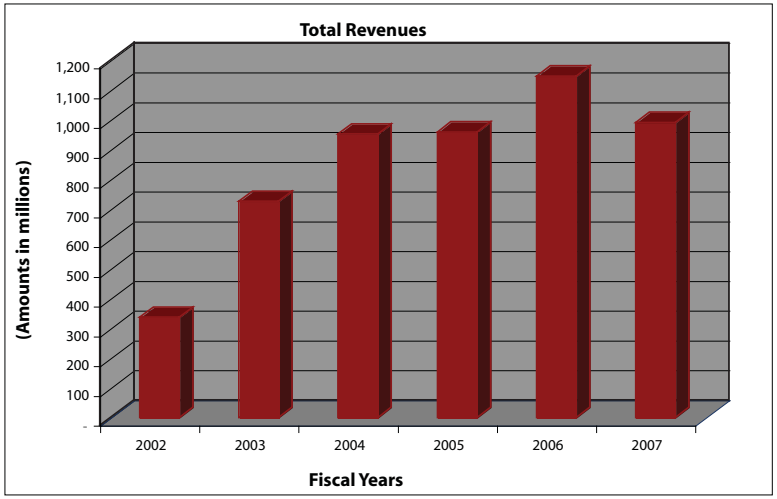
* The expensed amount includes $16.4 million in unclaimed prizes.

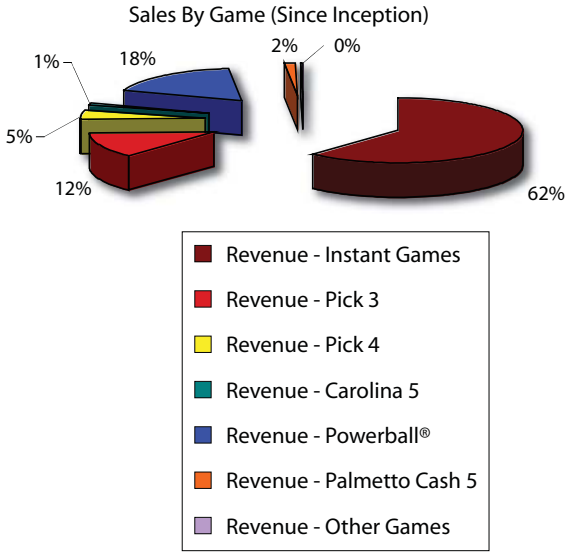
Statewide Ranking	City	Total Sales	Statewide Ranking	City	Total Sales
1	Fort Mill	$ 5,364,108.50	25	Florence	$ 1,202,142.50
2	Charleston	$ 3,458,705.00	26	Lexington	$ 1,191,835.00
3	Bennettsville	$ 2,083,306.50	27	Ridgeland	$ 1,189,709.50
4	Charleston	$ 2,048,645.50	28	North Charleston	$ 1,175,296.50
5	Fort Mill	$ 1,976,051.00	29	Sumter	$ 1,150,924.50
6	Fort Mill	$ 1,973,479.00	30	Ridgeway	$ 1,132,316.50
7	Beaufort	$ 1,960,875.50	31	Blacksburg	$ 1,127,394.00
8	Fort Mill	$ 1,795,087.00	32	Clover	$ 1,116,533.00
9	Clover	$ 1,756,035.00	33	Georgetown	$ 1,113,785.00
10	Orangeburg	$ 1,722,610.00	34	Burton	$ 1,113,145.50
11	Columbia	$ 1,720,089.50	35	Little River	$ 1,092,383.00
12	Fort Mill	$ 1,694,393.50	36	Landrum	$ 1,089,906.50
13	Saint Helena Island	$ 1,609,417.00	37	North Charleston	$ 1,079,844.00
14	Taylors	$ 1,529,346.50	38	Columbia	$ 1,077,982.00
15	Port Royal	$ 1,491,555.50	39	Florence	$ 1,071,822.50
16	Charleston	$ 1,398,971.00	40	West Columbia	$ 1,065,580.00
17	Camden	$ 1,388,160.50	41	Loris	$ 1,044,168.00
18	Orangeburg	$ 1,274,385.50	42	Columbia	$ 1,035,449.00
19	Fort Mill	$ 1,269,873.00	43	Chesnee	$ 1,035,362.50
20	Aiken	$ 1,267,708.50	44	Charleston	$ 1,030,885.00
21	North Charleston	$ 1,267,660.00	45	Florence	$ 1,023,757.50
22	Orangeburg	$ 1,254,614.00	46	Holly Hill	$ 1,006,491.00
23	Florence	$ 1,249,950.00	47	Chester	$ 1,003,927.50
24	Bowman	$ 1,227,214.00	48	North Charleston	$ 1,001,640.50

