



2009 Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

Introductory Section

Letter from the Chairman	1
Letter of Transmittal	2-3
GFOA Certificate of Achievement	4
Mission, Vision & Values	5
Commissioners & Staff	6-7
Organizational Chart	8-9
Games & Promotions	10-15

Financial Section

Deputy State Auditor's Letter	17
Independent Auditor's Report	18
Management's Discussion and Analysis	19-22
Financial Statements:	
Statements of Net Assets	23
Statements of Revenues, Expenses, and Changes in Net Assets	24
Statements of Cash Flows	25
Notes to Financial Statements	26-36
Supplementary Schedule of Business-type Activities For The Statewide CAFR	37
Independent Auditor's Report on Internal Control	38
Schedule of Findings	39

Statistical Section

Global and Local Focus	41
Beneficiary/Lottery Appropriations	42-46
Statement of Revenue, Expenses, and Changes in Net Assets	47
South Carolina Education Lottery Statistics:	
Revenue by Game - Since Inception	48-49
Instant Game Sales - Since Inception	50
Instant vs. Online Sales - Since Inception	51
Expenses - Since Inception	52-53
Capital Assets by Function	54
Employees by Department/Function	55
Demographics:	
Million Dollar Sales Club	56
Retailer Sales by Region	57-58
Player Profile	58-64
State Statistics	65
Industry Statistics:	
Total Sales Per Capita - Fiscal Year 2008	66
Per Capita Sales Instant - Fiscal Year 2008	67



Letter from the Chairman

Dear Fellow South Carolinians:

Fiscal Year 2008-09 challenged businesses, state agencies and families in our state and across the country. Because of the loyalty of our players, diligence of our retailers, and talents of our staff, the South Carolina Education Lottery (SCEL) exceeded its billion dollar sales goal by more than \$4 million.

While sales statistics may measure performance, the gauge which best evaluates how well the Education Lottery carries out its mission, "to provide, with integrity, entertainment options to adults to support education in South Carolina," is the amount of net proceeds earned and transferred to the Treasurer's Office for deposit to the Education Lottery Account. During FY 2009, SCEL exceeded the transfer amount estimated by the Board of Economic Advisors by more than \$8 million.

In a Tuesday, August 4 editorial in *The State*, SCEL was referred to as "less bad than others." The "less bad" ranking was achieved because of what SCEL does not do and is prohibited by state law from doing: aggressively marketing huge payoffs, selling dreams or targeting players into spending more on higher priced tickets. In an industry where responsible play is encouraged, SCEL sells responsibly. The South Carolina Education Lottery is successful without Keno, without aggressive marketing, and without accepting credit cards for payment. Integrity remains our guiding principle.

As the economy continues to challenge all of us, we at the South Carolina Education Lottery are proud of the meaningful impact our efforts have had and continue to have on fundamental educational programs for our children. With tax-based budgets shrinking, we are proud to add value to our colleges, universities, technical schools and K-12 programs through the various scholarships and programs funded with lottery dollars.

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

Sincerely,

Tim Madden
Chairman
South Carolina Education Lottery Commission

ON THE COVER:

The South Carolina Education Lottery has its administrative offices in Columbia, S.C. The cover photo is of the Gervais Street Bridge as seen from the West Columbia Riverwalk. The bridge was photographed by Holli Armstrong, SCEL employee, in March of 2009.

LETTER OF TRANSMITTAL

February 22, 2010

To the Board of the South Carolina Education Lottery Commission, the General Assembly, 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, 2009. The audit report of our auditors, Elliott Davis, LLC, appears in the Financial Section of this report. The audit report expresses an “unqualified” opinion on the Commission’s financial statements. An unqualified opinion indicates the auditors believe the Commission followed all accounting rules appropriately and the financial reports are an accurate representation of the Commission’s financial condition.

Commission Management assumes full responsibility for the completeness and reliability of all information contained in this report, based upon a comprehensive framework of internal controls it has established for this purpose. The nature of the lottery business requires extremely sound internal controls and security measures to ensure integrity. Such controls do not always provide absolute assurance that the financial statements are free of material misstatements; however, 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.

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

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

Profile of the Commission

The South Carolina Education Lottery Commission, with administrative offices in Columbia, South Carolina, was created by the South Carolina General Assembly in 2001 as an instrumentality of the State. The Commission was given powers comparable to those exercised by commissions engaged in entrepreneurial pursuits on behalf of the state and, as such, is operated in a manner similar to a private business enterprise. The Commission operates games through a network of approximately 3,600 retailers and sold its first lottery ticket on January 7, 2002.

The Commission is governed by a nine-member board and has a staff of approximately 148 employees. The Commission has nine departments: Executive; Internal Operations; Internal Audit; Information Technology Systems; Sales and Retailer Relations; Marketing and 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 headquarters, the Commission has three Regional Offices in Columbia, Charleston and Greenville. A sales staff of 37 Marketing Sales Representatives led by 3 Regional Sales Managers service lottery retailers throughout their respective territories.

Relevant Financial Planning and Policies

The Commission budgets for spending annually using a zero-based budget approach. In conjunction with the Board of Economic Advisors, the Commission projects sales and projected transfers on an annual basis. The Commission transfers all net proceeds on a monthly basis to the state Education Lottery Account (ELA) managed by the South Carolina State Treasurer’s Office (STO). All unclaimed prizes are also transferred to the ELA for distribution by the STO on behalf of the General Assembly. All funds transferred by the Commission are designated to be appropriated by the General Assembly to support education.

