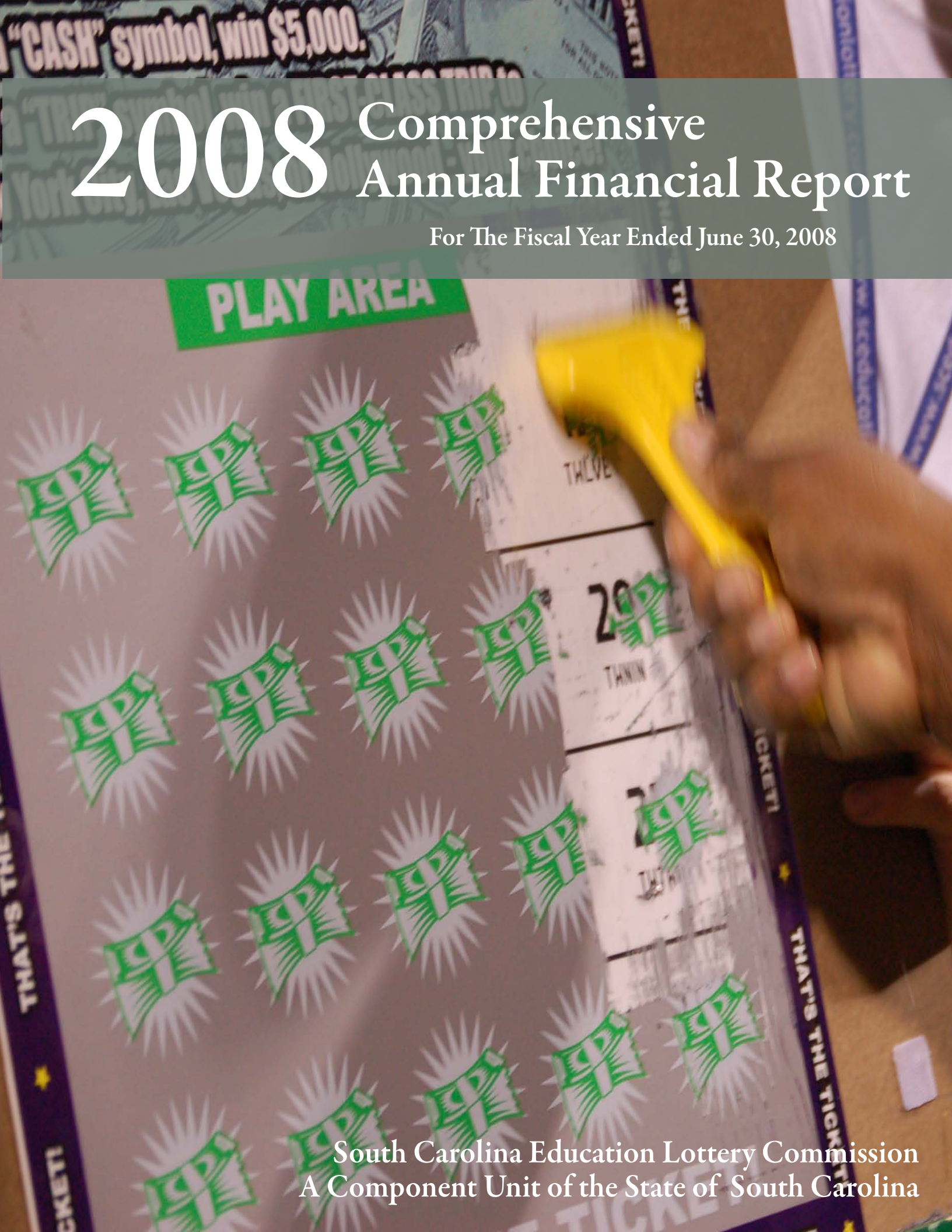
2008 Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2008



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

Dear Fellow South Carolinians:

The 2007-2008 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 $266 million, bringing total contributions to the Education Lottery Account to more than $1.7 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 believe in operating SCEL in a fiscally conservative manner, to maximize the revenue for education and our state's students. The operational cost of your lottery remains a recognized leader among lotteries in the United States (we rank 11th lowest in administrative expenses and 6th lowest in advertising expenses as a percentage of gross revenue).

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 served as President of the North American Association of State and Provincial Lotteries (NASPL) during this fiscal year and is also the Vice Chair of the Multi-State Lottery Association (MUSL) and Chairman of Powerball® Game Group. MUSL is a professional association representing 31 lottery organizations in North America and administers the multi-jurisdictional game, Powerball®.

Going forward into fiscal year 2008-2009, our creative staff and dedicated retailer network will work diligently to maintain sales and create new sources of revenue. During the current fiscal year a new online vendor, Intralot USA, Inc., was selected, without protest, through a competitive process pursuant to the South Carolina Consolidated Procurement Code. This contract should enhance every aspect of SCEL's operations for years to come. As always, we remain focused on our main objective – to raise funds supporting education while marketing our products in a socially responsible manner.

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

Sincerely,
Tim Madden
Chairman
South Carolina Education Lottery Commission

La Fleur's 2008 World Lottery Almanac, SCEL's advertising expense, as a percentage of revenue (based on the FY08 budget), ranks 6th lowest for FY08 among North American lotteries.

Table of Contents

Introductory Section

Letter of Transmittal 1-2
GFOA Certificate of Achievement 3
Mission, Vision, and Values 4
Organizational Chart 5-6
Commissioners & Management Staff 7-8
Games and Promotions 9-15

Financial Section

Independent Auditor's Report 19
Management's Discussion and Analysis 20-24
Financial Statements:
- Statement of Net Assets 25
- Statement of Revenues, Expenses, and Changes in Net Assets 26
- Statement of Cash Flows 27
- Notes to the Financial Statements 28-38

Supplemental Schedule of Revenues, Expenses, and Transfers 39
Report on Internal Control 40
Schedule of Findings 41

Statistical Section

Global and Local Focus 44
Lottery Appropriations 45-46
Beneficiaries 47-50
Statement of Revenue, Expenses, and Changes in Net Assets 51
South Carolina Education Lottery Statistics:
- Revenue by Game – Since Inception 52
- Instant Game Sales – Since Inception 53
- Instant versus Online Games Sales – Since Inception 54
- Expenses – Since Inception 55-56

Demographics:
- Capital Assets by Function 57
- Employees by Department/Function 58
- Million Dollar Sales Club 59
- Retailer Sales by Region 60-61
- Player Profile 62-67
- State Statistics 68

Industry Statistics:
- Total Sales Per Capita – Fiscal Year 2007 69
- Per Capita Sales Instant – Fiscal Year 2007 70

LETTER OF TRANSMITTAL

October 30, 2008

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, 2008. The audit report of our auditors, Elliott 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 requirements 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, 2008. 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 nine departments: Executive; Internal Operations; Internal Audit; Information Technology Systems; Sales & Retailer Relations; Marketing & Product Development; Security; Legal Services; and Finance. The Internal Auditor reports directly to the South Carolina Education Lottery Commission. 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 three Regional Offices (Columbia, Charleston, and Greenville). There is a sales staff of approximately 36 employees, who 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 transfers 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 transferred 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 was introduced during the fiscal year.

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, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting 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

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, 2007

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

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.

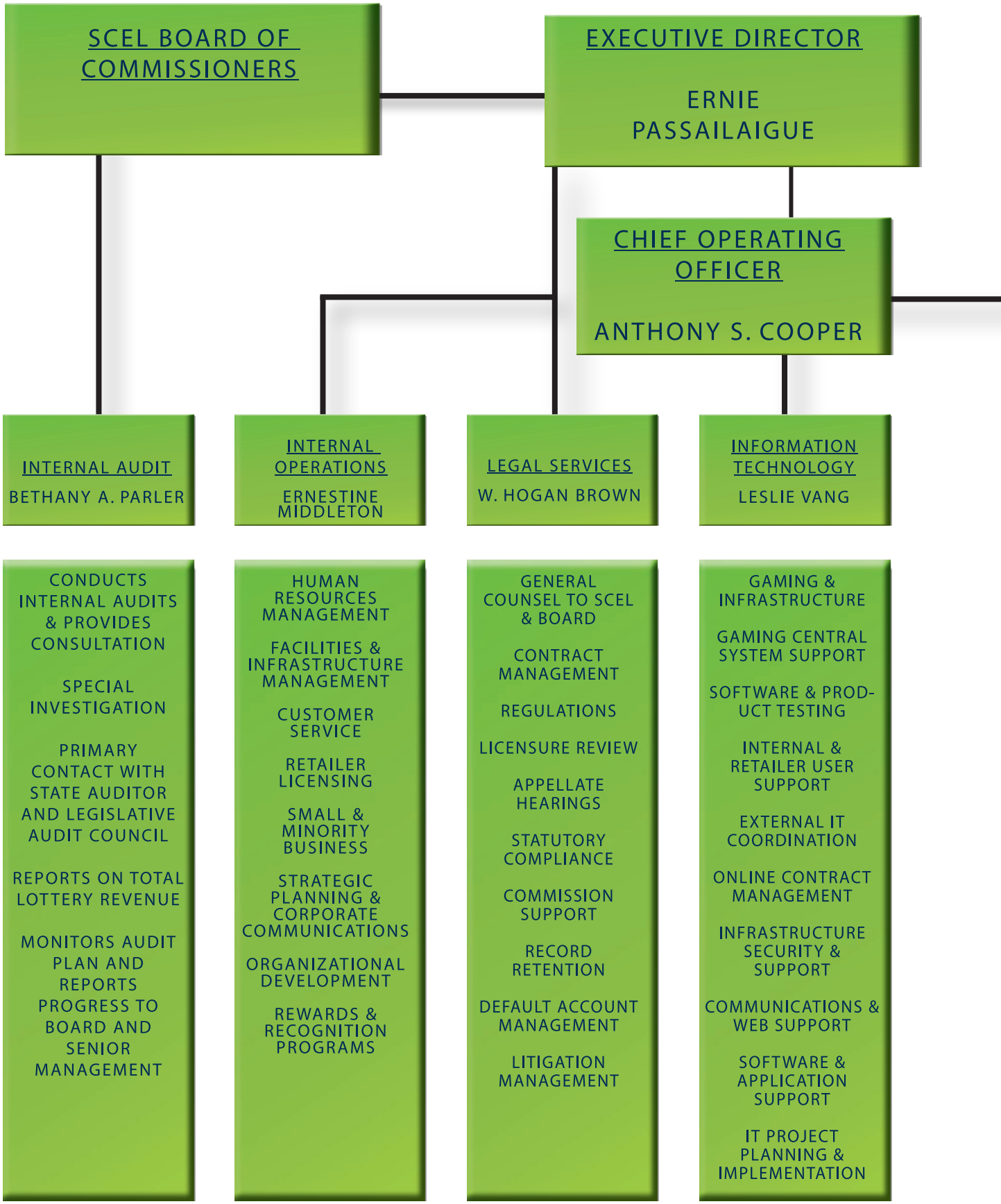
Our Vision
A vision describes an organization's ultimate destination and the Commission's vision is to operate the South Carolina Education Lottery in a "world-class" manner – "literally." Every aspect of our operations will function at a high level of excellence. We intend to maintain our integrity 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.


SCEL BOARD OF COMMISSIONERS
EXECUTIVE DIRECTOR
ERNIE PASSAILAIGUE
CHIEF OPERATING OFFICER
ANTHONY S. COOPER
INTERNAL AUDIT
BETHANY A. PARLER
INTERNAL OPERATIONS
ERNESTINE MIDDLETON
LEGAL SERVICES
W. HOGAN BROWN
INFORMATION TECHNOLOGY
LESLIE VANG
CONDUCTS INTERNAL AUDITS & PROVIDES CONSULTATION
SPECIAL INVESTIGATION
PRIMARY CONTACT WITH STATE AUDITOR AND LEGISLATIVE AUDIT COUNCIL
REPORTS ON TOTAL LOTTERY REVENUE
MONITORS AUDIT PLAN AND REPORTS PROGRESS TO BOARD AND SENIOR MANAGEMENT
HUMAN RESOURCES MANAGEMENT
FACILITIES & INFRASTRUCTURE MANAGEMENT
CUSTOMER SERVICE
RETAILER LICENSING
SMALL & MINORITY BUSINESS
STRATEGIC PLANNING & CORPORATE COMMUNICATIONS
ORGANIZATIONAL DEVELOPMENT
REWARDS & RECOGNITION PROGRAMS
GENERAL COUNSEL TO SCEL & BOARD
CONTRACT MANAGEMENT
REGULATIONS
LICENSURE REVIEW
APPELLATE HEARINGS
STATUTORY COMPLIANCE
COMMISSION SUPPORT
RECORD RETENTION
DEFAULT ACCOUNT MANAGEMENT
LITIGATION MANAGEMENT
GAMING & INFRASTRUCTURE
GAMING CENTRAL SYSTEM SUPPORT
SOFTWARE & PRODUCT TESTING
INTERNAL & RETAILER USER SUPPORT
EXTERNAL IT COORDINATION
ONLINE CONTRACT MANAGEMENT
INFRASTRUCTURE SECURITY & SUPPORT
COMMUNICATIONS & WEB SUPPORT
SOFTWARE & APPLICATION SUPPORT
IT PROJECT PLANNING & IMPLEMENTATION

EXECUTIVE MANAGEMENT

POLICY DEVELOPMENT
BENEFICIARY CAMPAIGN
SPECIAL PROJECTS
LIAISON TO NASPL AND MUSL

SALES & RETAILER RELATIONS

ANN E. SCOTT

SALES & ACCOUNT MANAGEMENT

RETAILER SUPPORT & DEVELOPMENT

TELEPHONE SALES

SALES & MARKET TREND ANALYSIS

POINT OF SALES INVENTORY MANAGEMENT

CORPORATE ACCOUNT MANAGEMENT

ON SITE LICENSING REVIEW

MARKETING & PRODUCT DEVELOPMENT

DAVID M. BARDEN

MARKETING

ADVERTISING

PROMOTIONS

WINNER AWARENESS

MARKET ANALYSIS

PRODUCT DEVELOPMENT & MANAGEMENT

PRODUCT RELATIONS

CONSUMER RESEARCH

INSTANT TICKET CONTRACT MANAGEMENT

SECURITY

THOMAS MARSH

FRAUD INVESTIGATION

GAME SECURITY

MUSL COMPLIANCE

PHYSICAL SECURITY

SOUTH CAROLINA LAW ENFORCEMENT DIVISION (SLED) COORDINATION

DRAW MANAGEMENT

LOCAL LAW ENFORCEMENT COORDINATION

MSR & RETAILER SUPPORT

FINANCE

DALE M. RHODES

BUDGET

ACCOUNTS PAYABLE

PURCHASING

RETAILER BANKING

ELECTRONIC FILE TRANSFER BANKING (EFT)

RISK MANAGEMENT

PAYROLL

CLAIMS CENTER MANAGEMENT

DELIQUENT ACCOUNT MANAGEMENT

Board of Commissioners

Timothy E. Madden, Chairman
Greenville, SC

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

T. Moffatt Burriss
Columbia, SC
Treasurer

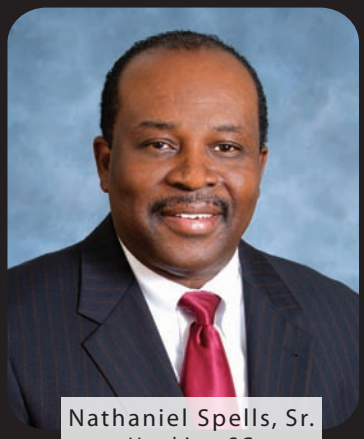
Ashley Landess
Columbia, SC
Secretary

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

GAMES

Players must be 18 years of age or older and must pay cash for tickets. Tickets may be purchased at any of the Commission'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 the Commission's rules and regulations, which may be obtained at www.sceducationlottery.com or by writing to the following address:

South Carolina Education Lottery
P.O. 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 any authorized lottery retailer.