South Carolina Education Lottery Commission
Revenues - Since Inception

(Amounts expressed in millions)

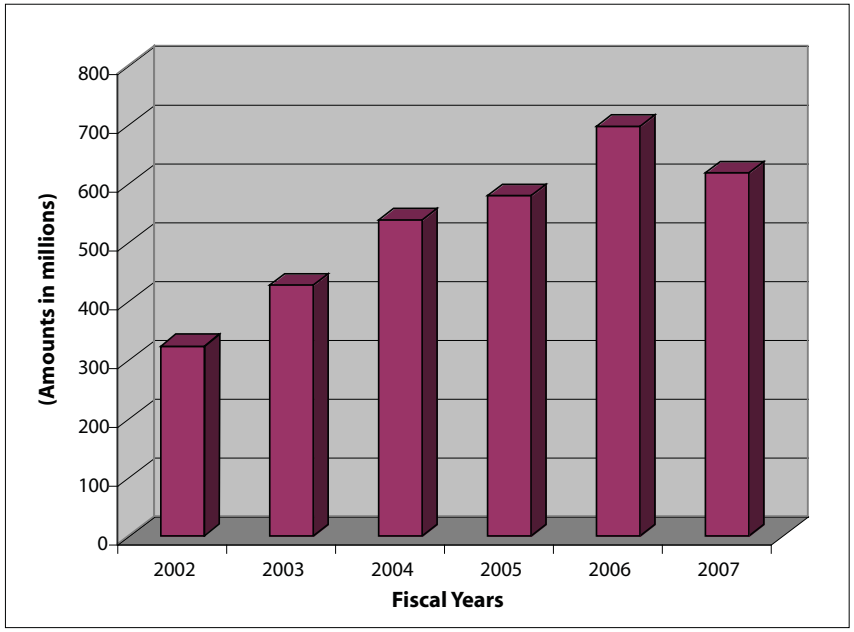
Revenues by Fiscal Year	2002	2003	2004	2005	2006	2007	Total
Revenue - Instant Games	$ 306.3	$ 426.3	$ 537.3	$ 578.8	$ 696.5	$ 617.5	$ 3,162.7
Revenue - Pick 3	27.8	99.1	109.1	118.9	134.3	138.4	$ 627.6
Revenue - Pick 4	-	19.5	48.6	51.3	58.4	62.1	$ 239.9
Revenue - Carolina 5	1.4	25.6	22.8	12.5	-	-	$ 62.3
Revenue - Powerball®	-	153.9	232.2	178.9	221.8	134.3	$ 921.1
Revenue - Palmetto Cash 5	-	-	-	16.5	33.6	26.8	$ 76.8
Revenue - Other Games	-	-	-	-	-	9.1	$ 9.1
Revenue - Miscellaneous	1.6	2.5	3.2	3.2	3.2	3.5	$ 17.3
Total Revenues	**$ 337.1**	**$ 726.9**	**$ 953.2**	**$ 960.1**	**$ 1,147.8**	**$ 991.7**	**$ 5,116.8**