Major Highlights and Initiatives

- Converted to a new state-wide lottery computer system upon expiration of the prior online system contract, achieving a significant annual cost savings. Lottery staff collaborated with new gaming system vendor, Intralot, to develop new lottery business operations systems, install new terminals in approximately 3,600 retail locations, install a new communications network, and train lottery staff and retailers. The terminals are supported by reliable satellite communication. In the coming fiscal year, the terminals will provide players with self-service ticket checkers and video displays to relay information to players. The video displays will have the ability to publicize AMBER Alerts on behalf of law enforcement at retailer locations throughout the state.
- Launched a website, PlayResponsiblySC.com, devoted to educating the public on identifying problem gambling. The website gives information on local resources in place to offer referrals to effective treatment programs for problem gamblers and support for their families.
- Implemented an agency-wide economy, efficiency, and process improvement exercise as part of development and implementation of the state-wide lottery computer system. In fact, although the Commission has authority to spend 8% in administrative overhead (excluding retailer commissions), those expenses were successfully limited to 4.3% of sales, resulting in additional transfers for education.
- Transferred more than \$260 million for educational programs, bringing total contributions to the Education Lottery Account since our first sale in January 2002 to more than \$1.9 billion.
- Closed one of four regional claims centers in September 2008 resulting in significant cost savings to the Commission with minimal impact to customers.
- Expanded Palmetto Cash 5 to six drawings per week, Monday through Saturday, and began talks regarding selling Mega Millions® tickets in South Carolina.

Although the Commission continues to face new challenges, we remain focused on our goals of raising funds to support education and marketing our products in a socially responsible manner. We will continue to introduce new, exciting products while maintaining our commitment to operating a lottery with the integrity our citizens expect and rightfully deserve. We will remain true to our mission and to the legislation which created the South Carolina Education Lottery by providing, with integrity, entertainment options to adults to support education in South Carolina.

Awards and Acknowledgments

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, 2008. 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, and in making us so successful, have my sincere appreciation.

Sincerely,

Paula Harper Bethea
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, 2008

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



President

Executive Director

MISSION

*To Provide, With Integrity,
Entertainment Options
To Adults To Support
Education in South
Carolina.*

Mission

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

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

Board of Commissioners

Chairman



Timothy E. Madden
Greenville, SC



South Carolina Education Lottery Staff

In the 2000 General Election, the citizens of South Carolina voted to amend the Constitution to allow for a state-run lottery. The Lottery Act was ratified in June 2001 and the first ticket was sold on January 7, 2002. Section 59-150-40(A) of the Lottery Act established a nine-member Commission:

“Section 59-150-40. (A) The commission is governed by a board composed of nine members to be appointed as follows: three members must be appointed by the Governor, three members must be appointed by the President Pro Tempore of the Senate, and three members must be appointed by the Speaker of the House of Representatives.”

The South Carolina Education Lottery Commission members are:

- Timothy E. “Tim” Madden, Chairman
- James J. Bailey, Jr., Vice Chairman
- T. Moffatt Burriss, Treasurer
- A. Marvin Quattlebaum, Jr., Secretary
- Edward Keith, M.D., At-Large Member
- Lisa H. Stevens
- Edie Rogers
- B. Boykin Rose
- Nathaniel “Nate” Spells, Sr.

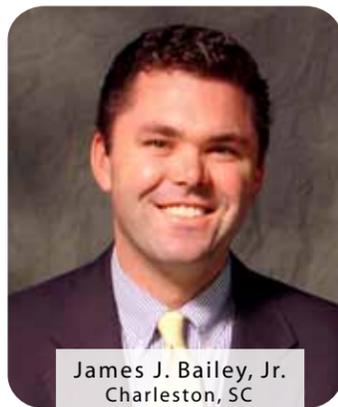
For fiscal year 2008-09, the Lottery had an average staff of 148 employees and nine departments including Executive (3), Internal Operations (17), Information Technology Systems (17), Marketing and Product Development (19), Sales and Retailer Relations (55), Security (8), Legal Services (5), Finance (22), and Audit

Services Department/Internal Auditor (2). The Internal Auditor reports directly to the South Carolina Education Lottery Commission.

SCEL has a field staff of 51 employees in its three regional offices. Nine of the 51 employees work in the claims centers where lottery winnings are redeemed. Forty-two employees are responsible for servicing SCEL retailers throughout the state (37 Marketing Sales Representatives, 2 Associate Sales Representatives and 3 Regional Sales Managers). They provide delivery of point-of-sale materials to retailers, advise retailers on marketing techniques, recommend businesses for licensure as retailers, and other duties as directed by the Lottery Commission.

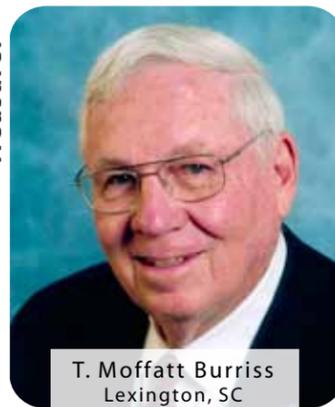
Fiscal year 2008-09 average number of employees per location: Columbia - 97; Coastal/Charleston - 18; Upstate/Greenville - 15; Midlands/Blythewood - 17; and Fort Mill - 1 (since closed).