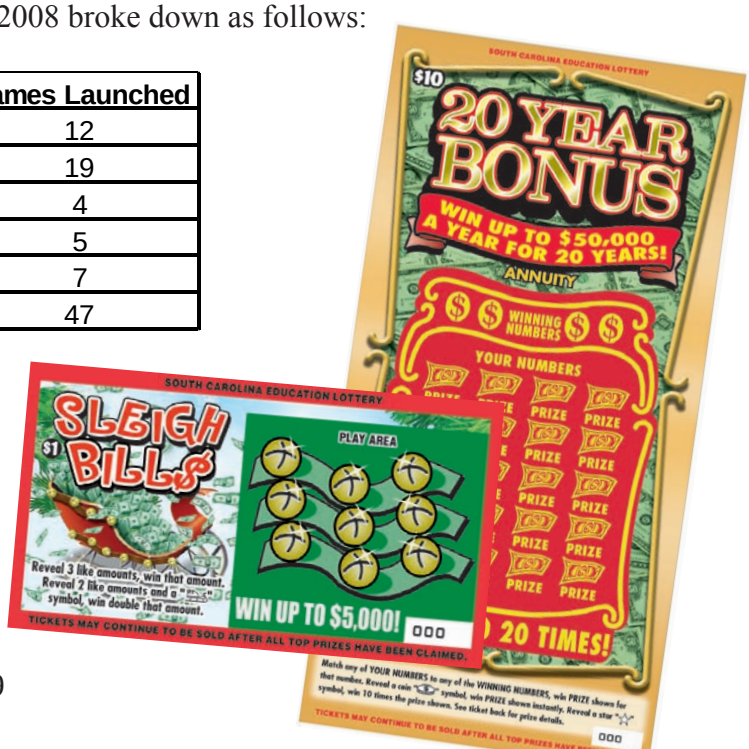
- For winning tickets up to and including $1,000,000, winners may claim a prize at one of the Regional Claims Offices (Charleston, Greenville, Ft. Mill [office closed September 12, 2008], or Columbia). Prizes over $1,000,000 may be redeemed ONLY at the Columbia Claims Office. [The upper limit on winning tickets eligible to be redeemed at a Regional Claims Office was raised to $1,500,000 on November 4, 2008.] 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 S.C. Education Lottery claim form, available at any authorized S.C. Education Lottery retailer or on the Commission's 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. During Fiscal Year 2008, the Commission launched three or four new instant games per month, on average, usually on the first Tuesday of each month. The new instant games launched in Fiscal Year 2008 broke down as follows:

Price Point	Games Launched
$1	12
$2	19
$3	4
$5	5
$10	7
Total	47



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's a play style for everyone – from **20 Year Bonus**, **Giant Cash Bonanza** and holiday games such as **Sleigh Bills** to licensed properties such as **Deal or No Deal**™. If the player wins, the lottery retailer can validate the winning ticket. For instant games, players have 90 days after a game ends to redeem a prize. The official end of the different instant games is posted at retail locations as well as on the Commission's website at www.sceducationlottery.com.

[Beginning August 2008, $1 tickets increased in height from 2.25 inches to 2.5 inches. The larger ticket size allows for more appealing tickets and also has room for a new barcode on the front of the ticket, under the scratch-off coating. With this new barcode, instant tickets are easier to validate than on the previous system and are necessary to validate on the new Intralot game management system launched November 2008.]

Many of the instant games are designed in-house by the Commission's Marketing Department. The Commission 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 2008 was more than $622.8 million.

Online Games

Pick 3

Live **Pick 3** drawings occur every evening at 6:59 and air on the TV stations previously listed. Midday drawings occur Monday through Saturday at 12:59 and are not televised. Players can pick up a **Pick 3** play slip at a licensed 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 all 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 are temporarily suspended to allow for the drawing. **Pick 3** sales are suspended at 12:45 p.m., Monday through Saturday, and at 6:45 every evening. 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 sales for Fiscal Year 2008 exceeded $137 million.

Pick 4

Pick 4 allows players to bet $0.50 or $1 per play. Live drawings are held every evening at 6:59 and air on the TV stations previously listed. Midday drawings occur Monday through Saturday at 12:59 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 are temporarily suspended to allow for the drawing. **Pick 4** sales are suspended at 12:45 p.m., Monday through Saturday, and at 6:45 every evening. 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 sales for Fiscal Year 2008 exceeded $62 million.

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. On September 24, 2007, **Palmetto Cash 5** went from three to five drawings a week. Drawings now occur Monday through Friday at 6:59 p.m. Players choose five (5) numbers from 1 to 38. Each play costs $1. Players win $100,000 by 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 40 consecutive draws by marking the appropriate box in the "Multi-Draw" area. Prior to each drawing, **Palmetto Cash 5** sales are temporarily suspended to allow for the drawing. **Palmetto Cash 5** sales are suspended at 6:45 p.m. Monday through 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 sales for Fiscal Year 2008 exceeded $26 million.

Add-A-Play

Add-A-Play is a group of online games that play like instant games in that players can tell instantly if they have won. Winners can redeem tickets immediately. An Add-A-Play ticket prints on a separate ticket following the purchase of a **Pick 3**, **Pick 4** or **Palmetto Cash 5** online game ticket when the player tells the clerk to "add a play" for $1. The ticket will have instructions on how to play and a legend used by the player to determine if the ticket is a winner and the prize amount. The revenue for all Add-A-Play games is included in the Instant Game Revenue line on the financial statements. During Fiscal Year 2008, the Add-A-Play games launched include **Junior Jumbo Bucks**, **Holly Day Bucks,** and **3 Times Lucky**.

MegaMatch 6℠

The Commission's new game, **MegaMatch 6℠**, was introduced in February 2008 and was the biggest game rollout since **Palmetto Cash 5** in 2005. Drawings take place every Tuesday and Friday at 6:59 p.m. and are televised on the previously listed stations. Players pay $5 and pick six numbers from 1 to 37, or they may opt for a computer selected "Quick Pick." The ticket will show the player's six numbers (or Quick Pick numbers) on the first line and two additional lines of six numbers each that are quick-picked by the terminal and CANNOT be changed by the player or the retailer; in fact, the retailer cannot see the quick-picked numbers before printing a ticket. Players may tell their numbers to the clerk or fill out a play slip. The play slip has five plays, each costing $5. The additional plays are not used to pick the second and third quick-picked lines. There may be duplicate

numbers across the three lines, but there cannot be duplicate numbers on a single line. Tickets for **MegaMatch 6**[SM] may be purchased for up to 10 draws in advance. **MegaMatch 6**[SM] tickets CANNOT be canceled. Sales are temporarily suspended at 6:45 p.m. on Tuesdays and Fridays to allow for the **MegaMatch 6**[SM] drawings. There are four ways to win from nine prize levels, from $7 to the jackpot. Players can win by matching six, five, or four numbers on a single line, or by the total number of matches contained within all three lines (Combination Win). It is possible to win up to four times on a single ticket. Duplicate numbers count toward a Combination Win, e.g., if "36" is a match and it appears on two lines, it counts twice toward a Combination Win. Players win the jackpot by matching all six numbers on a single line. The jackpot starts at $550,000 and increases by at least $25,000 for every draw that the jackpot is not won. The jackpot will be divided proportionally among multiple winners. Overall odds of winning a prize are 1 in 7.2. Odds of winning a top prize are 1 in 2,324,784. **MegaMatch 6**[SM] players have 180 days after the date of the drawing to redeem a prize.

MegaMatch 6[SM] sales for Fiscal Year 2008 were over $10.6 million in its debut year.

Powerball®

Powerball® drawings take place every Wednesday and Saturday at 10:59 p.m. Players pay $1 and select five white balls 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 a computer-selected "Quick Pick." Players must match all five white ball numbers drawn PLUS the red **Powerball**® number to win the jackpot, and there are eight lower-tier prize levels. 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**® sales are temporarily suspended at 9:59 p.m. on Wednesdays and Saturdays 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 for Fiscal Year 2008 exceeded $133.4 million.

South Carolina Education Lottery®

Instant Games!	**TICKETS MAY CONTINUE TO BE SOLD AFTER ALL TOP PRIZES HAVE BEEN CLAIMED.** The odds, the number of remaining or unclaimed prizes and total value of each prize level may vary depending on the actual number of tickets produced for sale by SCEL and will change as tickets are sold.
Add-A-Play*	Add-A-Play odds change as new games are introduced. Check the play station for the current game's odds.
Pick 3	Odds of winning a prize: From 1 in 167 to 1 in 1,000, depending upon the play type selected. Odds of not winning: From 166 in 167 to 999 in 1,000.
Pick 4	Odds of winning a prize: From 1 in 417 to 1 in 10,000, depending upon the play type selected. Odds of not winning: From 416 in 417 to 9,999 in 10,000.
Palmetto Cash 5 with power-up	Overall odds of winning: 1 in 8.4. Odds of winning the lowest prize: 1 in 9.2. Odds of winning a top prize: 1 in 501,942. Odds of not winning: From 8.2 in 9.2 to 501,941 in 501,942. Odds of winning $500,000 with Power-Up are 1 in 8,031,072.
MegaMatch	Overall odds of winning: 1 in 7.2. Odds of winning the lowest prize: 1 in 11. Odds of winning a top prize: 1 in 2,324,784. Odds of not winning: From 10 in 11 to 2,324,783 in 2,324,784.
Powerball	Overall odds of winning: 1 in 35.1. Odds of winning the lowest prize: 1 in 61.7. Odds of winning a top prize: 1 in 195,249,054. Odds of not winning: From 60.7 in 61.7 to 195,249,053 in 195,249,054.

PROMOTIONS

Summer Mystery Shopper Retailer Incentive

The Commission has run a summer mystery shopper retailer incentive program for retailers since the summer of 2005. A retailer qualifies for an entry to win $100 by meeting established incentive criteria, based on the Commission's summer promotion and associated instant tickets, as evaluated by the individual store's Marketing Sales Representative (MSR) or other Commission designated staff. The MSR gives entry postcards to the retail employee qualifying, and the employee mails the postcard in for the monthly drawings. There were 200 winners drawn in each of the three regions of the state in June, July, August, and September 2007, a total of 600 winners each month. A total of $240,000 was awarded to hard working retailers, who go the extra mile to maximize lottery displays in their locations.

That's The Ticket Second-Chance Summer Promotion

Launched in May 2007, players with non-winning, $10 **Cash Bonanza Riches** tickets could enter for a chance to win one of nine vacations for two to their choice of one of the following destinations: New York City, Las Vegas or Hollywood. Each trip package is valued at $50,000. To qualify, players had to mail in their non-winning tickets or register their tickets online at www.sceducationlottery.com. Three second-chance drawings were scheduled. Eight of the nine winners were selected at two **That's The Ticket** Grand Prize events held July 3, 2007, at the Charleston RiverDogs game in Charleston, and September 1, 2007, at the Beach, Boogie and BBQ Festival in Myrtle Beach. A final second-chance drawing for an additional trip will be held in early 2009.

Cruise Away with Palmetto Cash 5 Promotion

To celebrate **Palmetto Cash 5** expanding from three to five nights a week, the Commission launched the **Cruise Away with Palmetto Cash 5 Promotion**. From September 24 through November 2, 2007, an entry form automatically generated for each combined purchase of $5 in **Palmetto Cash 5** with $5 in **Power-Up** (for a $10 total purchase). Players mailed in the entry form to the indicated address for a chance to win a cruise. Two lucky winners each won a Caribbean cruise valued at approximately $1,400.

Deal or No Deal™ Second-Chance Drawings

Players could enter non-winning **Deal or No Deal™** instant tickets, by mail or online, for a chance to be a finalist in one of four second-chance drawings held. Each of the four finalists won a trip for four to Hollywood, CA, including airfare, hotel accommodations and state and federal taxes. Once in Hollywood, the four finalists joined finalists from other state lotteries. From that group, 13 national finalists were selected to play the **Deal or No Deal™** game show with Howie Mandel, the models, and the Banker. Players received a DVD of their show. In addition to the four second-chance drawings for a trip, a final, national second-chance drawing was held in August 2008 for $1 million.

PowerPlay® 10X® Promotion

The PowerPlay® 10X® promotion returned for the third year. For the month of April 2008, 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. The "10" was available for all Powerball® drawings from April 2 – April 30, 2008. When the "10" multiplier space on the wheel was randomly selected, all players who purchased PowerPlay® multiplied their winnings (not including the jackpot) by 10, resulting in prizes of up to $2 million.

Clean$weep

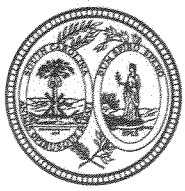
The Commission and PalmettoPride continue to engage in a joint effort entitled "Clean$weep," an anti-littering campaign. Players are invited to mail in 10 non-winning instant tickets, in any combination, to be entered in monthly drawings. The promotion utilizes these second-chance drawings to encourage players to properly dispose of paper tickets. Clean$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!

SOUTH CAROLINA
EDUCATION LOTTERY COMMISSION

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007

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 30, 2008

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 years ended June 30, 2008 and 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

CONTENTS

Report of Independent Certified Public Accountants	**19**
Management's Discussion and Analysis	**20-24**
Financial Statements:	
Statements of Net Assets	**25**
Statements of revenues, expenses and changes in net assets	**26**
Statements of cash flows	**27**
Notes to the Financial Statements	**28-38**
Other Supplementary Information	
Schedule of business-type activities for the Statewide CAFR	**39**
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 Auditind Standards	**40**
Schedule of Findings	**41**

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, 2008 and 2007 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, 2008 and 2007, and the respective 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 5, 2008 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 Statewide 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.

Columbia, South Carolina
September 5, 2008

Elliott Davis, LLC

Management of the South Carolina Education Lottery Commission (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 years ended June 30, 2008 and 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. These financial statements reflect only activities of the South Carolina Education Lottery Commission, a component unit of the State of South Carolina.

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 financial statements included in this report are as follows:

- The Statement of Net Assets provides information about the Commission's assets, liabilities, and net assets.
- The Statement of Revenues, Expenses, and Changes in Net Assets provide information about the revenues and expenses as it relates to lottery operations.
- The Statement of Cash Flows summarizes the cash inflows and cash outflows of the Commission's activities.
- Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is necessary to gain a comprehensive understanding of data reported in the financial statements.
- A Supplementary Schedule of Business-Type Activities for the Statewide CAFR is presented to show the revenues, expenses, remittances to the Education Lottery Account, and beginning and ending net assets.

The most important relationship demonstrated within the Commission's financial statements is the requirement that the Commission remit all 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 remittance to the Education Lottery Account, rather than the change in net assets of the Commission.

Financial Highlights

For the year ended June 30, 2008, there was an increase from the prior fiscal year of $4.2 million in revenues from lottery operations. The Commission returned $620.5 million to winners of lottery games and $70.4 million was paid to retailers for commissions and incentives. Other game related expenses totaled $17.1 million and operating expenses were $25.1 million. Net proceeds remitted to and due to the ELA were $265.3 million as of and for the year ended June 30, 2008.

For the year ended June 30, 2007, there was a decrease from the prior fiscal year of $156.1 million in revenues from lottery operations. 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 remitted to and due to the ELA were $279.2 million as of and for the year ended June 30, 2007.

For the year ended June 30, 2006, revenues from lottery operations 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 remitted to and due to the ELA 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. The introduction of a new game, MegaMatch 6SM, contributed to the increase in sales. The other elements which contribute to the level of sales are varied and the Commission attempts to identify these elements while marketing products in efforts to increase sales.