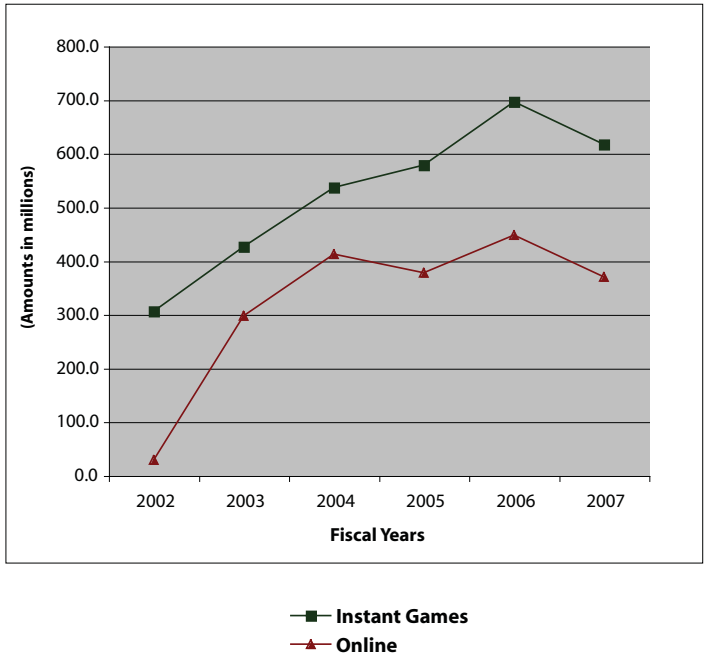


scel statistics

Instant Games Sales (Since Inception)



Instant vs. Online Sales (Since Inception)



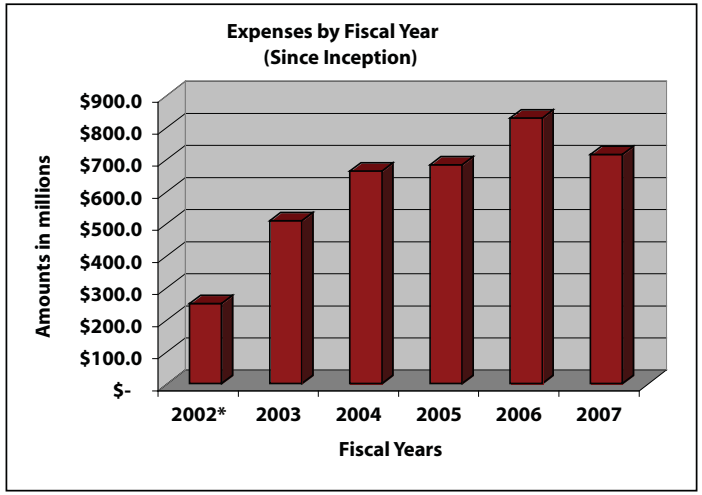
scel statistics

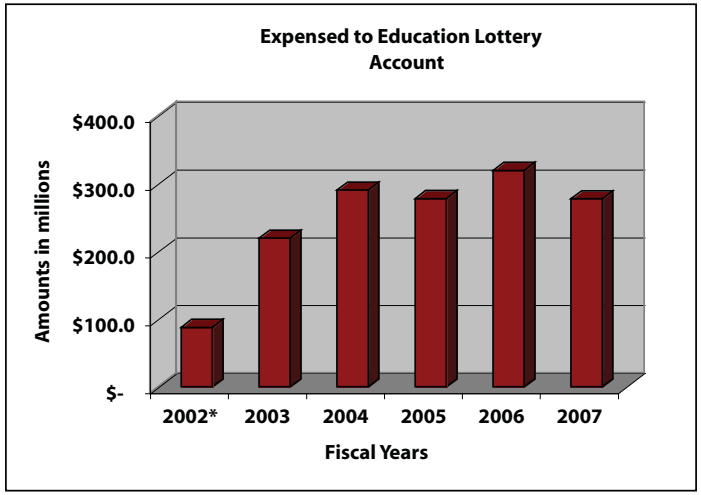
Expenses - (Since Inception)