Vice Chairman



James J. Bailey, Jr.
Charleston, SC

Treasurer



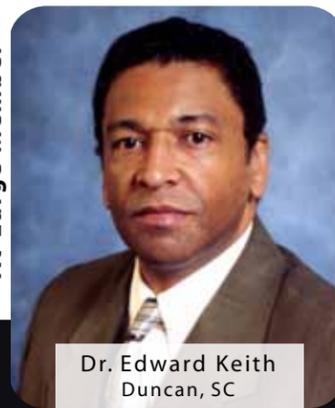
T. Moffatt Burriss
Lexington, SC

Secretary



A. Marvin Quattlebaum, Jr.
Greenville, SC

At-Large Member



Dr. Edward Keith
Duncan, SC



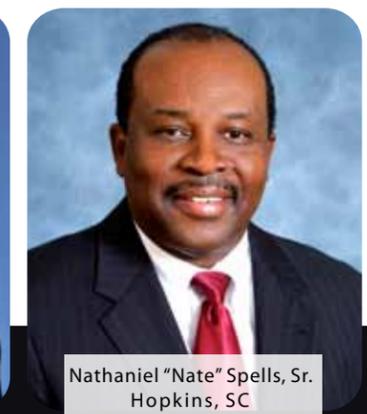
Lisa H. Stevens
Greenville, SC



Edie Rogers
Beaufort, SC

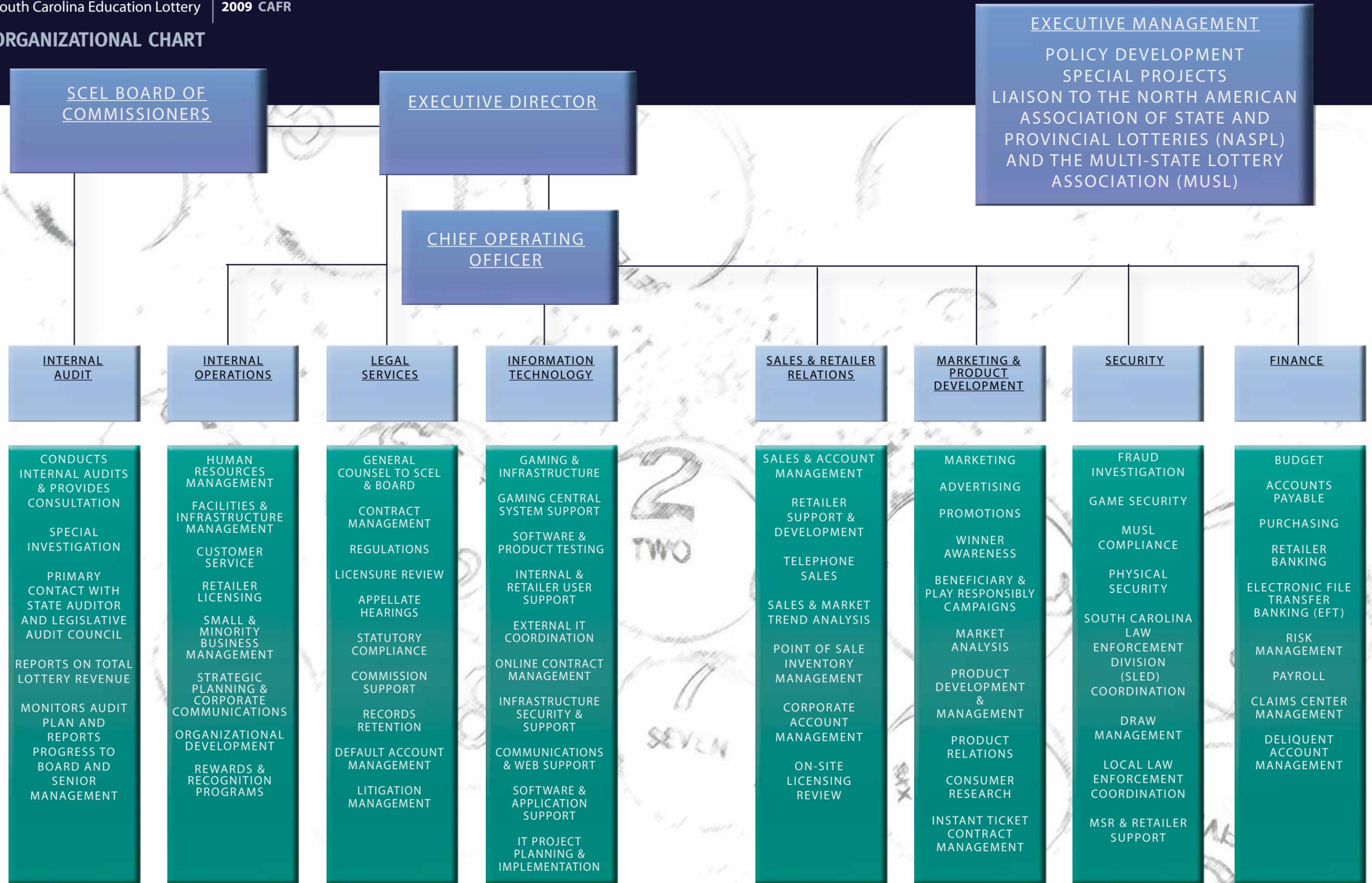


B. Boykin Rose
Charleston, SC



Nathaniel “Nate” Spells, Sr.
Hopkins, SC

ORGANIZATIONAL CHART



GAMES

Players must be 18 years of age or older and must pay cash for tickets. Tickets may be purchased at any of SCEL's approximately 3,600 retailers across the state. For all games, prize payouts are subject to SCEL rules and regulations that may be obtained at SCEducationLottery.com or by writing to the following address: South Carolina Education Lottery, P.O. Box 11949, Columbia, SC 29211-1949.

Sign it NOW! Players are encouraged to sign tickets legibly immediately after purchase. Tickets are bearer instruments, meaning the ownership of the ticket belongs to the ticket holder. Signing the ticket can help protect players in the event the ticket is lost or stolen.