S.C. Code Ann. §59-150-60(A)(18) limits the amount of advertising expense to one percent of the previous year's gross sales, and §59-150-350(A) limits annual administrative expenses to fifteen percent of total annual revenue. Actual operating costs and the related limits for FY06 to FY08 follow:

	2008	2007	2006
Total Revenue	$995,955,172	$991,739,055	$1,147,851,700
Gross Sales	992,492,764	988,158,152	1,144,606,250
Advertising Expense Upper Limit	9,881,582	11,446,063	9,569,520
Actual Advertising Expense	8,332,591	9,866,628	8,682,936
Total Administrative Expense Upper Limit	149,393,276	148,760,858	172,177,755
Actual Total Adm. Exp. & Retailer Comm.	112,654,981	115,761,597	127,764,089

Condensed Financial Information

The summary of financial statements of the Commission is presented as follows:

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

Assets and Liabilities:

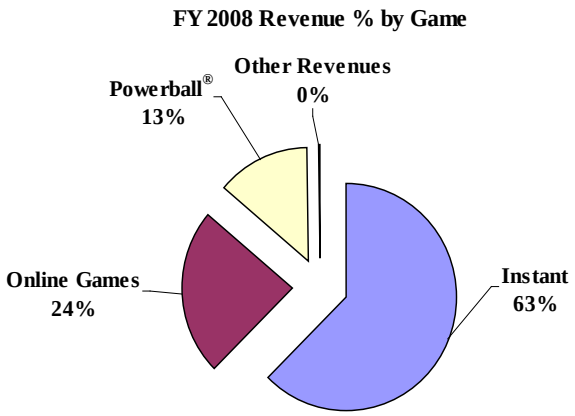
	2008	2007	2006
Current Assets	$ 49.8	$ 48.0	$ 38.7
Noncurrent Assets:			
Capital Assets	1.2	2.6	5.6
Other Noncurrent Assets	5.0	6.2	7.4
Total Noncurrent Assets	6.2	8.8	13.0
Total Assets	56.0	56.8	51.7
Current Liabilities	53.7	53.3	45.7
Noncurrent Liabilities	0.6	0.5	0.8
Total Liabilities	54.3	53.8	46.5
Net Assets			
Capital Assets Net of Related Debt	1.2	2.6	4.7
Restricted Assets	0.5	0.4	0.5
Total Net Assets	$ 1.7	$ 3.0	$ 5.2

The Commission's current assets consist primarily of cash and cash equivalents with deposits in financial institutions, accounts receivable from retailers, accounts receivable from Multi-State Lottery Association (MUSL), instant ticket inventory, and prepaid expenses. Noncurrent capital assets consist of machinery and equipment, vehicles and leasehold improvements. Other noncurrent assets consist of deposits with MUSL. Current liabilities consist primarily of amounts payable to the ELA

Commission Operations (in millions)

	2008	2007	2006
Revenue - Instant games	$ 622.9	$ 617.5	$ 696.5
Revenue – Online games	236.1	236.4	226.3
Revenue – Powerball®	133.5	134.3	221.8
Other Revenues	3.5	3.5	3.2
Total Revenues	$ 996.0	$ 991.7	$ 1,147.8

For fiscal year 2008 the percentage of revenue by game and other is as follows:



Expense by prize and other expenses:

	2008	2007	2006
Retailer Commissions and Incentives	$ 70.4	$ 70.0	$ 81.1
Prize expense - Instant games	442.9	428.7	482.0
Prize expense - Online games	114.1	110.2	115.5
Prize expense – Powerball®	63.5	61.2	104.9
Instant and online direct costs	17.1	18.1	20.4
Operating expenses	25.1	27.6	26.3
Total Expenses	$ 733.1	$ 715.8	$ 830.2

Non-operating income and expense, net:	2008	2007	2006
Interest Income	$ 1.1	$ 1.2	$ 1.2
Interest Expense	-	-	(0.1)
Total Non-Operating Income (Expense)	$ 1.1	$ 1.2	$ 1.1

	2008	2007	2006
Remitted and due to Education Lottery Acct	$ 265.3	$ 279.2	$ 320.6
Change in Net Assets	(1.4)	(2.1)	(1.9)
Ending Net Assets	1.7	3.0	5.2

All proceeds of the Commission must be remitted to the State Treasurer for the ELA 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 a lottery retailer. 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, 2008 the balance in the Restricted Fidelity Fund was $462,974. No transfers were made during the year for retailer losses. As of July 10, 2008 the Commission remitted $266.1 million, including $14.1 million in unclaimed prize funds to the State Treasurer for the ELA for the fiscal year ended June 30, 2008. Total remittances to the ELA are $1.8 billion from inception to June 30, 2008.

Capital Assets and Long Term Debt Activity (in millions)

Net capital assets for fiscal year 2008 are $1,201,168. Capital asset activity during the year included purchases of $628,729 and depreciation expense of $2,064,688. The largest capital asset item was fully depreciated during the current fiscal year, resulting in a significant decrease in depreciation expense.

Capital Assets	$ 22.4
Less: Accumulated Depreciation	21.2
Net assets invested in capital assets	$ 1.2

Net capital assets for fiscal year 2007 are $2,645,286. Capital asset activity during the year included purchases of $806,293 and depreciation expense of $3,726,082.

Capital Assets	$ 21.8
Less: Accumulated Depreciation	19.2
Net assets invested in capital assets	$ 2.6

There was no long term debt activity during the current fiscal year as related to the purchase of capital assets. Long term debt has carried a zero balance as of fiscal year June 30, 2007. Additional discussion on capital assets and long term debt activity can be found in notes 4 and 6 of the financial statements.

Potential Factors Impacting Future Operations

With the addition of Florida in January 2009, Powerball® will be positioned to generate larger jackpots more quickly, stimulating the sales of that product. The Commission's transition to a new gaming system in November 2008 will provide new opportunities for customer service on a 24-hour basis.

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

	For the years ended June 30, 2008	For the years ended June 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,671,077	$ 14,331,914
Cash - Restricted fidelity fund	462,974	410,933
Retailer accounts receivable, net of allowance for doubtful accounts of $161,455 and $288,128 for 2008 and 2007, respectively	32,925,011	29,679,489
Accounts receivable - Multi-State Lottery	288,939	-
Accrued interest receivable - Multi-State Lottery Association	552,496	493,509
Inventory	1,933,362	2,244,238
Prepaid expenses and other current assets	3,003,800	840,332
Total current assets	49,837,659	48,000,415
NONCURRENT ASSETS		
Capital assets, net	1,201,168	2,645,286
Deposits with Multi-State Lottery Association	4,960,120	6,162,310
Total noncurrent assets	6,161,288	8,807,596
Total assets	$ 55,998,947	$ 56,808,011
LIABILITIES		
CURRENT LIABILITIES		
Due to Education Lottery Account	$ 18,650,862	$ 21,848,082
Prizes payable	29,005,564	23,707,759
Prizes payable - Multi-State Lottery	471,303	1,983,868
Accounts payable	3,444,399	3,863,070
Accrued liabilities	911,584	983,362
Current portion of accrued compensated absences	491,642	425,044
Deferred revenue	720,113	431,185
Total current liabilities	53,695,467	53,242,370
NONCURRENT LIABILITIES		
Accrued compensated absences	639,338	509,422
Total liabilities	54,334,805	53,751,792
NET ASSETS		
Net assets, invested in capital assets	1,201,168	2,645,286
Restricted - fidelity funds	462,974	410,933
Total net assets	1,664,142	3,056,219
Total liabilities and net assets	$ 55,998,947	$ 56,808,011

See notes fo 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, 2008	For the years ended June 30, 2007
OPERATING REVENUES		
Instant games	$ 622,863,738	$ 617,473,072
On-line games	236,145,782	236,372,864
Powerball® games	133,483,244	134,312,216
Retailer permit fees	501,005	503,180
Retailer telephone fees	2,742,225	2,777,700
Other	219,178	300,023
Total revenue	995,955,172	991,739,055
DIRECT COSTS		
Commissions and incentives to retailers	70,432,616	70,036,326
Prize expense		
Instant games	442,920,754	428,661,025
On-line games	114,079,965	110,197,558
Powerball® games	63,470,068	61,227,842
Total prize expense	620,470,787	600,086,425
Instant and on-line costs	17,089,005	18,077,179
Total direct costs	707,992,408	688,199,930
Gross profit	287,962,764	303,539,125
OPERATING EXPENSES		
Advertising and promotion	8,332,591	9,866,628
Security checks	232,980	219,180
Salaries, wages and benefits	10,619,644	9,847,490
Contracted and professional services	421,040	494,705
Depreciation	2,064,688	3,726,082
Rent expense	981,250	804,196
Office supplies	179,967	211,861
Bad debt expense	-	111,356
Other general and administrative	2,301,200	2,366,594
Total operating expenses	25,133,360	27,648,092
Operating Income	262,829,404	275,891,033
NON-OPERATING INCOME (EXPENSE)		
Interest income	1,069,337	1,230,566
Gains and Losses	(2,054)	14,825
Interest expense	-	(25,091)
Total non-operating income	1,067,283	1,220,300
Change in net assets before amount remitted to and due to Education Lottery Account	263,896,687	277,111,333
REMITTED TO AND DUE TO EDUCATION LOTTERY ACCOUNT	265,288,764	279,236,385
Change in net assets	(1,392,077)	(2,125,052)
NET ASSETS,		
BEGINNING OF YEAR	3,056,219	5,181,271
END OF YEAR	$ 1,664,142	$ 3,056,219

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

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
STATEMENTS OF CASH FLOWS

	For the years ended June 30, 2008	For the years ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	$ 992,707,585	$ 990,639,762
Cash payments to prize winners	(616,685,547)	(603,917,819)
Cash payments to suppliers for goods and services	(102,348,105)	(99,791,168)
Cash payments to employees for services	(10,386,661)	(9,656,428)
Net cash provided by operating activities	263,287,272	277,274,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Refunds of deposit with Multi-State Lottery	1,202,190	1,262,690
Payments to Education Lottery Account	(268,485,984)	(268,328,057)
Net cash used for noncapital financing activities	(267,283,794)	(267,065,367)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from dispositions of capital assets	6,105	18,150
Interest paid	-	(25,091)
Purchase of capital assets	(628,729)	(806,293)
Net paid for short-term and long-term debt	-	(882,359)
Net cash used for financing activities	(622,624)	(1,695,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,010,350	737,057
Net cash provided by investing activities	1,010,350	737,057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,608,796)	9,250,444
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	14,742,847	5,492,403
END OF YEAR	$ **11,134,051**	$ **14,742,847**
OPERATING ACTIVITIES		
Operating income	$ 262,829,404	$ 275,891,033
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,064,688	3,726,082
Changes in assets and liabilities		
Retailer accounts receivable	(3,245,522)	(660,375)
Accounts receivable - Multi-State Lottery	(288,939)	-
Inventory	310,876	1,137,246
Prepaid expenses and other assets	(2,163,468)	(5,621)
Accounts payable and accrued liabilities	(293,935)	1,471,118
Prizes payable	3,785,240	(3,831,393)
Deferred revenue	288,928	(453,743)
Net cash provided by operating activities	$ **263,287,272**	$ **277,274,347**

See notes fo financial statements which are an integral part of these 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 remits "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. The estimates and assumptions made 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 online games.

Non-operating income

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

Revenue, accounts receivable, and deferred revenue recognition

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

Revenue and accounts receivable for instant 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 online 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 average cost method) and consist of instant 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 the last day to sell for instant games and within 180 days after the draw date for online games. Unclaimed prize money must be deposited in the Education Lottery Account each year.

Net assets

Net assets represent cumulative revenues, less expense, in excess of net proceeds remitted or payable to the ELA, 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. The Commission maintains allowances for potential losses which management believes are adequate to absorb losses to be incurred in realizing the amounts recorded in the accompanying financial statements. Credit risk with respect to accounts receivable is dispersed due to the nature of the business and the large number of retailers. The Commission performs credit evaluations of all its retailers.

Accrued interest receivable

Accrued interest receivable represents interest earned from participation in the Multi-State Lottery Association. 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 the capital assets. 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 asset purchases of $5,000 or more. The estimated useful lives used for the major asset categories are as follows:

Machinery and equipment	3 – 7 years
Vehicles	3 – 5 years
Leasehold improvements	5 – 10 years

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 (ELA). As of June 30, 2008 the balance in the Restricted Fidelity Fund was $462,974. No transfers were made in the current fiscal year for retailer losses. The fidelity fund is held in a separate account and appears on the Statement of Net Assets as “Restricted - fidelity funds.”

Insurance

The Commission is exposed to the risk 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 fiscal years. The Commission is also exposed to custodial credit risk on deposits, which is outlined in note 3.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Association (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, 2008 and 2007, the amounts of the Commission deposits were as follows:

	2008		2007	
	Carrying amount	Bank balances	Carrying amount	Bank balances
Demand deposits	$ 10,724,117	$ 11,553,107	$ 14,328,629	$ 15,012,767
Deposits held by State Treasurer	409,934	409,934	414,218	369,218
	$ 11,134,051	**$ 11,963,041**	**$ 14,742,847**	**$ 15,381,985**

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, 2008 and 2007, all of the Commission's bank balances of $11,963,041 and $15,381,985, 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, 2008 and 2007.

State law

The Act requires the Commission to remit 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 2008:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Cost				
Machinery and equipment	$ 20,854,317	$ 268,408	$ (66,693)	$21,056,032
Vehicles	68,826	-	-	68,826
Leasehold improvements	955,373	360,321	-	1,315,694
	21,878,516	628,729	(66,693)	22,440,552
Accumulated depreciation				
Machinery and equipment	(18,502,775)	(1,968,266)	58,534	(20,412,507)
Vehicles	(68,826)	-	-	(68,826)
Leasehold Improvements	(661,629)	(96,422)	-	(758,051)
	(19,233,230)	(2,064,688)	58,534	(21,239,384)
Total capital assets, net	**$ 2,645,286**	**$ (1,435,959)**	**$ (8,159)**	**$ 1,201,168**

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 5 – ACCRUED EXPENSES

Accrued liabilities at June 30, 2008 consist of the following:	
Accrued payroll and related expenses	$ 807,793
Accrued other expenses	103,791
Total Accrued	**$ 911,584**

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
Accrued other expenses	58,955
Total Accrued	**$ 983,362**

NOTE 6 – LONG –TERM DEBT AND COMMITMENTS

During January 2008, the Commission entered into a ten year contract with a new vendor, Intralot, to provide Gaming Services. The contract requires Intralot to provide, among other things, services and equipment for online lottery operations for yearly payments of $6,777,900 for the life of the contract. Conversion to Intralot from Scientific Games began during the current fiscal year and will be completed on November 4, 2008. No payments were made to Intralot during the current fiscal year. The online contract with Scientific Games expires November 15, 2008.

In October 2001, the Commission entered into its first six year contract with Scientific Games, to provide, among other things, services and equipment for online 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 at $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 Scientific Games to provide administrative services was extended for an additional ten and a half (10½) months through November 15, 2008. The extension requires ten monthly payments of $450,000 with a final payment of $225,000.

Scientific Games has provided services for the instant games contract since inception. During fiscal year 2006 the contract was rebid and Scientific Games was awarded the contract to provide instant tickets including services of marketing support, warehousing, and distribution, among other items associated with providing instant tickets. The contract period ends September 2013.

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	$ -

NOTE 7 – ACCRUED COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences during fiscal year 2008:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Accrued compensated absences	$ 934,466	$ 758,726	$ 562,212	$ 1,130,980

Compensated absences due in the next fiscal year is estimated at $491,642, 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 2007:

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

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
2009	746,840
2010	765,288
2011	768,350
2012	706,430
2013	635,123
2014 thru 2016	1,841,437

Rental expenses under all operating leases including those on month-to-month terms totaled approximately $981,250 and $804,196 for the years ended June 30, 2008, and 2007, respectively. This includes $107,868 and $87,551 of vehicle rental expense to the State Fleet management.

NOTE 9 – DUE TO EDUCATION LOTTERY ACCOUNT (ELA)

In accordance with the Act, all net proceeds of the Commission are to be remitted to the ELA 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 remittances due to the ELA at June 30:

	2008	2007
Amount payable to the Education Lottery Account, beginning of year	$ 21,848,082	$ 10,939,754
Change in net assets subject to remittance	263,896,687	277,111,333
	285,744,769	288,051,087
Change in capital assets, net of related debt		
Capital assets, net	1,444,118	2,923,114
Long-term debt	-	(882,359)
	1,444,118	2,040,755
Net amount (collected for) paid from fidelity fund	(52,041)	84,297
Amount paid during the year	(268,485,984)	(268,328,057)
Amount payable to the Education Lottery Account, end of year	**$ 18,650,862**	**$ 21,848,082**

Net proceeds remittances related to the above payable were made to the Education Lottery Account in July 2008, and 2007, 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	9.06% of salary
Insurance surcharge	3.42% of salary
Group life insurance	.15% of salary

For the years ending June 30, 2008, and 2007 the Commission contributions to SCRS were $918,133, and $844,606 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, 2008.