(Amounts expressed in millions)

Expenses	2002*	2003	2004	2005	2006	2007	Total
Prize Expense	$ 200.3	$ 415.7	$ 552.3	$ 573.6	$ 702.3	$ 600.1	$ 3,044.3
Retailer Commissions	23.5	51.1	67.0	67.5	81.1	70.0	360.2
Operating Expenses	25.6	40.8	43.8	41.5	45.6	44.5	241.8
Total	**$ 249.4**	**$ 507.6**	**$ 663.1**	**$ 682.6**	**$ 829.0**	**$ 714.6**	**$ 3,646.3**

	2002*	2003	2004	2005	2006	2007	Total
Expensed to Education Account	**$ 87.7**	**$ 219.3**	**$ 290.1**	**$ 277.5**	**$ 318.9**	**$ 277.1**	**$ 1,470.6**





* The SC Lottery Commission operations began in January 2002; therefore, only six months of activity is shown.

Capital Assets by Function
Last Two Fiscal Years

Property & Equipment	2006	2007
Furniture, fixtures, and equipment	590,645	624,377
Data Processing	19,557,617	20,040,439
Drawing Equipment	173,820	189,500
Vehicles	68,826	68,826
Leaseholds	700,215	955,373
Total Property & Equipment	**21,091,122**	**21,878,515**
Accumulated Depreciation		
Furniture, fixtures, and equipment	(229,051)	(355,836)
Data Processing	(14,580,718)	(18,004,121)
Drawing Equipment	(115,758)	(142,819)
Vehicles	(68,826)	(68,826)
Leaseholds	(528,370)	(661,629)
Total Accumulated Depreciation	**(15,522,723)**	**(19,233,230)**
Net Capital Assets	**5,568,400**	**2,645,286**

Employees by Department/Function

Permanent Employees

	2002	2003	2004	2005	2006	2007
Executive	6	6	5	5	5	4
Finance	13	13	13	13	13	13
Finance-Claims	7	7	7	8	10	12
Internal Operations	14	16	19	17	17	19
Information Technology	14	15	15	16	15	18
Legal	4	4	4	4	4	5
Marketing and Product Development	7	7	10	11	14	18
Sales and Retailer Relations	53	53	57	57	57	57
Security	7	7	7	8	8	8
Total	**125**	**128**	**137**	**139**	**143**	**154**

Profit Analysis

(amounts expressed in millions)

Change in net income due to change in:	FY04	FY05	FY06	FY07	TOTAL
Sales Quantity	$ 78.6	$ 2.3	$ 59.2	$ (50.3)	$ 140.1
Prize %	(5.4)	(17.2)	(13.9)	7.3	(36.5)
Admin. Expense Volume Variance	7.8	0.3	2.0	(5.8)	10.1
Admin. Expense Spending Variance	(10.7)	1.9	(5.9)	6.7	(14.7)
Change in Other Revenue	0.5	0.1	-	0.3	0.6
Total change in net income	**$ 70.8**	**$ (12.6)**	**$ 41.4**	**$ (41.8)**	**$ 99.6**

FY 2007 Demographic Profile of Players
Demographic findings of the majority of SC Education Lottery Players:

68% are between the ages of 25 and 54.

Age	*Players*	*Non-Players*
18 to 24	6%	8%
25 to 34	19	17
35 to 44	25	21
45 to 54	24	20
55 to 64	14	14
65+	12	21

63% are Caucasian.

Ethnicity	*Players*	*Non-Players*
Caucasian	63%	72%
African-American	34	25
Other	3	3

56% have at least some college education.

Education	*Players*	*Non-Players*
Less than HS	9%	11%
HS Diploma/GED	34	33
Some College/Technical School	19	15
2-Yr Degree/Associate Degree	12	8
4-Yr Degree	16	20
Advanced College Courses	2	2
Advanced Degree	7	11
Refused	1	1

54% are married.