South Carolina Education Lottery Games

Instant Games

Instant games are fun and easy to play. By scratching the latex coating off the surface of a ticket, players know in an instant if they have won and the amount of the prize. More than 65 instant tickets were launched this fiscal year. Players enjoyed the Southern flair of **Peach Cobbler 2** and **Beach Music**, along with licensed-properties like **Monopoly™** and **Golden Tee® Golf**.

In August 2008, \$1 tickets increased in height from 2.25 inches to 2.5 inches. The larger size meant more appealing tickets and room for a new barcode on the ticket front, under the scratch-off coating. Adding the new barcode was necessary for keyless validation when the new Intralot game management system launched in November 2008.

For instant games, players have 90 days after the last day to sell a ticket to redeem a prize. The official end of the different instant games is posted at retail locations and on sceducationlottery.com. In May 2009, the End of Game process changed. When the last top prize in an instant game is claimed, retailers now receive a terminal message telling them the last top prize was claimed along with instructions to stop selling the game and pull any remaining unsold tickets from their inventory. The added step was viewed as beneficial for players. Instant game sales for FY 2008-09 was more than \$650 million.

Online Games

Intralot was awarded the Lottery's online gaming contract, and a successful cut over to the new gaming system took place in November of 2008. Retailers demonstrated tremendous support and patience throughout the process. Retailers set aside time for satellite communication installation, made time for terminal training and accommodated

terminal installation, which resulted in having two terminals for a short period of time. Under the new system, retailers gained the ability to sell tickets 24 hours a day.

Pick 3 & Pick 4

Pick 3 and **Pick 4** have maintained consistent sales, making up more than \$198.4 million in total sales. Drawings for both are held everyday at 12:59 p.m. and 6:59 p.m. (no midday drawing on Sundays and Christmas Day) Midday drawings are not televised.

Palmetto Cash 5

With a top prize of \$100,000 and the Power-Up option offering players the chance to multiply winnings up to \$500,000, **Palmetto Cash 5** continues to be a player favorite. In June 2009, the Lottery added a Saturday drawing to increase the game's reach to six days a week. The first Saturday drawing was held on June 6. Drawings are now Monday through Saturday at 6:59 p.m. Sales for **Palmetto Cash 5** exceeded \$19.4 million this fiscal year.

Add-A-Play

Add-A-Play is a group of online games that play like instant games but are generated by the lottery terminal at the time of purchase. For an extra \$1 per play, players can "Add-A-Play" with any Pick 3, Pick 4, or Palmetto Cash 5 purchase. The terminal randomly generates an **Add-A-Play** ticket. **Add-A-Play** play styles and winning symbols change as new games are introduced. **Carolina Cash Add-A-Play** and **Candy Cane Cash Add-A-Play** launched in Fiscal Year 2008-09.

MegaMatch 6®

MegaMatch 6® is South Carolina's own rolling jackpot game. Jackpots start at \$550,000 and increase by at least \$25,000 per drawing if the jackpot is not won. A record \$1.4 million jackpot was won in September of 2008. Tickets cost \$5 and drawings are Tuesday and Friday at 6:59 p.m. **MegaMatch 6®**, known for offering more ways to match and more ways to win, celebrated its first birthday in February of 2009. Sales were more than \$19.1 million for Fiscal Year 2008-09.

Powerball®

Powerball® sales were strong in Fiscal Year 2008-09, earning more than \$118.2 million. The game underwent several changes in January of 2009, when Florida joined the **Powerball®** group. The starting jackpot increased from \$15 million to \$20 million. The overall odds of winning a **Powerball®** prize improved from 1 in 36.6 to 1 in 35.1. An exciting change came to the highest PowerPlay® prize tier: The prize for matching five white balls with PowerPlay® increased to \$1 MILLION.

Besides winning the jackpot, there are still eight other ways to match and win prizes from \$3 up to \$200,000. Players may spend an extra \$1 per play for the PowerPlay® option to multiply winnings by 2, 3, 4 or 5 (excluding the jackpot). **Powerball®** drawings are Wednesday and Saturday at 10:59 p.m.

Complete information on games, odds, claiming prizes and claims center locations is available at sceducationlottery.com.



PROMOTIONS

South Carolina Education Lottery players have come to expect bigger and better promotions. With trucks, cruises, airline miles, cash, and trips to Hollywood and Las Vegas as prizes, fiscal year 2009 did not disappoint.

Keeping pace with the times, the Lottery continued to offer players the option of entering promotions by simply registering and submitting qualifying, non-winning tickets online at sceducationlottery.com. More than 138,000 online entries were received for just the Summer Escape™ 2008 promotion. Even without online registration, player favorites Clean\$weep and Powerball® Cruise Away were back for another successful run.



South Carolina Education Lottery Promotions

Clean\$weep

Clean\$weep is a joint venture between SCEL and PalmettoPride designed to help improve the state's litter problem. The legislation setting up the Lottery contained language supporting the formation of a game to encourage players to save and collect non-winning tickets with the ultimate aim of preventing lottery tickets from becoming litter. To enter, players mail in ten (10) non-winning instant tickets from any game in any combination of price points in a letter or business sized envelope. One hundred (100) entries are selected each month to win \$50. All entries received are recycled. In the annual Clean\$weep promotion that began on August 1, 2008, 197,100 entries were received during the first 11 months of the promotion. There were approximately 221,400 entries during the 12-month promotion, which ended on July 31, 2009.