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 participates 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, or by calling (803) 737-6800, and on the website at www.retirement.sc.gov.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Commission contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid approximately $252,537 and $237,631 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was $3.23 for the fiscal years ended June 30, 2008 and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

NOTE 12 – 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, 2008.

NOTE 13 –TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2008, 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	$ 7,169,613	Transfers of state tax withholding, use taxes, debt setoffs, and retailer credit checks
SLED	374,111	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	268,485,984	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	9,824,125	Transfer of payroll funds for processing
Comptroller General	30,000	Fees for payroll processing
Comptroller General	16,565	Unemployment compensation premium
South Carolina Budget & Control Board	381,880	Insurance, telephone, printing, misc. services
South Carolina Department of Social Services	38,475	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	321,478	Security services

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	Remittances 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

South Carolina Education Lottery Commission
Supplementary Schedule of Business-Type
Activities for the Statewide CAFR

	For the years ended June 30, 2008	2007
Charges for services	$ 995,955,172	$ 991,739,055
Operating grants and contributions	1,067,283	1,245,391
Less expenses	733,125,768	715,873,113
Net program revenue	263,896,687	277,111,333
Remittances out to state agencies/funds	(265,288,764)	(279,236,385)
Change in net assets	(1,392,077)	(2,125,052)
NET ASSETS - BEGINNING	3,056,219	5,181,271
NET ASSETS - ENDING	**$ 1,664,142**	**$ 3,056,219**

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 discreetly presented component unit of the State of South Carolina (the State), as of and for the year ended June 30, 2008 and 2007, and have issued our report thereon dated September 5, 2008. 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 5, 2008

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SCHEDULE OF FINDINGS
For the year ended June 30, 2008

I. SUMMARY OF AUDITOR'S RESULTS

We have issued an unqualified opinion, dated September 5, 2008 on the financial statements of the Commission as of and for the year ended June 30, 2008.

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*.

2008 Comprehensive Annual Financial Report

Report on financial statements for the fiscal year ended June 30, 2008

Statistical Information

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

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 Commission'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 transfer 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.

Global

In the September 2008 issue of *La Fleur's Magazine*, the South Carolina Education Lottery Commission was included in the top 10 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 2008 issue are for sales during the 2007 fiscal year.

In terms of total sales per capita, the Commission ranked 5th with instant ticket sales per capita of $249 and 8th 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 high-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 patients 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.

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.

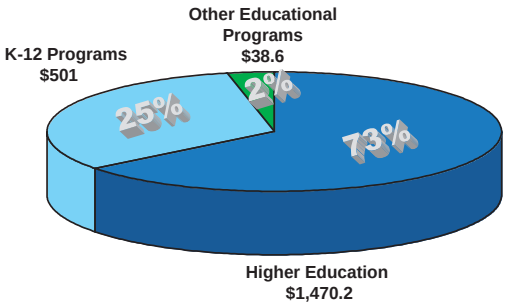
Who decides which programs are funded?

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?

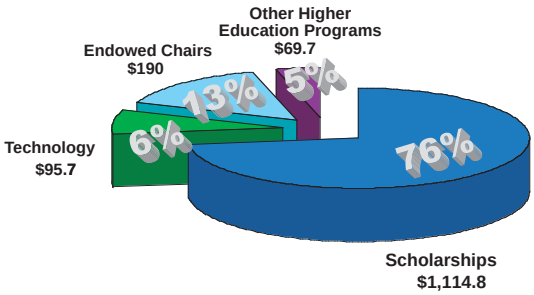
Since the start of the Lottery in January of 2002, the Legislature has appropriated more than $2 billion through fiscal year 2008-09.

Lottery Dollars Appropriated to Date*



*Dollar figures for all charts are in millions and incorporate the period from January 7, 2002 - June 30, 2009. Figures are accurate as of July 23, 2008.

Higher Education Appropriations to Date**



**Source of appropriations: Office of State Budget, SC Budget and Control Board."Education Lottery Appropriations." July 23, 2008.www.budget.sc.gov

Scholarship/Grant	Eligibility Requirements
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 SAT (SAT Writing subsection not applicable) or 27 on ACT • Earn a minimum 3.5 cumulative grade point average (GPA) based on SC Uniform Grading Policy (SC UGP) • Rank in the top 6% of class in the sophomore, junior or senior year **Alternate high school requirements** • Score at least 1400 on SAT (SAT Writing subsection not applicable) or 32 on ACT and earn a minimum 4.0 cumulative GPA based on SC UGP (rank requirement waived) **To retain eligibility** • Earn a minimum 3.0 cumulative GPA each academic year (Fall, Spring and Summer) • Earn at least 30 credit hours each academic year • Enroll full-time as a degree-seeking student at time of scholarship disbursement
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 at least 1100 on SAT (SAT Writing subsection not applicable) or 24 on ACT • Earn a minimum 3.0 cumulative GPA based on SC UGP at end of senior year • Rank in the top 30% of graduating class **High school requirements for a 2-year institution** • Earn a minimum 3.0 cumulative GPA based on SC UGP at end of senior year (test score and rank requirements waived) **To retain eligibility each academic year after initial date of college enrollment** • Earn a minimum 3.0 LIFE GPA each academic year (Fall, Spring and Summer) • Earn an average of 30 credit hours each academic year • Enroll full-time as a degree-seeking student at time of scholarship disbursement
*** **Enhancements for LIFE & Palmetto Fellows Scholarship Recipients in Eligible Math/Science Programs**	*** As of Fall 2007, LIFE Scholarship and Palmetto Fellows Scholarship recipients may qualify for additional scholarship money. Increased funds are provided to students who have met the eligibility requirements for either the LIFE Scholarship or Palmetto Fellows Scholarship and have declared a major in an eligible program in the areas of
SC HOPE Must not be a recipient of a LIFE or Palmetto Fellows Scholarship or Lottery Tuition Assistance	**High school requirements** **(Award only available for freshman year of college)** • Earn a minimum 3.0 cumulative GPA based on SC UGP at the end of senior year • Enroll full-time as a degree-seeking student at time of scholarship disbursement
State Need-based Grant (Public Institutions or +Independent Colleges)	**Initial eligibility** • Complete FAFSA and be determined a "needy" student • Enroll part-time or full-time as a degree-seeking student at time of grant disbursement **To retain eligibility** • Earn a minimum 2.0 cumulative GPA each academic year (Fall, Spring and Summer) • Earn a minimum of 24 credit hours per academic year for full-time students • Earn a minimum of 12 credit hours per academic year for part-time students • Complete FAFSA and be determined a "needy" student each academic year
Lottery Tuition Assistance Must not be eligible for or a recipient of a LIFE, Palmetto Fellows or SC HOPE Scholarship	**Eligibility requirements for each academic year** • Complete FAFSA or FAFSA Waiver • Enroll in at least 6 credit hours as a degree-seeking student at time of grant disbursement • Make reasonable academic progress in an eligible program • After attempting 24 credit hours, earn a minimum 2.0 cumulative GPA each academic year
National Guard College Assistance Program	**Initial eligibility** National Guard members must: • Be and remain in good standing with the active National Guard throughout the entire academic year • Have valid tuition and fee expenses from an eligible institution • Maintain a cumulative GPA that the institution requires to remain a student • Be admitted, enrolled, and classified as a degree-seeking full-time or part-time student at an eligible institution • Satisfy additional eligibility requirements issued by the Commission Individuals joining the National Guard are eligible for college assistance program benefits on the day of enlistment and must continue their service during the term of the courses covered by the benefit received. Officers must continue their service for at least 4 years after completion of the most recent program benefit award or degree received. National Guard members receiving full ROTC scholarships are not eligible. Priority may be given to applicants in areas of critical needs as determined by the S.C. National Guard. **To retain eligibility:** Members must continue to meet all eligibility requirements

Higher Education Scholarship/Grant Information

Prospective students who are S.C. residents should contact their high school guidance counselor and/or their college's financial aid office. Summarized below are the criteria established by the General Assembly that govern eligibility:

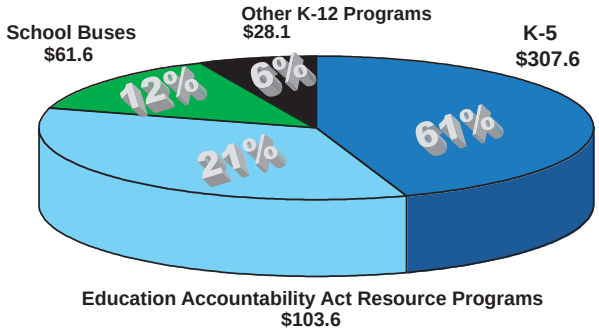
Information valid for 2008-09 academic year only and is subject to change. The information presented is accurate as of June 2008.
Please visit the Commission on Higher Education's website at www.che.sc.gov for scholarship updates.

Application Deadlines & Award Notification	Award-Amount
Early Application Deadline Mid-December of senior year of high school-*Confirm date with CHE* **Award Date** February of senior year of high school **Final Application Deadline** Mid-June at end of senior year of high school-*Confirm date with CHE* **Award Date** Summer following graduation **Application required in senior year–**obtain through high school guidance office. Students must: 1) return the acceptance form to CHE by the established date or forfeit the scholarship; and 2) accept the scholarship with both CHE and the financial aid office of the institution they plan to attend	**4-year degree (Eligible S.C. Public or Private Institution)** Up to $6,700 in the freshman year not to exceed the cost of attendance; sophomores and above receive up to $7,500 per academic year not to exceed the cost of attendance ***Sophomores and above who are eligible for the Palmetto Fellows Scholarship Enhancement may receive up to a maximum of $10,000 per academic year not to exceed the cost of attendance
Application not required (institution may require documentation) College notifies and awards eligible students	**4-year degree (Eligible 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 ***Sophomores and above in approved math/science programs may receive up to $7,500 per academic year not to exceed the cost of attendance **2-year college associate degree (Eligible 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 ***Students attending 2-year institutions or technical colleges are NOT eligible to receive the LIFE Scholarship Enhancement
science, mathematics, computer science, engineering, science education,math education, healthcare and related disciplines (including nursing, pre-medicine and pre-dentistry). To receive a Scholarship Enhancement, students must earn at least 14 credit hours of instruction in approved math and science courses by the end of the first year of college enrollment. For specific information on the requirements for the new Scholarship Enhancements, visit the Commission on Higher Education's website at www.che.sc.gov or call (803) 737-2260. Students and parents may also call the Commission's toll-free hotline at 1-877-349-7183 during regular business hours or from 5:30 - 8:30 p.m. Tuesday through Thursday	
Application not required (institution may require documentation) College notifies and awards eligible students	**4-year degree (Eligible S.C. Public or Private Institution)** Up to $2,800 ($2,500 plus $300 book allowance) for the first academic year (two terms) only toward cost of attendance
Deadline • Applicants should submit FAFSA as early as possible after January 1st each year. Check with your public institution's financial aid office about their priority financial aid deadline • Foster care youth must self-identify and submit the waiver form to be eligible for any additional funds + Students who plan to attend independent colleges should contact the S.C. Higher Education Tuition Grants Commission at (803) 896-1120	Up to $2,500 per academic year toward cost of attendance for full-time enrollment (at least 12 hours per semester) Up to $1,250 per academic year toward cost of attendance for part-time enrollment (6-11 hours per semester) Foster care youth may receive the maximum award of $2,500 and an additional award of up to $2,000 per academic year (cannot exceed cost of attendance)
Deadline Complete FAFSA (or FAFSA Waiver if applicable) and send results to the institution's financial aid office by deadline established by the U.S. Department of Education each academic year	**2-year degree (Eligible S.C. Public or Private Institution)** Award based on student's enrollment status. In calculating the award amount, Federal grants and the S.C. Need-based Grant must be awarded first. Award amounts are subject to change each term based upon the number of eligible recipients and available funding each academic year. Award must be applied toward cost of tuition only
A new application must be submitted for each separate academic year	**4-year degree and 2-year degree (Eligible S.C. Public or Private Institution)** Qualified members of the National Guard may receive college assistance program benefits up to 100% of the cost of attendance, not to exceed $18,000. No benefits will be awarded for more than 130 semester hours or related quarter hours from the time of initial eligibility of the program, for continuing education, or for graduate degree courses. Members who have been awarded a bachelor's or graduate degree are not eligible for benefits

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 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

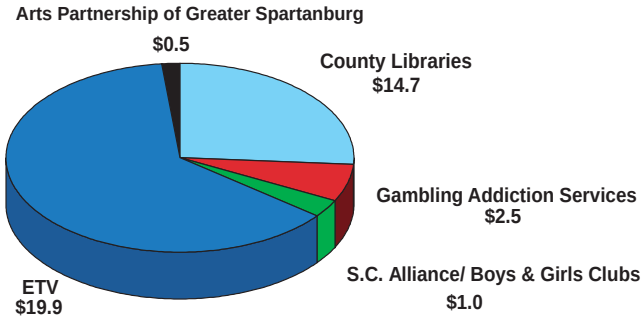
Since school year 2004-05, lottery funds have been appropriated toward improving teacher and student achievement in grades six–eight in reading, mathematics, social studies, and science.

School Buses

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

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, 2009. Figures are accurate as of July 23, 2008. ***Accurate as of August 5, 2007.

County Libraries

County libraries have been appropriated $14.7 million to date, based upon a formula set by the General Assembly.