Marital Status	*Players*	*Non-Players*
Married	54%	65%
Single	24	19
Widowed/Divorced	20	15

54% have no children under 18 in the household.

Children under 18 in household	*Players*	*Non-Players*
None	54%	59%
1	19	16
2	18	13
3 or more	9	12

51% have 2 to 3 people residing in their household.

Household size	*Players*	*Non-Players*
1	16%	17%
2 to 3	51	51
4 to 5	28	25
6 or more	5	6

50% have a household income under $50,000.

Household income	*Players*	*Non-Players*
Under $10,000	6%	9%
$10K to $19,999	13	6
$20K to $29,999	15	10
$30K to $39,999	9	11
$40K to $49999	7	8
$50K to $59,999	11	11
$60K to $69,999	6	5
$70K to $79,999	6	4
$80,000+	12	13
Refused	16	24

Source: A MarketSearch Topline, Fall 2006

Demographic Statistics Since Inception

Year	Population at July 1[a]	Per Capita Income[b]	Average Annual Unemployment Rate[c]
2002	4,102,568	25,361	5.90%
2003	4,146,753	25,863	6.70%
2004	4,197,892	27,077	6.80%
2005	4,255,083	28,212	6.80%
2006	4,321,249	29,515	5.90%

a Source: U.S. Census Bureau
b Source: Bureau of Economic Analysis
c Source: U.S. Department of Labor

TEN LARGEST PRIVATE EMPLOYERS BY INDUSTRY

INDUSTRY	TOTAL EMPLOYERS
Service-Providing	104,211
Trade, Transportation, and Utilities	32,501
Goods-Producing	24,014
Professional and Business Services	20,805
Retail Trade	19,015
Construction	17,395
Financial Activities	12,845
Professional, Scientific and Tech Services	12,518
Other Services	12,288
Leisure and Hospitality	11,495