Summer Escape™ 2008

Summer 2008 promised to let players "Get Away Your Way." The promotion launched in mid-May when three Summer Escape tickets went on sale: Air Escape (\$2), Sea Escape (\$5), and Land Escape (\$10). In addition to cash winnings, the different Summer Escape tickets had methods of escape as prizes. Players could win: 1) airline miles on the Air Escape ticket, 2) Carnival® Cruises on the Sea Escape ticket, and 3) Ford F-150® trucks on the Land Escape ticket.

Players entered \$10 worth of non-winning tickets in the second-chance promotion for the chance to win one of four grand prizes of 500,000 airline miles, a Carnival® Cruise for two, and a Ford F-150® truck. More than 197,000 entries were received. At each of the three grand prize events, five finalists were drawn to participate and 1,200 Ford prize packs were awarded. Over the course of the summer, three grand prize events and three supporting events were held around the state. At each of the six events, members of the audience who made the requisite lottery purchase were entered in drawings where two 50,000 airline mile packages,



one cruise for two, and three Ford prize packs were awarded. The five finalists drawn for each of the three grand prize events scratched over-sized tickets to discover which player won the grand prize, which two players won \$3,000 and which two players won \$1,000.

SUMMER ESCAPE™ 2008 GRAND PRIZE WINNERS

Draw 1, Greenville Drive Baseball Game on July 4, 2008:

- Grand Prize:** Candace Bouknight, Waterloo
- 2nd Place:** Delbert Rice, Wagener & Theodore Harrison, Salters
- 3rd Place:** Esther Pino, West Columbia & Arlene Powers, North Charleston

Draw 2, Charlotte Knights Baseball Game in Rock Hill on August 23, 2008:

- Grand Prize:** Delores Rucker, Greenwood
- 2nd Place:** Doris Davis, Moore & Tyesah Gary, Columbia
- 3rd Place:** Ceferina Hess, Greenwood & Adam Magid, Indian Trail, NC

Draw 3, Beach, Boogie & BBQ Festival in Myrtle Beach on August 30, 2008:

- Grand Prize:** Joseph Wheeler*, Georgetown
*Won an additional 500,000 airline miles.
- 2nd Place:** Deborah Johnson, Simpsonville & Elaine Robinson, Anderson
- 3rd Place:** Michael Payne, Columbia & Ernest Wright, Greenville

Draw 4, Final Grand Prize Drawing Held March 20, 2009:

- Grand Prize:** David Dickerson, Mansfield, OH

THAT'S THE TICKET Second-Chance Promotion

The Summer 2007 promotion came to an end in January 2009. The deadline for receiving entries was Friday, January 9, 2009. On Friday, January 16, 2009, Rose Marie Williams was awarded the final grand prize trip. This final grand prize was valued at \$50,000 and included airfare to New York, Las Vegas, or Hollywood; luxury accommodations; luggage; a digital camera; an iPod®; a cash prize; and taxes paid. More than 539,000 Cash Bonanza Riches tickets were entered in this promotion either online or by mail.



Ford Oval and F-150 are registered trademarks owned and licensed by Ford Motor Company. Manufactured by MDI.



Photograph(s) courtesy of Carnival Cruise Lines.

PROMOTIONS

Deal or No Deal Second-Chance Promotion

The Deal or No Deal Second-Chance Promotion and instant ticket launched on August 26, 2008. Seven Grand Prize drawings were held between September 24, 2008 and March 3, 2009, to select Hollywood trip winners. David McElrath, of Old Fort, NC; Delois Young, of Spartanburg; Roy Allen, of Conway; Warren Devanny, of Columbia; Kathy Mishoe, of Loris; Cindy Bell, of North Charleston; and Marta Eugenia Wolfe, of York were all trip winners. In Hollywood, Warren Devanny was selected to play a non-broadcast version of the daily game show and won \$20,000!

All entries received prior to the February 25, 2009 deadline and not selected as Hollywood trip winners, as well as all entries received between February 24, 2009 and July 31, 2009, were eligible for and automatically entered into a drawing to become a Finalist for the Multi-State Second-Chance Drawing. On August 7, 2009, seven (7) SCEL Finalists were drawn for a chance to win a cash prize of up to \$2.5 million. On September 15, 2009, Virginia Cole, of Cincinnati, OH, was selected from all Finalist entries received from each participating lottery jurisdiction. Cole won \$250,000.

Deal or No Deal TM & © 2008 Endemol International B.V. Deal or No Deal game show experience prize includes a recorded DVD of the non-broadcasted produced show. In Hollywood, out of all participating lottery trip winners, 26 people were selected to participate in the daily version of the Deal or No Deal television show with a chance to win up to \$500,000.

South Carolina State Fair

Having a presence at the South Carolina State Fair provides the Lottery with an opportunity: 1) to meet players from all across the state; 2) to answer questions from players and retailers in attendance; and 3) to provide players with extra value in the form of wheel spins for prizes. During the 2008 fair, one of the prize spots on the prize wheel was a trip to the "Mega Wheel"—a six-foot tall prize wheel, which was very popular with fairgoers. Over the course of the State Fair's run, from October 8-19, 2008, staff manning the promotions tent conducted more than 15,000 wheel spins and more than 1,000 Mega Wheel spins. Staff efforts resulted in nearly \$167,000 in ticket sales.