Gambling Addiction Services

SCEL strongly encourages people to "play responsibly." To this end, $2.5 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:

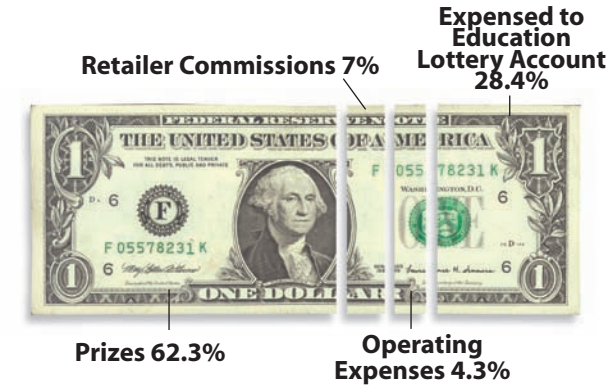
South Carolina Education Lottery
www.sceducationlottery.com

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, 2008

State Fiscal Year	Revenues*	Prizes	Retailer Commissions	Operating Expenses	Transfers to Education Lottery Acct.**
2001-2002	$337.1	$200.3	$23.5	$25.7	$87.7
	100%	59%	7%	8%	26%
2002-2003	$727.1	$415.7	$51.1	$41.0	$219.3
	100%	57%	7%	6%	30%
2003-2004	$953.4	$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%
2007-2008	$995.9	$620.5	$70.4	$41.1	$263.9
	100%	62%	7%	4%	26%
TOTAL	$6,113.3	$3,664.8	$430.6	$283.2	$1,734.7
	100%	59.95%	7.04%	4.63%	28.38 %

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

Lottery Scholarship Distribution by County Since Inception

County	K-12*	Scholarship Awards **	Scholarship Amounts**	LibraryTotals***	Totals By County
ABBEVILLE	$1,662,138.90	4,932	$5,443,382.55	$230,939.80	$ 7,336,461
AIKEN	$9,082,732.81	20,944	$30,364,239.80	$402,093.71	$ 39,849,066
ALLENDALE	$5,337,318.04	1,547	$1,545,049.17	$208,945.76	$ 7,091,313
ANDERSON	$11,934,635.81	27,466	$34,616,761.41	$436,193.60	$ 46,987,591
BAMBERG	$3,563,846.26	3,074	$3,129,849.82	$216,956.03	$ 6,910,652
BARNWELL	$3,722,916.21	3,963	$4,855,341.25	$226,985.41	$ 8,805,243
BEAUFORT	$8,052,665.56	13,607	$18,059,142.14	$370,307.03	$ 26,482,115
BERKELEY	$10,420,113.44	25,543	$29,013,117.10	$402,239.29	$ 39,835,470
CALHOUN	$1,995,672.65	2,542	$2,703,154.56	$214,789.86	$ 4,913,617
CHARLESTON	$26,951,537.80	45,926	$60,957,566.24	$648,294.45	$ 88,557,398
CHEROKEE	$4,657,025.50	7,111	$7,890,430.11	$269,719.10	$ 12,817,175
CHESTER	$3,108,537.48	4,560	$5,106,580.97	$242,558.89	$ 8,457,677
CHESTERFIELD	$4,053,327.94	6,970	$7,850,611.02	$255,352.97	$ 12,159,292
CLARENDON	$4,759,990.20	5,302	$5,482,255.68	$240,255.96	$ 10,482,502
COLLETON	$5,136,721.17	5,011	$5,685,635.17	$248,729.46	$ 11,071,086
DARLINGTON	$7,462,837.70	9,995	$11,384,538.32	$291,567.57	$ 19,138,944
DILLON	$5,273,058.29	4,484	$5,195,903.36	$237,638.32	$ 10,706,600
DORCHESTER	$10,750,217.07	20,889	$27,069,222.13	$334,242.44	$ 38,153,682
EDGEFIELD	$1,849,379.47	3,054	$3,816,210.58	$228,628.05	$ 5,894,218
FAIRFIELD	$3,864,637.46	4,131	$3,969,889.36	$226,950.12	$ 8,061,477
FLORENCE	$12,570,434.95	21,559	$28,982,577.08	$377,401.14	$ 41,930,413
GEORGETOWN	$4,383,535.20	8,419	$11,351,263.70	$274,513.21	$ 16,009,312
GREENVILLE	$24,680,724.50	66,558	$91,722,817.37	$750,716.19	$ 117,154,258
GREENWOOD	$5,261,978.94	14,798	$17,757,649.35	$289,916.10	$ 23,309,544
HAMPTON	$3,557,043.56	3,394	$3,792,340.48	$223,908.95	$ 7,573,293
HORRY	$11,544,435.88	24,188	$34,884,797.74	$481,618.47	$ 46,910,852
JASPER	$4,457,491.94	1,441	$1,386,257.97	$222,867.77	$ 6,066,618
KERSHAW	$4,307,812.89	8,764	$11,257,879.99	$269,880.86	$ 15,835,574
LANCASTER	$4,685,265.27	7,168	$10,865,773.58	$282,680.83	$ 15,833,720
LAURENS	$5,539,512.22	10,554	$11,884,788.49	$294,763.15	$ 17,719,064
LEE	$3,712,049.90	2,376	$2,435,252.74	$222,045.72	$ 6,369,348
LEXINGTON	$25,338,440.94	38,494	$57,287,083.19	$510,125.74	$ 83,135,650
MCCORMICK	$4,685,396.71	1,338	$1,493,385.02	$207,103.11	$ 6,385,885
MARION	$843,520.57	4,978	$5,439,705.37	$244,614.77	$ 6,527,841
MARLBORO	$5,396,351.09	5,093	$4,580,048.19	$234,838.32	$ 10,211,238
NEWBERRY	$3,489,054.87	6,265	$7,406,495.47	$245,558.88	$ 11,141,109
OCONEE	4,518,279.87	10,129	$13,548,309.25	$289,833.75	$ 18,356,423
ORANGEBURG	$12,453,796.62	17,338	$17,624,154.05	$327,138.05	$ 30,405,089
PICKENS	$5,515,430.60	18,914	$25,004,234.40	$355,336.49	$ 30,875,001
RICHLAND	$26,305,383.15	49,429	$65,968,348.44	$664,041.45	$ 92,937,773
SALUDA	$1,503,868.29	2,742	$3,377,337.82	$220,666.31	$ 5,101,872
SPARTANBURG	$21,427,676.33	41,093	$54,425,175.09	$565,679.98	$ 76,418,531
SUMTER	$8,541,366.14	18,380	$21,529,181.95	$346,349.76	$ 30,416,898
UNION	$3,362,609.49	5,899	$7,734,671.52	$236,401.56	$ 11,333,683
WILLIAMSBURG	$3,562,432.99	7,536	$6,817,909.92	$247,189.76	$ 10,627,533
YORK	$12,583,260.38	25,542	$40,925,687.81	$434,537.73	$ 53,943,486
OTHERS****	$8,000,653.96	20,222	$24,538,393.67	$0.00	$ 32,539,048
Total	365,867,117	663,662	858,160,400	14,753,116	,238,780,633

*Information provided by SC Department of Education for FY 2003-2008

**Scholarship information for academic years 2002-2007 provided by CHE.

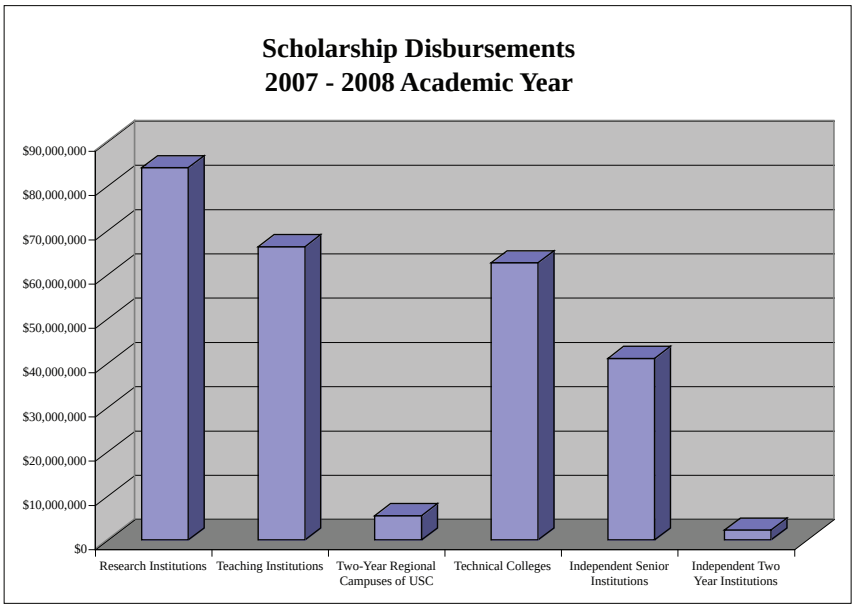
***Information provided by SC State Library for years in which appropriations were received.

****"Others" K-12 amounts from DOE include items not broken down by county.

The "Others" category for Higher Educaiton scholarships includes information not tracked by county.

South Carolina Commission on Higher Education
Scholarship Disbursements
2007-2008 Academic Year (Fall, Winter, Spring and Summer Combined)

	Total	
	Number	Amount
Research Institutions		
Clemson University	7,059	39,086,167
U.S.C. Columbia	9,690	44,599,644
Medical University of S.C.	91	392,201
Sub Totals	16,840	84,078,013
Teaching Institutions		
The Citadel	452	1,844,423
Coastal Carolina University	2,071	7,605,871
College of Charleston	3,540	16,951,355
Francis Marion University	1,809	6,445,105
Lander University	1,084	4,083,832
S. C. State University	1,348	3,834,577
U.S.C. Aiken	1,351	5,673,884
U.S.C. Beaufort	313	1,179,903
U.S.C. Upstate	1,972	7,927,875
Winthrop University	2,509	10,706,106
Sub Totals	16,449	66,252,931
Two-Year Regional Campuses of USC		
U.S.C. Lancaster	757	2,000,489
U.S.C. Salkehatchie	606	1,098,078
U.S.C. Sumter	837	1,752,627
U.S.C. Union	437	657,754
Sub Totals	2,637	5,508,948
Technical Colleges		
Aiken Tech	1,784	1,937,516
Central Carolina Tech	2,024	1,915,764
Denmark Tech	723	628,035
Florence-Darlington Tech	2,278	3,097,295
Greenville Tech	8,896	11,432,943
Horry-Georgetown Tech	3,399	4,077,245
Midlands Tech	6,971	9,152,238
Northeastern Tech	913	798,680
Orangeburg-Calhoun Tech	1,792	1,805,129
Piedmont Tech	3,821	4,125,587
Spartanburg Tech	3,138	4,098,565
Tech Coll. of the Lowcountry	1,270	1,226,813
Tri-County Tech	3,765	5,590,153
Trident Tech	7,617	9,087,830
Williamsburg Tech	416	347,405
York Tech	2,494	3,291,645
Sub Totals	51,301	62,612,842
Independent Senior Institutions		
Allen University	264	245,603
Anderson University	1,430	3,101,585
Benedict College	1,102	1,360,398
Bob Jones University	1,030	2,690,765
Charleston Southern Univ.	1,896	3,628,438
Claflin University	1,405	2,396,992
Coker College	1,034	1,577,761
Columbia College	1,080	2,383,354
Columbia International Univ.	233	469,968
Converse College	611	1,579,165
Erskine College	599	1,628,683
Furman University	1,090	4,076,582
Limestone College	917	887,476
Morris College	594	518,149
Newberry College	889	1,811,154
North Greenville University	1,747	4,014,964
Presbyterian College	952	3,067,744
South University	21	109,840
Southern Wesleyan Univ.	842	1,033,727
Voorhees College	174	157,859
Wofford College	1,100	4,253,805
Sub Totals	19,010	40,994,011
Independent Two-Year Institutions		
Spartanburg Methodist Coll.	1,194	2,240,860
Sub Totals	1,194	2,240,860
ACADEMIC TOTALS	107,431	$261,687,604



Date: 8/28/2008
Source: Commission on Higher Education Website 2007-2008 Academic Year
* Unduplicated headcount for the academic year for each scholarship type.

Beneficiaries

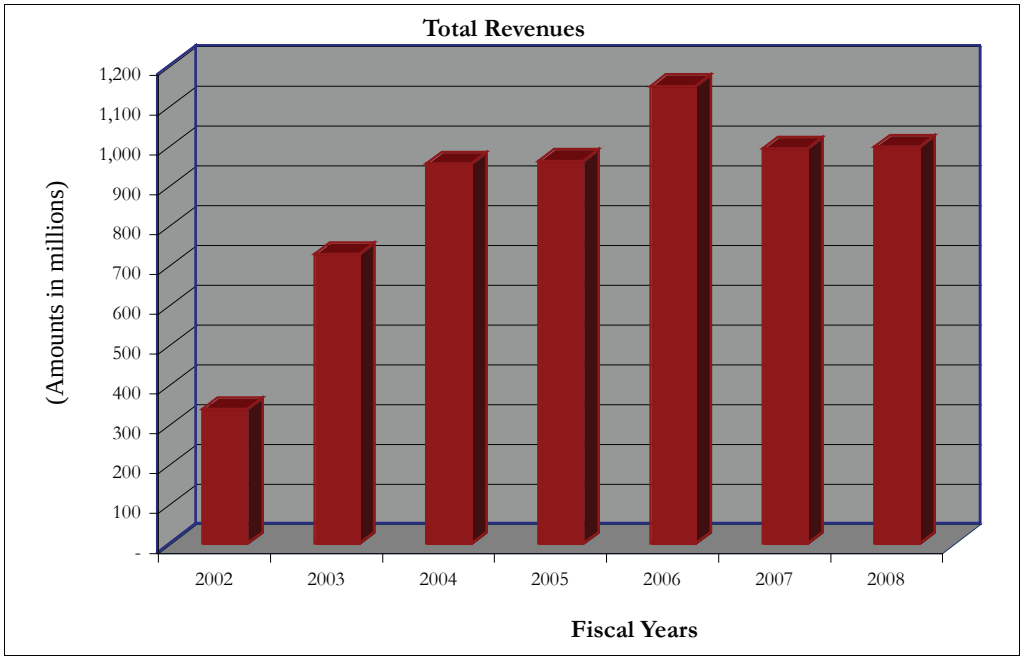
South Carolina Education Lottery
Statement of Revenue, Expenses, and Changes in Net Assets
For Fiscal Years Ending June 30 (since inception)

	2008	2007	2006	2005	2004	2003	2002
Revenues							
Revenue - Instant Games	$ 622,863,738	$ 617,473,072	$ 696,459,836	$ 578,838,811	$ 537,339,766	$ 426,311,967	$ 306,321,772
Revenue - Pick 3	137,072,324	138,431,158	134,328,783	118,853,836	109,098,145	99,076,360	27,799,674
Revenue - Pick 4	62,037,872	62,134,053	58,390,812	51,322,171	48,592,577	19,490,444	-
Revenue - Powerball®	133,483,244	134,312,216	221,810,074	178,937,972	232,186,929	153,849,870	-
Revenue - Palmetto Cash 5	26,346,062	26,749,573	33,616,745	28,999,228	22,790,254	25,584,634	1,367,324
Revenue - MegaMatch 6 SM	10,689,524	-	-	-	-	-	-
Revenue - Millionaire Raffle	-	9,058,080	-	-	-	-	-
Permit Fees	501,005	503,180	505,230	480,600	496,555	327,813	566,492
Reserve for Bond	45,750	42,075	37,200	44,115	37,125	209,371	458,357
Retailer Telephone Fees	2,742,225	2,777,700	2,690,863	2,645,765	2,596,384	2,044,924	631,549
Miscellaneous Revenue	173,428	257,948	12,157	26,965	24,912	14,147	3,891
Total Revenues	995,955,172	991,739,055	1,147,851,700	960,149,462	953,162,647	726,909,530	337,149,060
Direct Costs							
Retailer Commissions	69,469,511	69,171,329	80,109,450	66,975,675	66,499,099	50,700,500	23,486,957
Retailer Incentives	963,105	864,997	955,917	558,372	451,304	435,750	-
Total Commissions and Incentives	70,432,616	70,036,326	81,065,367	67,534,047	66,950,403	51,136,250	23,486,957
Prize Expense							
Instant Games	442,920,754	428,661,025	481,978,668	396,667,017	359,887,244	274,301,493	186,493,692
On-line Games	177,550,033	171,425,400	220,362,886	176,928,852	192,399,813	141,415,762	13,816,805
Total Prize Expense	620,470,787	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	6,845,439	7,819,755	9,534,154	8,204,907	8,682,508	8,151,324	4,086,030
On-line Game Costs	10,243,566	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	17,089,005	18,077,179	20,378,890	18,175,707	20,385,780	19,253,048	10,305,020
Total Direct Costs	707,992,407	688,199,930	803,785,811	659,305,623	639,623,241	486,106,553	234,102,474
Gross Profit	287,962,765	303,539,125	344,065,889	300,843,839	313,539,406	240,802,977	103,046,585
Operating Expenses							
Advertising - Lottery	8,279,712	9,874,697	8,743,897	7,723,588	6,618,834	6,361,753	5,364,976
Security & Credit Checks	232,980	219,180	216,860	221,295	176,910	117,950	175,942
Salaries	8,267,427	7,607,490	7,127,283	6,810,895	6,961,080	6,384,103	4,238,248
Temporary Services	232,143	296,555	251,539	273,469	139,138	64,233	241,312
Per Diem	1,785	945	945	700	875	1,831	4,200
Employee Benefits	2,161,389	1,988,964	1,779,767	1,675,127	1,658,706	1,441,637	871,570
Advertising Employment	13,252	16,499	21,915	9,589	11,789	8,852	36,268
Auditing & Financial	167,721	167,349	405,291	170,194	370,892	232,070	13,000
Consultants	155,521	231,564	98,813	131,805	201,945	176,300	467,628
Depreciation	2,064,688	3,726,082	3,647,532	3,592,637	3,522,001	3,322,198	1,469,914
Dues & Memberships	38,773	34,790	29,380	28,432	25,552	46,797	10,696
Education & Training	101,301	89,369	94,139	61,473	71,511	65,214	10,858
Employee Recognition	6,443	13,403	8,322	3,003	901	1,715	709
Insurance	339,747	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	801,242	655,471	566,250	557,630	562,746	559,021	290,282
Lease - Vehicles	107,868	87,551	63,463	65,738	84,669	76,577	51,712
Legal	99,532	95,792	181,828	90,032	49,592	21,216	140,662
Maintenance & Repairs	205,659	178,980	193,466	141,788	48,254	33,795	10,554
Miscellaneous Expense	84,761	100,313	80,208	68,327	57,423	53,790	56,815
Postage & Freight	43,633	51,326	51,314	61,116	56,929	54,152	33,612
Printing	30,420	28,217	30,719	31,412	35,070	39,252	26,484
Promotion & Public Affairs		-	-	-	-	-	-
Rent - Equipment	72,140	61,174	58,627	61,115	52,772	56,527	16,315
Security Services	495,556	578,752	536,961	439,041	430,555	436,965	228,985
Services - Payroll	30,000	30,000	30,000	30,000	30,000	57,450	7,550
Supplies - Office	192,472	217,649	164,616	102,800	167,448	158,581	458,784
Supplies - Promotional		-	-	-	-	-	-
Telecommunications Services	95,992	113,976	124,205	155,066	234,026	162,665	114,030
Telephone	229,159	213,173	169,256	180,816	200,647	241,340	232,682
Travel - Commissioners	2,813	1,827	1,370	1,480	1,955	3,888	7,843
Travel - Other Staff		-	-	-	-	-	-
Travel - Others	86,026	101,117	70,150	57,128	94,635	102,227	51,776
Uncollectible Accounts	-	111,356	691,200	110,000	271,092	-	-
Utilities	26,323	9,235	20,141	17,901	18,417	17,437	4,298
Total Operating Expenses	25,133,361	27,648,092	26,319,832	23,707,292	23,031,391	20,921,401	15,037,657
Non-Operating Income (Expense)							
Interest Income	1,069,337	1,230,566	1,233,565	590,010	225,481	223,287	60,592
Gains/Losses	(2,054)	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)	1,067,283	1,220,300	1,116,975	361,165	(376,455)	(592,605)	(287,526)
Change in Net Assets before expensed to and due to the Education Lottery Account	263,896,687	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	265,288,764	279,236,385	320,629,929	279,738,059	286,751,598	220,056,527	81,145,294
Change in Net Assets	(1,392,077)	(2,125,052)	(1,766,898)	(2,240,347)	3,379,962	(767,556)	6,576,109
Net Assets - Beginning of Period	3,056,219	5,181,271	6,948,168	9,188,515	5,808,553	6,576,109	0
Net Assets - End of Period	$ 1,664,141	$ 3,056,219	$ 5,181,271	$ 6,948,168	$ 9,188,515	$ 5,808,553	$ 6,576,109