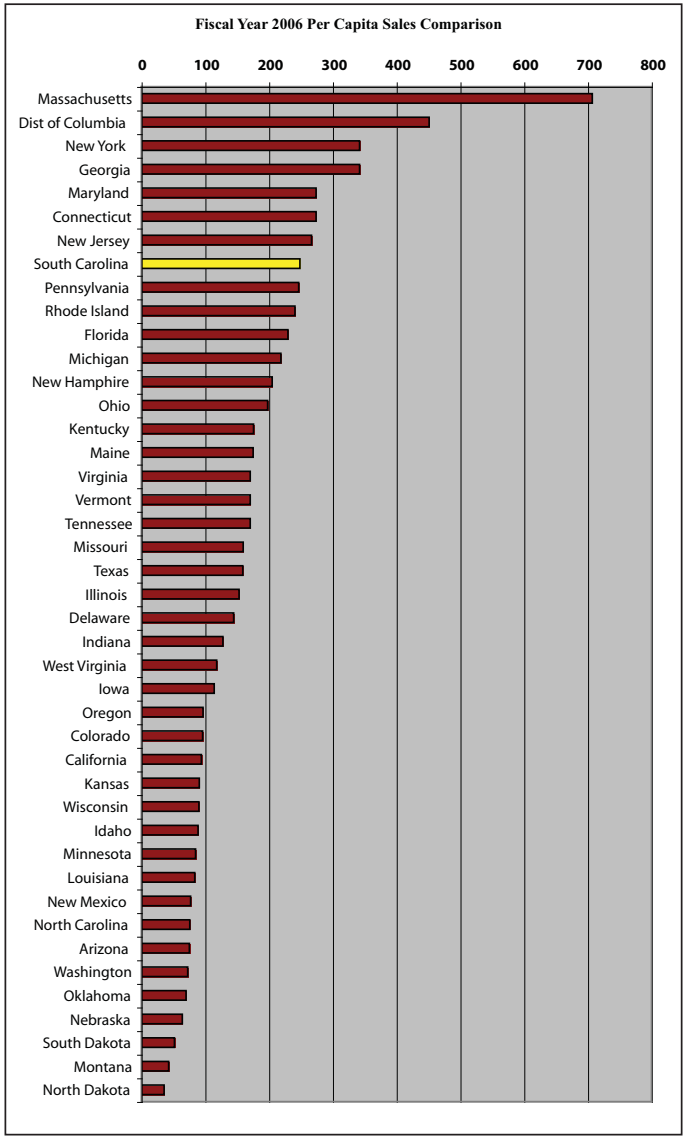
TEN LARGEST PRIVATE EMPLOYMENT BY INDUSTRY

INDUSTRY	TOTAL EMPLOYEES
Service-Providing	1,162,919
Goods-Producing	391,128
Trade, Transportation, and Utilities	371,389
Manufacturing	251,328
Retail Trade	237,321
Professional and Business Services	224,965
Leisure and Hospitality	211,064
Accommodation and Food Services	185,759
Education and Health Services	176,045
Health Care and Social Assistance	156,859

Source: SC Employment Security Commission Economic Data as of March 2007

Comparative Data
per La Fleur's 2006 World Almanac

Per Capita Sales	
Massachusetts	$ 707
Dist of Columbia	451
New York	342
Georgia	342
Maryland	274
Connecticut	274
New Jersey	267
South Carolina	249
Pennsylvania	247
Rhode Island	241
Florida	230
Michigan	219
New Hamphire	205
Ohio	198
Kentucky	176
Maine	175
Virginia	171
Vermont	171
Tennessee	171
Missouri	160
Texas	159
Illinois	153
Delaware	145
Indiana	128
West Virginia	118
Iowa	114
Oregon	97
Colorado	96
California	94
Kansas	91
Wisconsin	90
Idaho	89
Minnesota	85
Louisiana	84
New Mexico	77
North Carolina	76
Arizona	75
Washington	73
Oklahoma	70
Nebraska	64
South Dakota	52
Montana	43
North Dakota	36
Median	**$ 172**



Per Capita Sales - Instant (Fiscal Year 2006)

	Sales ($M)	Population (M)	PC Sales
Massachusetts	$ 3,196.0	6.4	$ 496
Georgia	2,107.1	9.4	225
New York	3,467.0	19.3	180
Connecticut	588.6	3.5	168
South Carolina	658.0	4.3	152
New Hamphire	185.7	1.3	141
Pennsylvania	1,698.5	12.4	137
New Jersey	1,161.2	8.7	133
Vermont	81.1	0.6	130
Maine	168.1	1.3	127
Florida	2,297.7	18.1	127
Tennessee	737.0	6.0	122
Texas	2,867.5	23.5	122
Ohio	1,377.1	11.5	120
Kentucky	439.4	4.2	104
Missouri	595.7	5.8	102
Virginia	683.5	7.6	89
Indiana	534.9	6.3	85
Illinois	1,024.4	12.8	80
Rhode Island	83.0	1.1	78
Michigan	753.0	10.1	75
Maryland	416.5	5.6	74
Dist of Columbia	40.5	0.6	70
West Virginia	120.0	1.8	66
Colorado	288.7	4.8	61
Idaho	83.0	1.5	57
North Carolina	460.6	8.9	52
Wisconsin	286.9	5.6	52
California	1,882.0	36.5	52
Minnesota	262.9	5.2	51
Washington	310.5	6.4	49
Kansas	130.1	2.8	47
New Mexico	86.9	2.0	44
Iowa	124.9	3.0	42
Arizona	258.2	6.2	42
Delaware	32.5	0.9	38
Oregon	127.3	3.7	34
Nebraska	57.0	1.8	32
Oklahoma	113.5	3.6	32
Louisiana	130.6	4.3	30
South Dakota	19.0	0.8	24
Montana	11.5	0.9	12
North Dakota	-	0.6	-
Median	**$ 696.5**		