THE PRICE IS RIGHT® Second-Chance Promotion

THE PRICE IS RIGHT® instant ticket and second-chance promotion launched on January 6, 2009. By entering non-winning tickets in a second-chance promotion, players were entered in a drawing for the chance to be one of nine winners selected to receive a trip to Las Vegas to attend THE PRICE IS RIGHT® stage show and \$5,000 in two drawings. All trip winners joined with lottery winners from across the country to have the opportunity to play a Lottery-Winners-Only version of the stage show. In the June drawing, four players won trips: Teresa Madden, of Pickens; Vickie Hester, of Summerville; Sean O'Connor, of North Charleston; and Chaikowsky Holloway, of Batesburg. Vickie Hester bid closest to the retail value of a bike and got to go on stage where she won a secretary desk, a laptop computer and a lawnmower, all valued at over \$7,500. She even made it all the way to the

Showcase Showdown™ where she overbid on a package that included a new car. In a special Big Money Wheel game where players had the chance to win up to \$1 million, Vickie took home \$9,000!

In the November drawing, Frances Ginsberg, of Bishopville, won a laptop, exercise equipment, luggage and \$1,000 cash! Columbia's Betty Harrison won a boat, wine cooler and \$2,000! Other S.C. trip winners were Karen Shokes, of Charleston; James Kough, of Lake City; and John Graham, of Murrells Inlet.

THE PRICE IS RIGHT® is a registered trademark of FremantleMedia Operations BV. Licensed by FremantleMedia Enterprises. www.fremantlemedia.com THE PRICE IS RIGHT® experience prize includes a recorded DVD of the live Las Vegas stage show.

Cruise Away with Powerball® Promotion

To celebrate the Powerball® matrix change following the Saturday, January 3, 2009 drawing, SCEL hosted a promotion awarding five-day Caribbean cruises for two. Players making a \$5 Powerball® purchase on a single ticket would receive an entry form to mail in. Over the course of the eight-week promotion, eight winners were drawn: Bennie Rice, of Easley; William Endress, of Blowing Rock, NC; Donna Menne, of Aynor; Lucille

Bransfield, of Little River; Teresa Driggers, of Holly Hill; Norman Costello, of Spartanburg; and Denise Dobson, of Islandton.

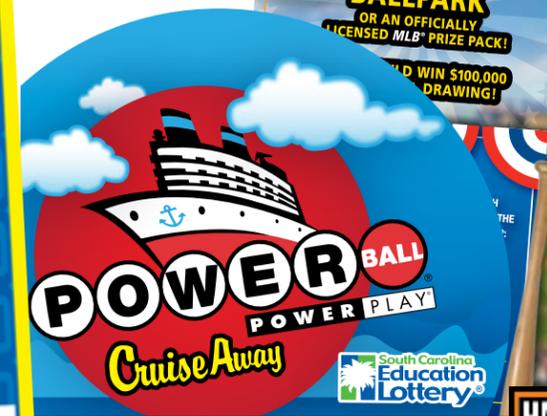
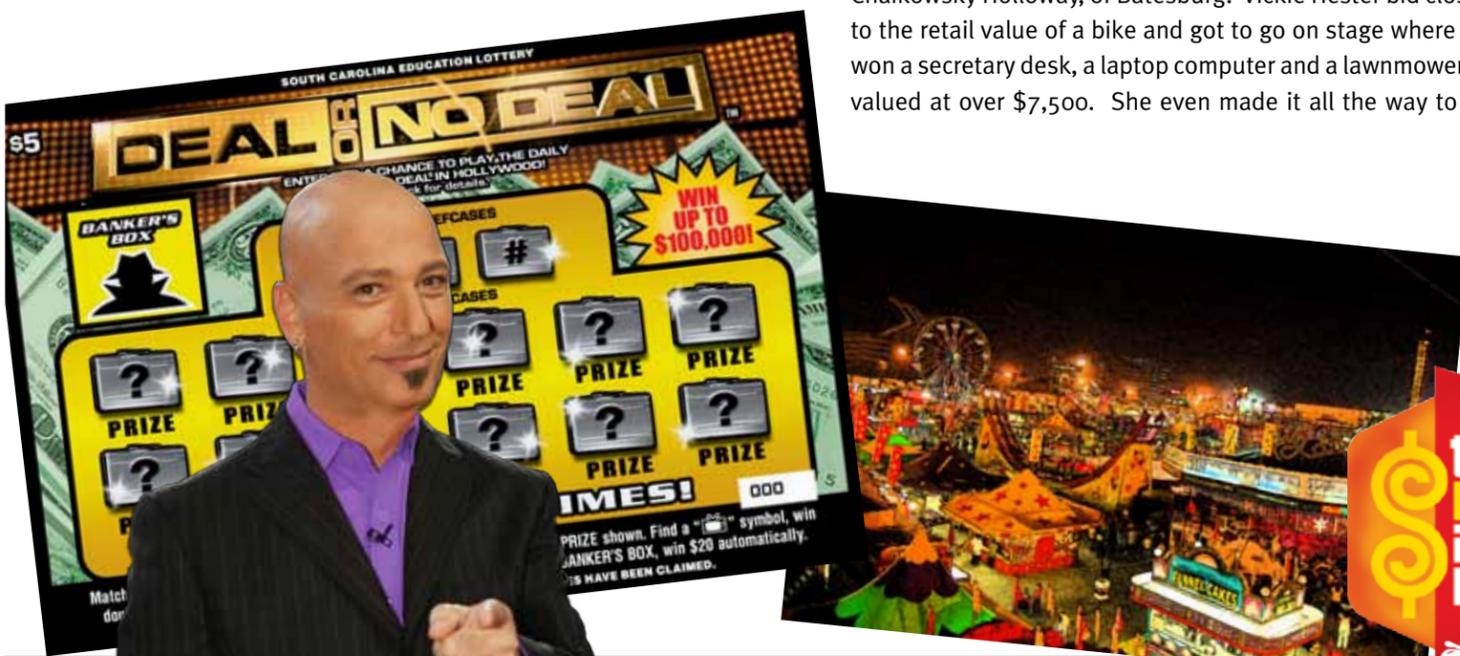
Summer 2009

Two Summer 2009 promotions launched just as the fiscal year was coming to a close. Big League Baseball tickets launched on April 21, 2009. The second-chance promotion offers the chance to win one of two Grand Prize trips to the Major League ballpark of the player's choice in the first two drawings. The third and final drawing will have a \$100,000 prize.