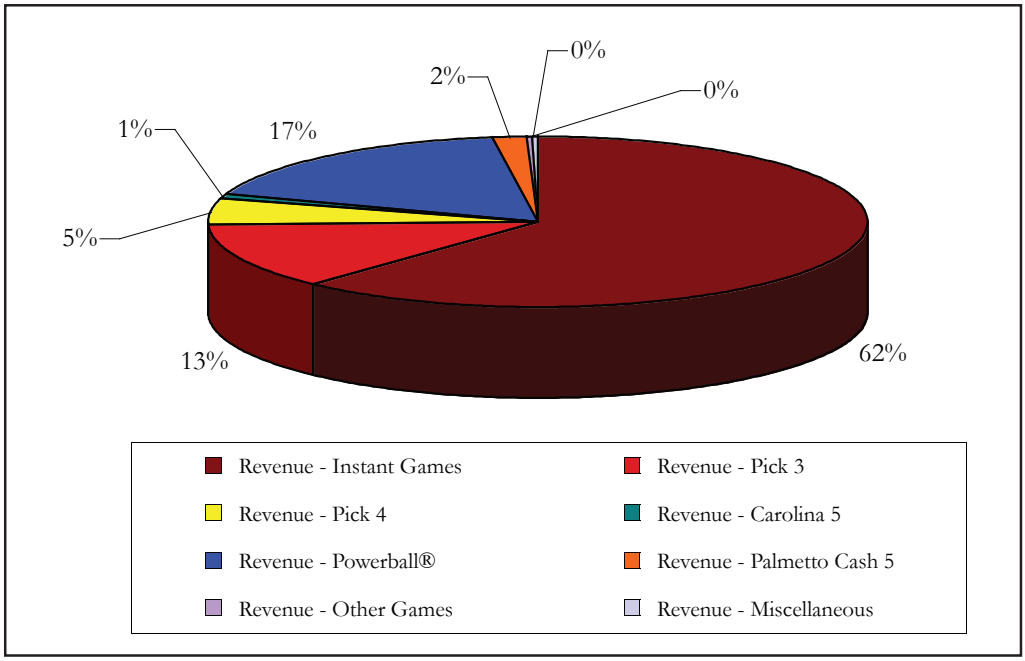
(Amounts expressed in millions)

Revenues by Fiscal Year	2002	2003	2004	2005	2006	2007	2008	Total
Revenue - Instant Games	$ 306.3	$ 426.3	$ 537.3	$ 578.8	$ 696.5	$ 617.5	$ 622.9	$ 3,785.6
Revenue - Pick 3	27.8	99.1	109.1	118.9	134.3	138.4	137.1	$ 764.7
Revenue - Pick 4	-	19.5	48.6	51.3	58.4	62.1	62.0	$ 301.9
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	133.5	$ 1,054.6
Revenue - Palmetto Cash 5	-	-	-	16.5	33.6	26.7	26.3	$ 103.1
Revenue - Other Games	-	-	-	-	-	9.1	10.7	$ 19.8
Revenue - Miscellaneous	1.6	2.5	3.2	3.2	3.3	3.5	3.5	$ 20.8
Total Revenues	$ 337.1	$ 726.9	$ 953.2	$ 960.1	$ 1,147.9	$ 991.6	$ 996.0	$ 6,112.8

South Carolina Education Lottery Commission
Revenues - Since Inception

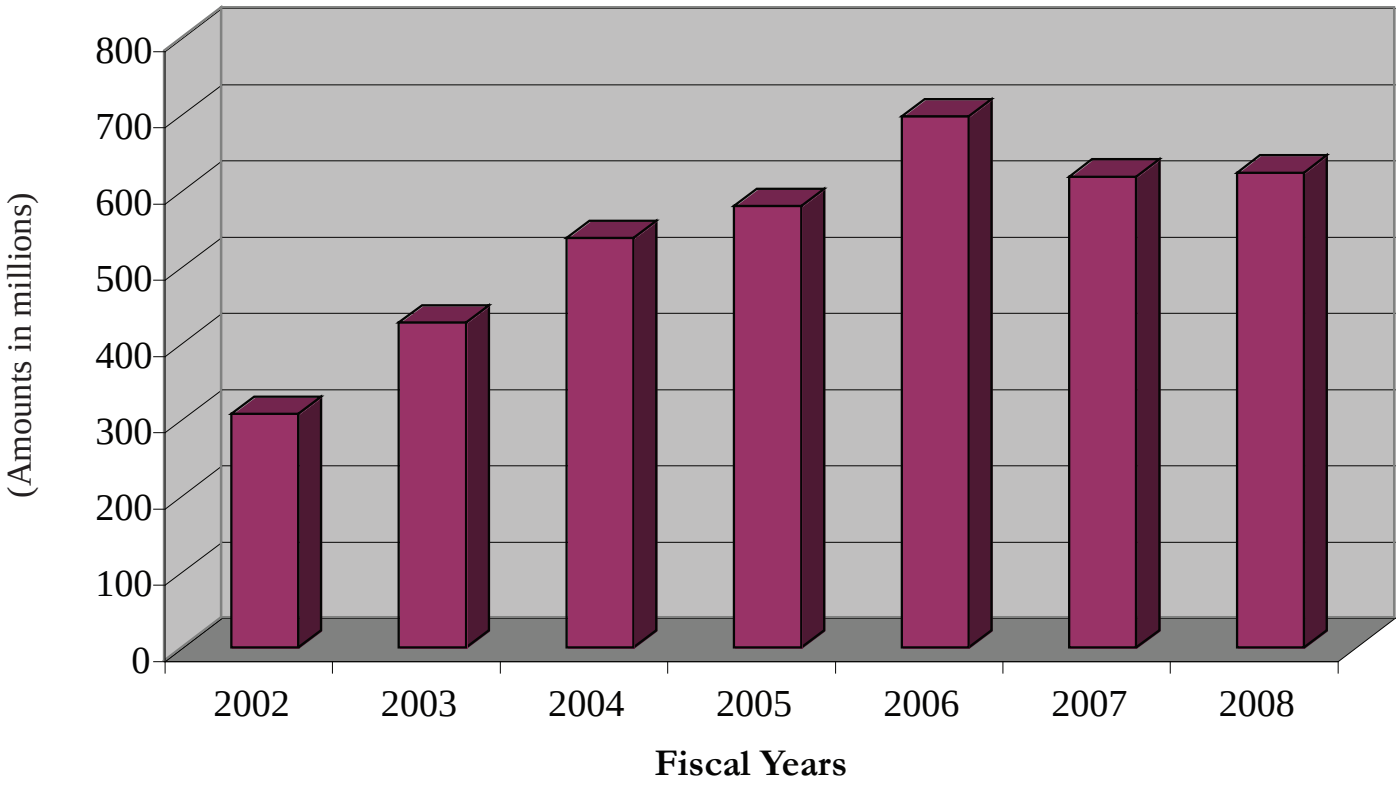


Sales By Game (Since Inception)

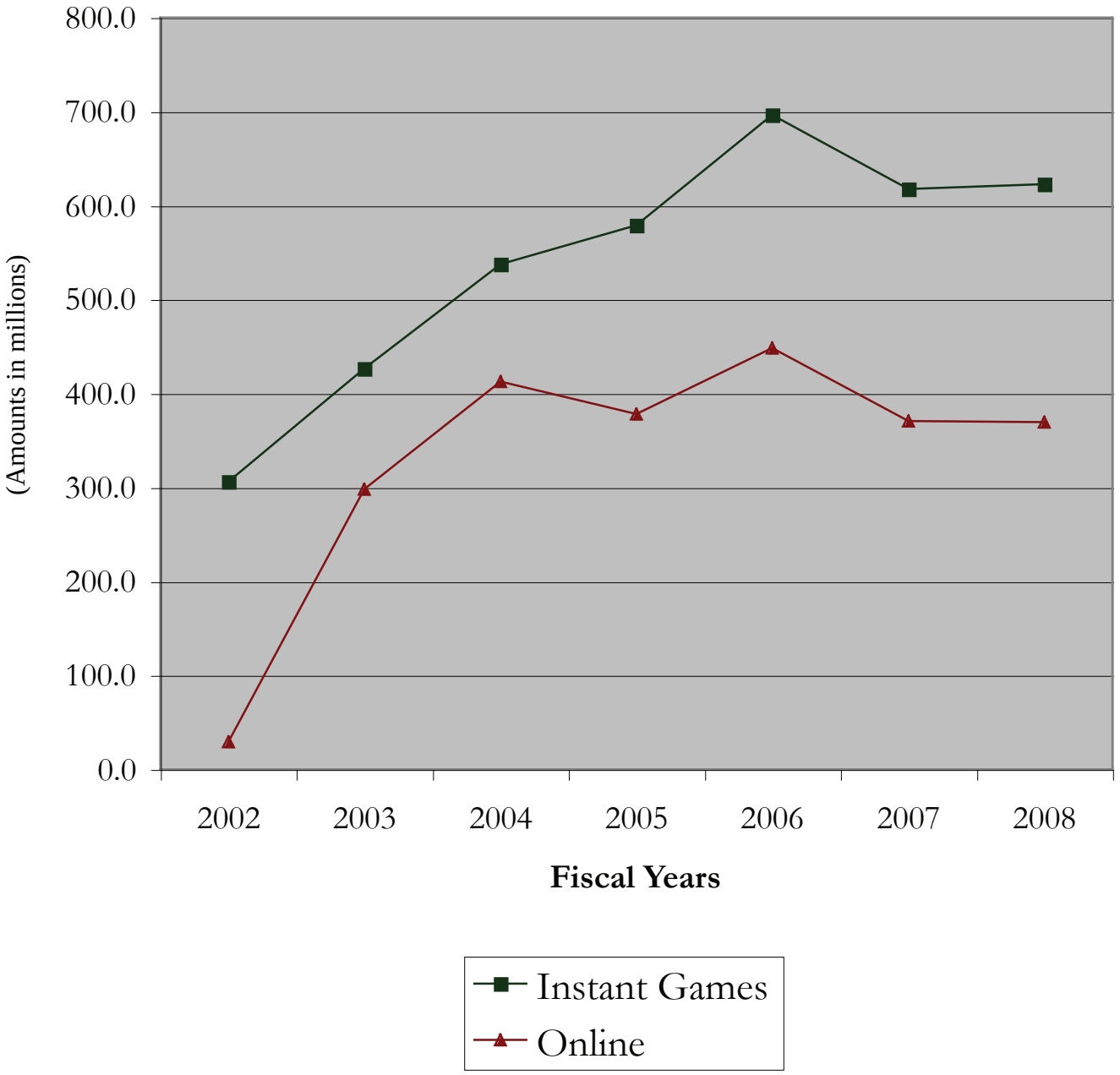


SCEL Statistics

Instant Games Sales (Since Inception)



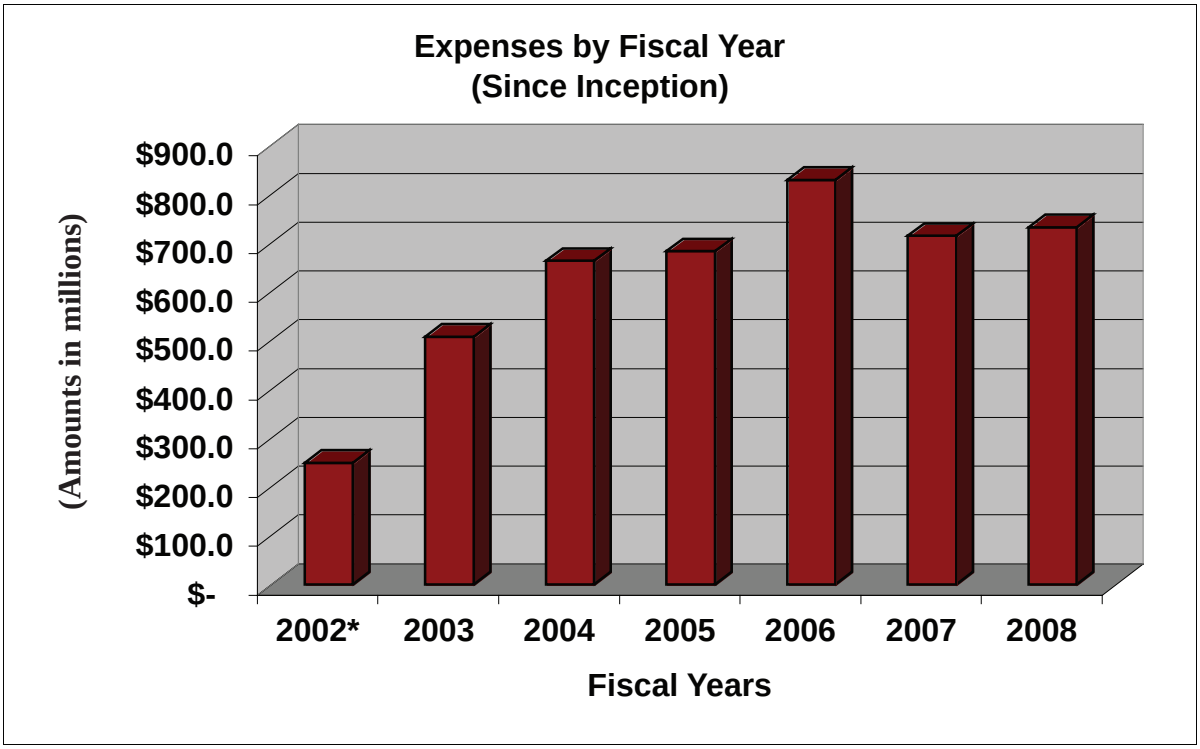
Instant vs. Online Sales
(Since Inception)