The second Summer 2009 promotion has a Harley-Davidson® motorcycle as a Grand Prize. Players can enter non-winning tickets for the chance to be one of three finalists drawn to participate in an event at the Beach, Boogie, and Barbeque Festival in Myrtle Beach over Labor Day weekend for the chance to win a Harley-Davidson® Fat Boy® motorcycle. Two drawings will be held to award a total of 848 Harley-Davidson® prize packages. A third and final drawing for \$100,000 is scheduled to take place April 2, 2010.

© 2009 H-D. All Rights Reserved. Harley-Davidson, the Bar & Shield logo and Fat Boy are among the registered trademarks of H-D Michigan, LLC.

Major League Baseball trademarks and copyrights are used with permission of Major League Baseball Properties, Inc. MLB.com MDI/MLBP 2009.





SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

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 24, 2009

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, 2009 and 2008, 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

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, 2009 and 2008 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, 2009 and 2008, 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 24, 2009, 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 24, 2009

Elliott Davis, LLC

Management of the South Carolina Education Lottery Commission (the Commission) provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Commission's financial statements. This narrative provides an overview of the Commission's financial activity for the fiscal years ended June 30, 2009 and 2008. 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 deposit in 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, 2009, there was an increase from the prior fiscal year of \$12.0 million in revenues from lottery operations. The Commission returned \$633.2 million to winners of lottery games and \$71.3 million was paid to retailers for commissions and incentives. Other game-related expenses totaled \$19.2 million and operating expenses were \$23.7 million. Net proceeds remitted to and due to the ELA were \$261.5 million as of and for the year ended June 30, 2009.

The overall financial position of the Commission remains strong as the Board of Economic Advisors (BEA) remittance goal was exceeded once again this fiscal year. The projected remittance of \$252.4 million by BEA was exceeded by \$9.1 million for actual remittances of \$261.5 million. Net Assets decreased from the previous fiscal year from \$1.7 million to \$1.4 million.

For the year ended June 30, 2008, there was an increase from the prior fiscal year of \$4.8 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.

The Commission continues to introduce new games and promote existing games to keep players entertained. The elements which contribute to the level of sales are varied and the Commission attempts to identify these elements while marketing products responsibly to increase sales.

S.C. Code Ann. § 59-150-60(A) (18) limits the amount of advertising expense to 1 percent of the previous year's gross sales, and § 59-150-350(A) limits annual administrative expenses to 15 percent of total annual revenue. Actual operating costs and the related limits for FY07 to FY09 follow:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Revenue	\$1,008,481,495	\$996,507,668	\$991,739,055
Gross Sales	1,005,106,684	992,492,764	988,158,152
Advertising Expense Upper Limit	9,924,928	9,881,582	11,446,063
Actual Advertising Expense	8,285,021	8,332,591	9,866,628
Total Administrative Expense Upper Limit	151,272,224	149,476,150	148,760,858
Actual Total Admin. Exp. and Retailer Comm.	114,218,322	112,654,981	115,761,597

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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current Assets	\$ 49.5	\$ 49.8	\$ 48.0
Non-Current Assets:			
Capital Assets	0.9	1.2	2.6
Other Non-Current Assets	4.8	5.0	6.2
Total Non-Current Assets	5.7	6.2	8.8
Total Assets	55.2	56.0	56.8
Current Liabilities	53.6	53.7	53.3
Long-term Liabilities	0.2	0.6	0.5
Total Liabilities	53.8	54.3	53.8
Net Assets			
Net Assets Invested in Capital Assets	0.9	1.2	2.6
Restricted Assets	0.5	0.5	0.4
Total Net Assets	\$ 1.4	\$ 1.7	\$ 3.0

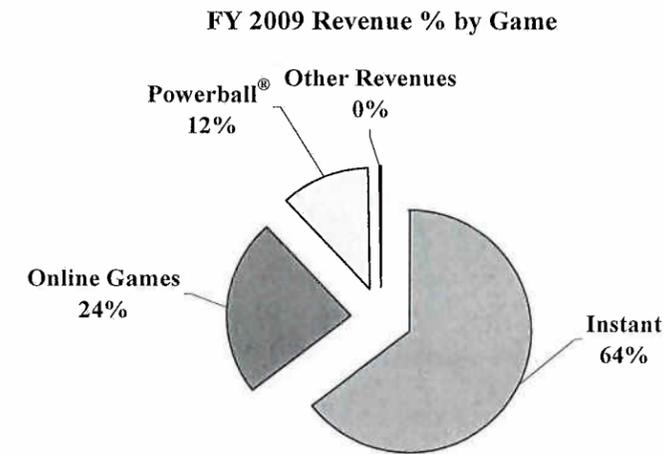
The Commission's current assets consist primarily of cash and cash equivalents with deposits in financial institutions, accounts receivable from retailers, accounts receivable from the Multi-State Lottery Association (MUSL), instant ticket inventory, and prepaid expenses. Non-current capital assets consist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

Commission Operations (in millions)