(Amounts expressed in millions)

Expenses	2002*	2003	2004
Prize Expense	$ 200.3	$ 415.7	$ 552.3
Retailer Commissions	23.5	51.1	67.0
Operating Expenses	25.6	40.8	43.8
Total	$ 249.4	$ 507.6	$ 663.1

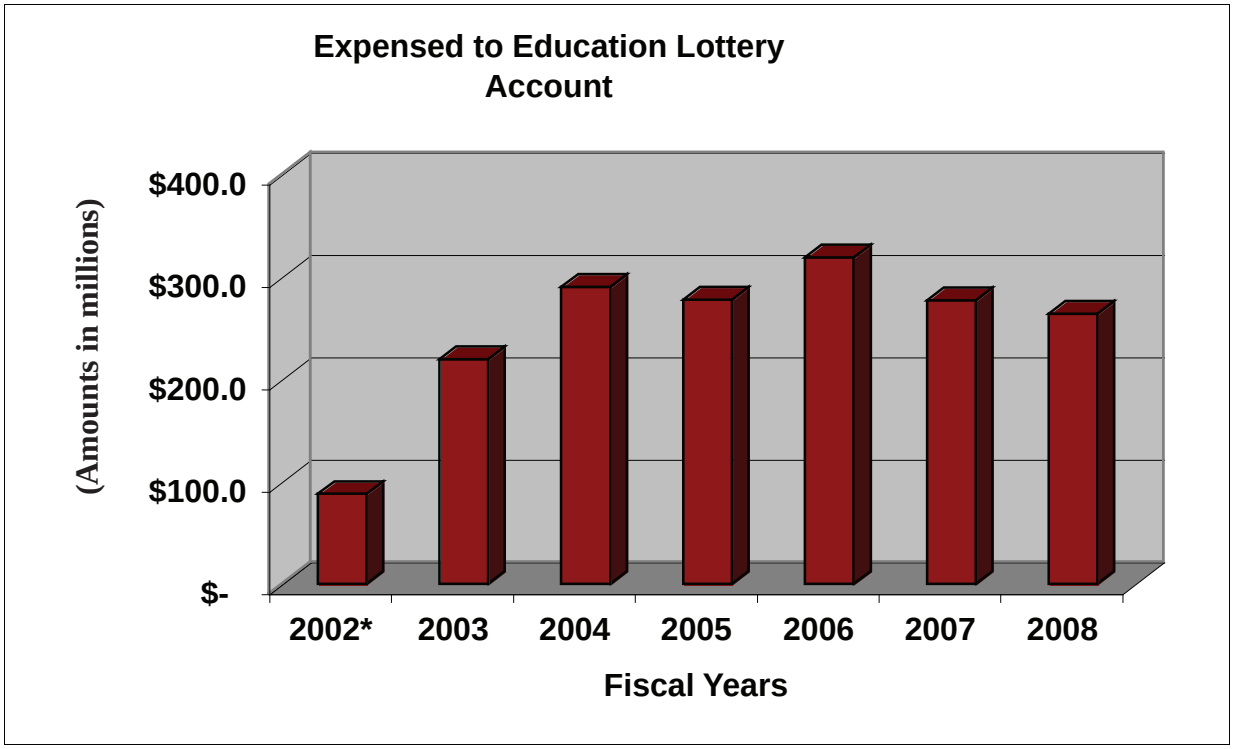
	2002*	2003	2004
Expensed to Education Account	$ 87.7	$ 219.3	$ 290.1



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

2005	2006	2007	2008	Total
$ 573.6	$ 702.3	$ 600.1	$ 620.5	$ 3,664.8
67.5	81.1	70.0	70.4	430.6
41.5	45.6	44.5	41.2	283.0
$ 682.6	$ 829.0	$ 714.6	$ 732.1	$ 4,378.4

2005	2006	2007	2008	Total
$ 277.5	$ 318.9	$ 277.1	$ 263.9	$ 1,734.5



Capital Assets by Function
Last Three Fiscal Years

Property & Equipment	**2006**	**2007**	**2008**
Furniture, fixtures, and equipment	$ 590,645	$ 624,377	$ 623,003
Data Processing	19,557,617	20,040,439	20,205,059
Drawing Equipment	173,820	189,500	227,970
Vehicles	68,826	68,826	68,826
Leaseholds	700,215	955,373	1,315,694
Total Property & Equipment	21,091,122	21,878,515	22,440,551
Accumulated Depreciation			
Furniture, fixtures, and equipment	(229,051)	(355,836)	(469,202)
Data Processing	(14,580,718)	(18,004,121)	(19,784,706.93)
Drawing Equipment	(115,758)	(142,819)	(158,598.30)
Vehicles	(68,826)	(68,826)	(68,825.62)
Leaseholds	(528,370)	(661,629)	(758,050.61)
Total Accumulated Depreciation	(15,522,723)	(19,233,230)	(21,239,384)
Net Capital Assets	$ 5,568,400	$ 2,645,286	$ 1,201,167

Employees by Department/Function
Permanent Employees

	2002	2003	2004	2005	2006	2007	2008
Executive	6	6	5	5	5	4	5
Finance	13	13	13	13	13	13	13
Finance-Claims	7	7	7	8	10	12	12
Internal Operations	14	16	19	17	17	19	17
Information Technology	14	15	15	16	15	18	17
Legal Services	4	4	4	4	4	5	5
Marketing & Product Development	7	7	10	11	14	18	19
Sales & Retailer Relations	53	53	57	57	57	57	56
Security	7	7	7	8	8	8	9
Total	125	128	137	139	143	154	153

Profit Analysis
(amounts expressed in millions)

(amounts in $M)

Change in net income due to change in:	FY03→ FY04	FY04→ FY05	FY05→ FY06	FY06→ FY07	FY07→ FY08	TOTAL FY03→ FY08
Sales Quantity	$78.6	$2.3	$59.2	($50.3)	$1.3	$91.0
Prize %	(5.4)	(17.2)	(13.9)	7.3	(17.8)	($46.9)
Admin. Expense Volume Variance	7.8	0.3	2.0	(5.8)	1.2	$5.5
Admin. Expense Spending Variance	(10.7)	1.9	(5.9)	6.7	2.1	($5.9)
Change in Ot. Revenue	0.5	0.1	0.0	0.3	0.0	$0.9
Total change in net income	$70.8	($12.6)	$41.4	($41.8)	($13.2)	$44.6

FISCAL YEAR 2008 - $1 MILLION DOLLAR SALES CLUB

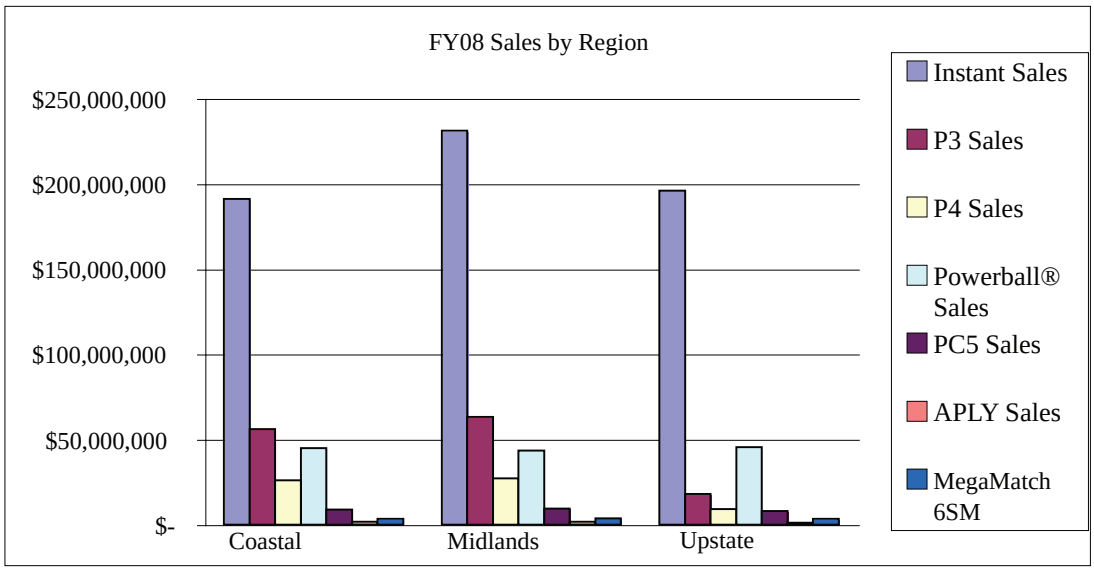
In fiscal year ending June 30, 2008, retailers sold more than $992 million in lottery tickets, including 48 retailers that reached $1 million dollars or more in sales! This resulted in more than $266 million transferred to the Education Lottery Account and over $69 million in retailer commissions earned.

Below is a listing of the ranking of sales by retailers who sold more than $1 million in lottery tickets and made the MILLION DOLLAR SALES CLUB in fiscal year 2008.

Statewide Ranking	City	Total Sales	Statewide Ranking	City	Total Sales
1	Fort Mill	$ 5,525,147.50	25	Port Royal	$ 1,249,969.50
2	Charleston	$ 3,307,238.00	26	Florence	$ 1,247,101.50
3	Bennettsville	$ 2,010,161.50	27	Georgetown	$ 1,238,149.50
4	Columbia	$ 1,879,199.50	28	Florence	$ 1,234,035.00
5	Fort Mill	$ 1,825,242.00	29	York	$ 1,233,366.50
6	Charleston	$ 1,745,560.50	30	Holly Hill	$ 1,208,096.00
7	Beaufort	$ 1,690,961.00	31	Chester	$ 1,204,875.00
8	Taylors	$ 1,683,633.00	32	West Columbia	$ 1,172,743.00
9	Clover	$ 1,618,813.50	33	Columbia	$ 1,169,314.00
10	Saint Helena Island	$ 1,560,272.00	34	Orangeburg	$ 1,143,404.50
11	Orangeburg	$ 1,551,372.50	35	Beaufort	$ 1,135,262.00
12	Orangeburg	$ 1,518,204.00	36	Johnston	$ 1,130,955.50
13	Fort Mill	$ 1,515,119.00	37	Greenwood	$ 1,120,744.50
14	Fort Mill	$ 1,478,816.50	38	Columbia	$ 1,118,008.50
15	Fort Mill	$ 1,477,822.00	39	Goose Creek	$ 1,100,705.50
16	North Charleston	$ 1,459,347.50	40	North Charleston	$ 1,079,747.50
17	Sumter	$ 1,369,345.50	41	Bowman	$ 1,079,467.50
18	Lexington	$ 1,364,390.50	42	North Charleston	$ 1,073,814.50
19	Camden	$ 1,358,792.50	43	Charleston	$ 1,070,914.50
20	Orangeburg	$ 1,315,815.50	44	Manning	$ 1,055,231.50
21	Burton	$ 1,311,048.00	45	Florence	$ 1,032,115.00
22	Fort Mill	$ 1,307,389.50	46	Walterboro	$ 1,021,465.00
23	Aiken	$ 1,275,483.00	47	Clover	$ 1,016,538.00
24	St. Matthews	$ 1,272,410.00	48	Columbia	$ 1,010,188.00

Number of Retailers and Sales by Region
FY08

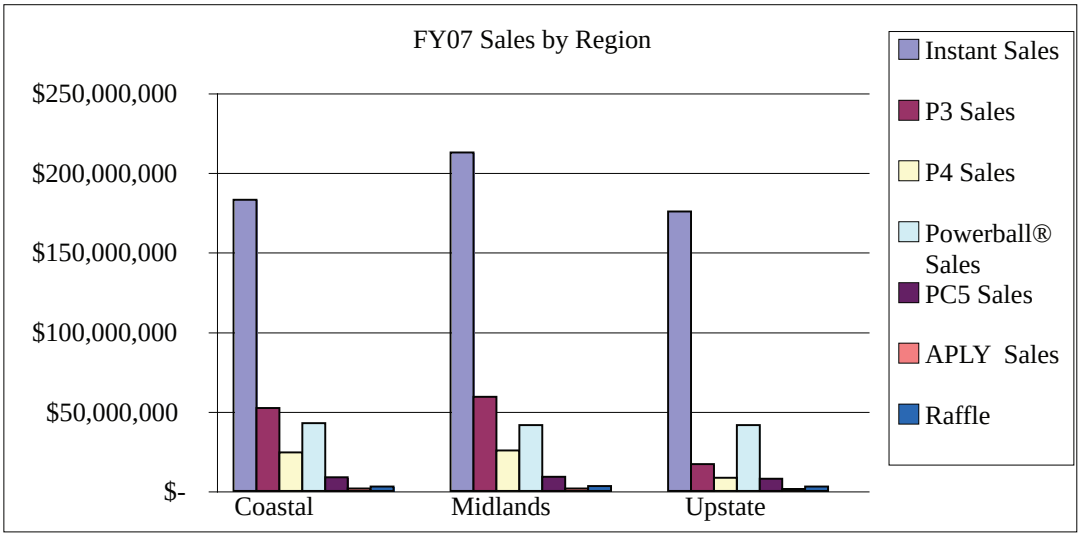
	Total Retailers	Instant Sales	P3 Sales	P4 Sales	Powerball® Sales	PC5 Sales	APLY Sales	MegaMatch 6SM	Total Sales*
Coastal	1279	$ 191,218,015	$ 56,096,948	$ 25,960,195	$ 44,897,099	$ 9,004,694	$ 1,642,828	$ 3,505,355	$ 332,325,134
Midlands	1462	231,026,267	63,199,365	27,150,404	43,391,786	9,335,390	1,665,350	3,733,885	379,502,447
Upstate	1128	196,004,390	18,035,947	9,107,200	45,606,551	8,067,188	1,207,499	3,568,275	281,597,050
Total	3869	$ 618,248,672	$ 137,332,260	$ 62,217,798	$ 133,895,436	$ 26,407,272	$ 4,515,677	$ 7,302,160	$ 989,919,275



*Actual sales; not on accrual basis.

Number of Retailers and Sales by Region
FY07

	Total Retailers	Instant Sales	P3 Sales	P4 Sales	Powerball® Sales	PC5 Sales	APLY Sales	Raffle	Total Sales*
Coastal	1126	$ 182,906,622	$ 52,050,088	$ 24,057,815	$ 42,719,433	$ 8,530,729	$ 1,644,635	$ 2,782,980	$ 314,692,302
Midlands	1244	$ 212,549,349	$ 59,151,561	$ 25,284,122	$ 41,240,313	$ 8,821,783	$ 1,635,776	$ 2,981,960	$ 351,664,864
Upstate	1132	$ 175,519,946	$ 16,794,526	$ 8,400,359	$ 41,371,974	$ 7,640,719	$ 1,104,417	$ 2,699,570	$ 253,531,511
Total	3502	$ 570,975,917	$ 127,996,174	$ 57,742,296	$ 125,331,720	$ 24,993,231	$ 4,384,828	$ 8,464,510	$ 919,888,676



*Actual sales; not on accrual basis.

PLAYER PROFILE

The Player Profile is comprised of information gathered from a Market Research study conducted by MarketSearch Corporation located in Columbia, South Carolina.

As stated in the study, the purpose of the study was to:

- Monitor penetration of the South Carolina Education Lottery, in general and by specific game;
- Provide a demographic profile of SCEL players, including income, age, gender, education, and ethnicity;
- Track frequency and dollar value of participation; and
- Assess general purchase dynamics.

In the Player Profile included in this document, the main focus is on the demographic profile of the player and the market penetration. All of the following charts and graphs were taken directly from the Market Research conducted by MarketSearch Corporation.

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Gender	Male	50%	47%
	Female	50%	53%
Age	18 to 24	8%	7%
	25 to 34	18%	18%
	35 to 44	**24%**	18%
	45 to 54	**23%**	16%
	55 to 64	16%	14%
	65+	10%	**27%**
Marital Status	Married	57%	56%
	Single	21%	21%
	Widowed/Divorced/Sep.	22%	22%

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Household Size	1	15%	**22%**
	2 to 3	49%	51%
	4 to 5	**29%**	20%
	6 or More	6%	7%

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Education	Less than HS	8%	12%
	HS Diploma or GED	33%	28%
	Some College or Technical School	19%	16%
	2-Year College or Associate Degree	13%	10%
	4-Year College Degree	17%	16%
	College Courses for Advanced Degree	1%	**3%**
	Advanced Degree	8%	**14%**

Player Profile data compiled in a MarketSearch Study conducted by *MarketSearch* Corporation October 2007

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Employed Outside the Home	Yes	**61%**	50%
	No	39%	**50%**

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch *Corporation* October 2007

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Primary Ethnicity	Caucasian/White	63%	**71%**
	African-American/Black	**34%**	26%
	Other	3%	3%
Household Income	Under $10,000	6%	10%
	$10,000 to $19,999	11%	8%
	$20,000 to $29,999	9%	10%
	$30,000 to $39,999	**11%**	7%
	$40,000 to $49,999	**12%**	7%
	$50,000 to $59,999	**12%**	8%
	$60,000 to $69,999	6%	5%
	$70,000 to $79,999	2%	**5%**
	$80,000+	14%	14%
	Refused	16%	**26%**

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of Players and Non-Players

		Players (n = 483)	Non-Players (n = 517)
Area Code	803 - Midlands	35%	32%
	843 - Coastal	36%	36%
	864 - Upstate	29%	32%

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

sdfg

Incidence of Lottery Play

Overall, 48% of respondents indicate they have purchased a **South Carolina Education Lottery** ticket.

The following charts detail the responses of the 48% that play the Lottery.

Incidence of lottery play data compiled in a Market Search Study conducted by MarketSearch Corporation October 2007.

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Gender	Male	53%	52%	66%	62%	57%
	Female	47%	48%	34%	39%	43%
Age	18 to 24	**12%**	8%	0%	3%	5%
	25 to 34	17%	23%	9%	12%	17%
	35 to 44	23%	22%	22%	15%	20%
	45 to 54	20%	16%	17%	26%	25%
	55 to 64	18%	19%	31%	27%	18%
	65+	9%	13%	22%	17%	14%
Marital Status	Married	49%	37%	42%	**61%**	**59%**
	Single	27%	27%	20%	18%	19%
	Widowed/Divorced/Sep.	22%	32%	34%	19%	21%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Household Size	1	15%	20%	26%	17%	18%
	2 to 3	47%	44%	52%	56%	46%
	4 to 5	27%	19%	18%	22%	29%
	6 or More	**10%**	**15%**	4%	3%	6%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Ethnicity	Caucasian	**54%**	13%	20%	**56%**	**67%**
	African-American	44%	**84%**	**74%**	38%	30%
	Other	3%	3%	6%	6%	3%
HH Income	Under $10,000	11%	9%	7%	5%	6%
	$10,000 to $19,999	15%	24%	26%	18%	12%
	$20,000 to $29,999	9%	5%	15%	10%	10%
	$30,000 to $39,999	10%	10%	6%	12%	10%
	$40,000 to $49,999	11%	15%	13%	10%	12%
	$50,000 to $59,999	12%	8%	4%	16%	11%
	$60,000 to $69,999	4%	2%	4%	0%	5%
	$70,000 to $79,999	2%	4%	0%	1%	1%
	$80,000+	12%	8%	4%	18%	**19%**
	Refused	14%	15%	21%	11%	14%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Education	Less than HS	13%	12%	18%	12%	11%
	HS Diploma or GED	42%	45%	38%	39%	32%
	Some College or Technical School	15%	12%	10%	11%	15%
	2-Year College or Associate Degree	15%	22%	30%	23%	14%
	4-Year College Degree	12%	6%	5%	8%	**18%**
	College Courses for Advanced Degree	1%	2%	0%	0%	1%
	Advanced Degree	2%	0%	0%	5%	**7%**
	Refused	1%	2%	0%	2%	2%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Employment	Yes	57%	56%	39%	48%	**60%**
	No	44%	45%	**62%**	50%	39%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Demographic Profile of *Active Players* by Game Played

		Scratch Off (n = 200)	Pick 3* (n = 75)	Pick 4* (n = 33)	Palmetto Cash 5* (n = 53)	Powerball (n = 203)
Area Code	803 - Midlands	38%	**47%**	38%	36%	29%
	843 - Coastal	37%	29%	39%	41%	43%
	864 - Upstate	25%	24%	23%	23%	28%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

Where Most Likely to Buy Lottery Tickets (in general, among *Players*)

	Frequent* (n = 68)	Regular* (n = 57)	Occasional (n = 146)	Infrequent (n = 171)	Inactive* (n = 38)
Convenience store that sells gasoline	87%	92%	93%	91%	85%
Grocery store	20%	8%	9%	11%	15%
Convenience store that doesn't sell gasoline	**18%**	7%	6%	6%	0%
Restaurant or bar	4%	3%	0%	2%	1%
Somewhere else	0%	0%	0%	1%	0%

*Small sample size limits data reliability and projectability.

Player Profile data compiled in a MarketSearch Study conducted by MarketSearch Corporation October 2007

State Demographic Statistics

Year	Population at July 1 a	Per Capita Income b	Average Annual Unemployement 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	6.70%
2006	4,321,249	29,515	5.90%
2007	4,407,709	31,013	6.20%

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

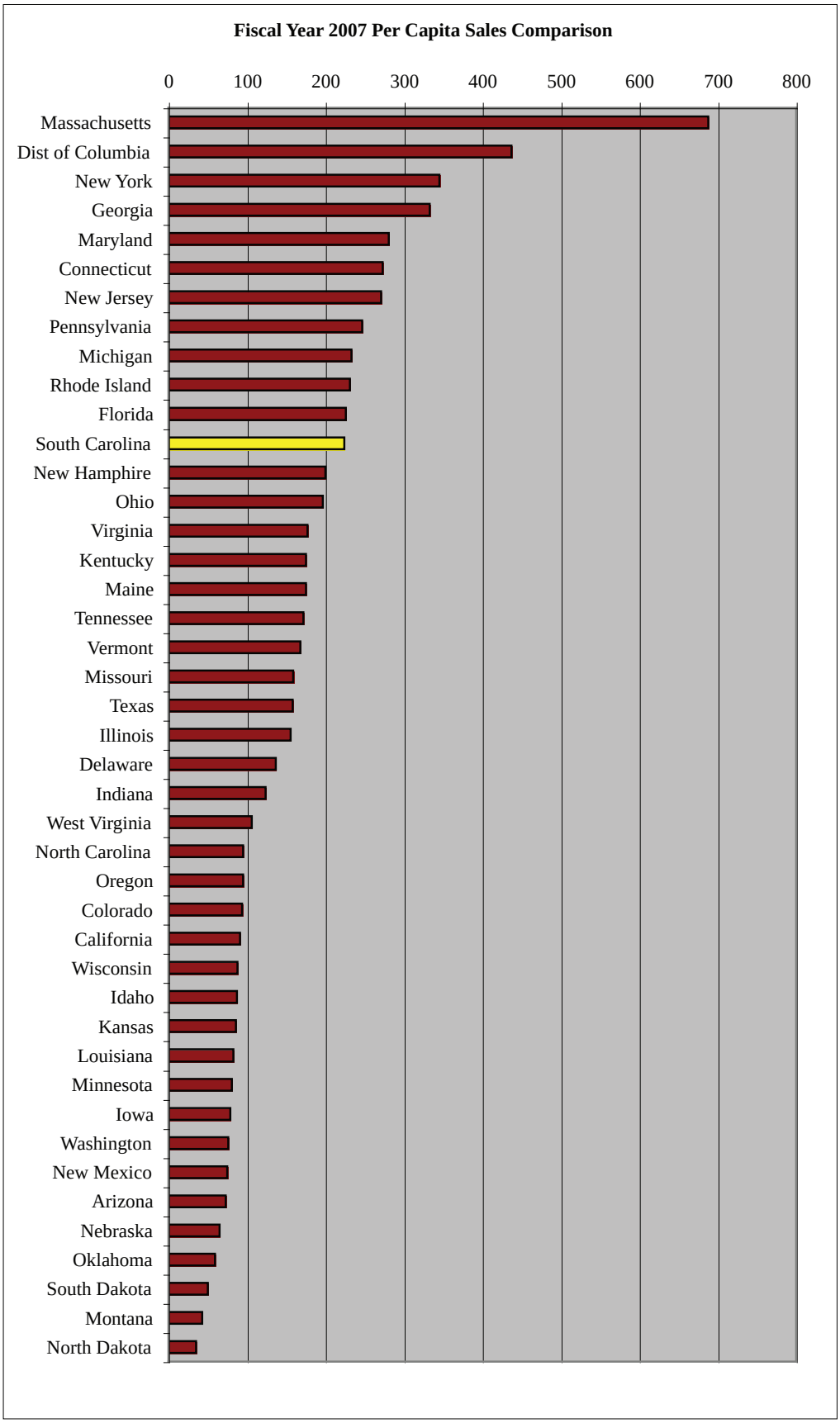
Employment by Industry
Last Two Fiscal Years

Industry	June-08	June-07	Net Change
Total Nonagricultural Employment	1,957,800	1,952,900	4,900
Construction	112,800	127,400	(14,600)
Manufacturing	245,500	250,200	(4,700)
Trade, Transportation, & Utilities	377,300	379,700	(2,400)
Retail Trade	236,300	242,300	(6,000)
Information	27,300	28,000	(700)
Financial Activities	108,300	106,000	2,300
Real Estate, Rental, & Leasing	31,900	30,500	1,400
Professional and Business Services	228,500	227,400	1,100
Educational and Health Services	206,200	200,300	5,900
Leisure and Hospitality	222,900	217,200	5,700
Arts, Entertainment, & Recreation	26,900	27,400	(500)
Accomodation & Food Services	196,000	189,800	6,200
Other Services	75,300	74,300	1,000
Government	349,300	337,800	11,500
Federal Government	29,900	29,600	300
State Government	99,000	97,800	1,200
Local Government	220,400	210,400	10,000

Source: South Carolina Workforce Trends (sss.sces.org/lmi/pubs/OnlinePubs/September2008.wtf.pdf)

Comparative Data
per *La Fleur's* 2008 World Lottery Almanac

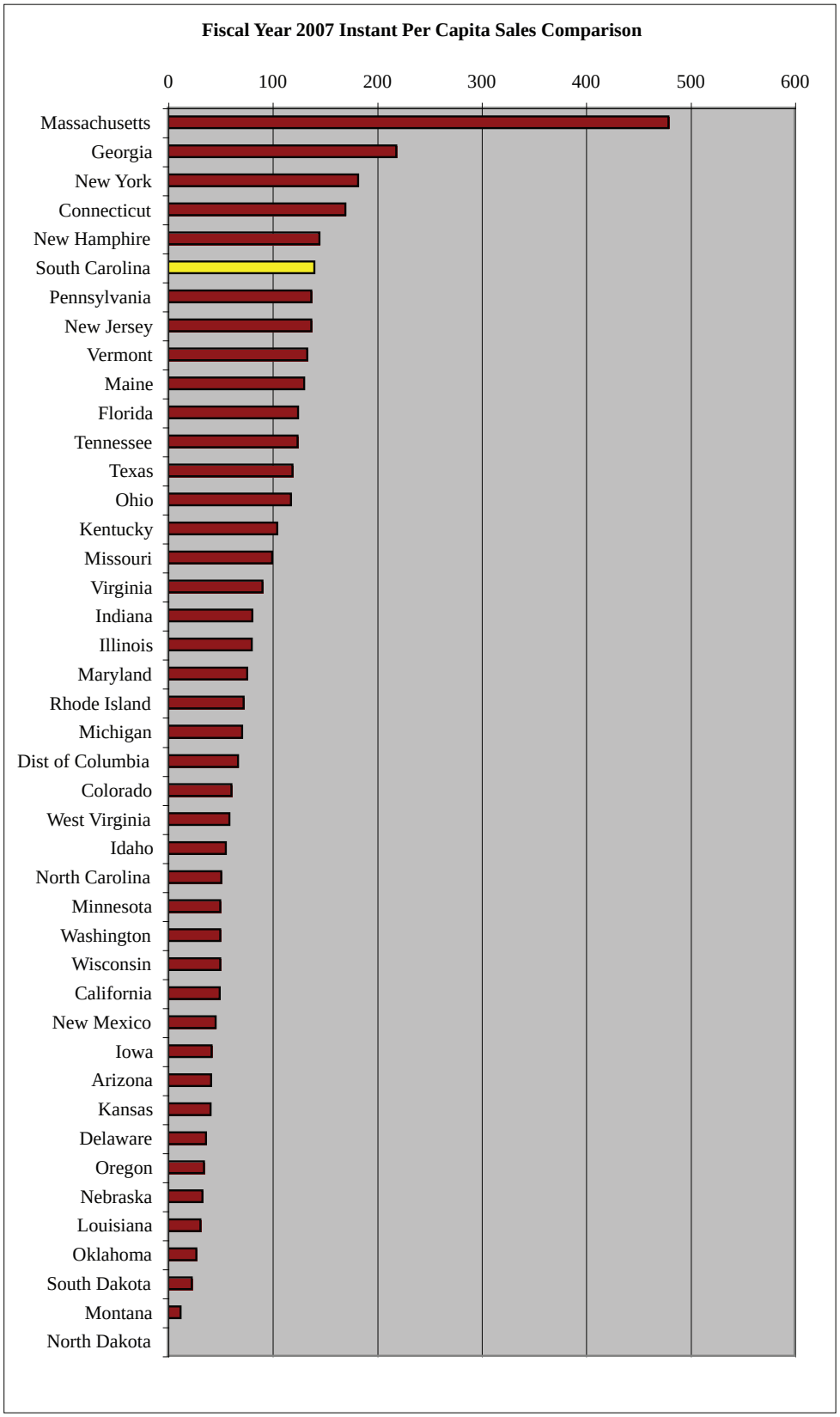
Per Capita Sales		
Massachusetts	$	688
Dist of Columbia		437
New York		345
Georgia		333
Maryland		281
Connecticut		273
New Jersey		271
Pennsylvania		247
Michigan		233
Rhode Island		231
Florida		226
South Carolina		224
New Hamphire		200
Ohio		197
Virginia		177
Kentucky		175
Maine		175
Tennessee		172
Vermont		168
Missouri		159
Texas		158
Illinois		156
Delaware		137
Indiana		124
West Virginia		106
North Carolina		95
Oregon		95
Colorado		94
California		91
Wisconsin		88
Idaho		87
Kansas		86
Louisiana		83
Minnesota		81
Iowa		79
Washington		76
New Mexico		75
Arizona		73
Nebraska		65
Oklahoma		59
South Dakota		50
Montana		43
North Dakota		35
Median	$	169



Comparative Data
per *La Fleur's* 2008 World Lottery Almanac

Per Capita Sales - Instant

	PC Sales
Massachusetts	$ 479
Georgia	219
New York	182
Connecticut	170
New Hamphire	145
South Carolina	140
Pennsylvania	137
New Jersey	137
Vermont	133
Maine	130
Florida	125
Tennessee	124
Texas	120
Ohio	118
Kentucky	105
Missouri	100
Virginia	91
Indiana	81
Illinois	81
Maryland	76
Rhode Island	73
Michigan	71
Dist of Columbia	67
Colorado	61
West Virginia	59
Idaho	55
North Carolina	51
Minnesota	50
Washington	50
Wisconsin	50
California	50
New Mexico	46
Iowa	42
Arizona	41
Kansas	41
Delaware	37
Oregon	34
Nebraska	33
Louisiana	31
Oklahoma	27
South Dakota	23
Montana	12
North Dakota	-
Median	$ 91



About the Cover

The cover photo was taken by SCEL staff at one of the That's the Ticket second-chance promotions.

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