Sales by game and other revenues:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue - Instant games	\$ 650.0	\$ 622.9	\$ 617.5
Revenue – Online games	236.9	236.1	236.4
Revenue – Powerball®	118.2	133.5	134.3
Other Revenues	3.4	4.0	3.5
Total Revenues	\$ 1,008.5	\$ 996.5	\$ 991.7

For fiscal year 2009, the percentage of revenue by game and other is as follows:



Expense by prize and other expenses:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Retailer Commissions and Incentives	71.3	70.4	70.0
Prize expense - Instant games	463.2	442.9	428.7
Prize expense - Online games	114.4	114.1	110.2
Prize expense – Powerball®	55.6	63.5	61.2
Instant and online direct costs	19.2	17.1	18.1
Operating expenses	23.7	25.1	27.6
Total Expenses	747.4	733.1	715.8

Non-operating income:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interest Income	\$ 0.1	\$ 0.5	\$ 1.2

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expensed and due to Education Lottery Acct.	\$ 261.5	\$ 265.3	\$ 279.2
Change in Net Assets	(0.3)	(1.4)	(2.1)
Ending Net Assets	\$ 1.4	\$ 1.7	\$ 3.0

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, 2009, the balance in the Restricted Fidelity Fund was \$476,096. A transfer was made during the year in the amount of \$27,718 for retailer losses. For fiscal year ended June 30, 2008, the balance in the Restricted Fidelity Fund was \$462,974 and no transfers were for retailer losses. As of July 10, 2009, the Commission remitted \$260.4 million, including \$19.4 million in unclaimed prize funds to the State Treasurer for the ELA for the fiscal year ended June 30, 2009. Total remittances to the ELA are \$2.0 billion from inception to June 30, 2009.

Net Invested in Capital Assets

Net capital assets for fiscal year 2009 are \$874,718. Capital asset activity during the year included purchases of \$122,182 and depreciation expense of \$444,248. Large capital assets no longer in use were removed from the books during the fiscal year.

(in millions)

Capital Assets	\$ 12.7
Less: Accumulated Depreciation	11.8
Net assets invested in capital assets	\$.9

Net capital assets for fiscal year 2008 were \$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.

(in millions)

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

Additional discussion on net assets invested in capital assets can be found in notes 4 and 6 of the financial statements.

Potential Factors Impacting Future Operations

There are no known potential factors that would have a significant impact on future operations.

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,	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,259,792	\$ 10,671,077
Cash - Restricted fidelity fund	476,096	462,974
Retailer accounts receivable, net of allowance for doubtful accounts of \$264,878 and \$161,455 for 2009 and 2008, respectively	33,694,977	32,925,011
Accounts receivable - Multi-State Lottery Association	51,865	841,435
Inventory	1,739,917	1,933,362
Prepaid expenses and other current assets	1,294,962	3,003,800
Total current assets	49,517,609	49,837,659
NONCURRENT ASSETS		
Capital assets, net	874,718	1,201,168
Deposits with Multi-State Lottery Association	4,783,216	4,960,120
Total assets	\$ 55,175,543	\$ 55,998,947
LIABILITIES		
CURRENT LIABILITIES		
Due to Education Lottery Account	\$ 23,655,434	\$ 18,650,862
Prizes payable	24,376,500	29,005,564
Payable to Multi-State Lottery Association	1,057,754	471,303
Accounts payable	2,158,033	3,444,399
Accrued liabilities	1,057,378	911,584
Current portion of accrued compensated absences	588,393	491,642
Deferred revenue	662,383	720,113
Total current liabilities	53,555,875	53,695,467
NONCURRENT LIABILITIES		
Accrued compensated absences	268,854	639,338
Total liabilities	53,824,729	54,334,805
NET ASSETS		
Net assets, invested in capital assets	874,718	1,201,168
Restricted - fidelity funds	476,096	462,974
Total net assets	1,350,814	1,664,142
Total liabilities and net assets	\$ 55,175,543	\$ 55,998,947

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

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

	For the years ended	
	June 30,	
	2009	2008
OPERATING REVENUES		
Sales Revenues		
Instant games	\$ 650,042,661	\$ 622,863,738
On-line games	236,899,282	236,145,782
Powerball® games	118,164,741	133,483,244
Net sales revenues	1,005,106,684	992,492,764
Other Operating Revenue		
Retailer permit fees	482,895	501,005
Retailer telephone fees	2,761,993	2,742,225
Other	129,923	771,674
Total other operating revenue	3,374,811	4,014,904
Total revenue	1,008,481,495	996,507,668
DIRECT COSTS		
Commissions and incentives to retailers	71,255,655	70,432,616
Prize expense		
Instant games	463,165,582	442,920,754
On-line games	114,409,430	114,079,965
Powerball® games	55,621,394	63,470,068
Total prize expense	633,196,406	620,470,787
Instant and on-line costs	19,241,071	17,089,005
Total direct costs	723,693,132	707,992,408
Gross profit	284,788,363	288,515,260
OPERATING EXPENSES		
Advertising and promotion	8,285,021	8,332,591
Security checks	219,175	232,980
Salaries, wages, and benefits	10,275,119	10,619,644
Contracted and professional services	1,117,942	421,040
Depreciation	444,248	2,064,688
Rent expense	1,017,575	981,250
Office supplies	100,808	179,967
Other general and administrative	2,261,708	2,301,200
Total operating expenses	23,721,596	25,133,360
Operating income	261,066,767	263,381,900
NON-OPERATING INCOME (EXPENSE)		
Interest income	127,464	516,841
Gain (loss) on disposition of capital assets	16,836	(2,054)
Total non-operating income	144,300	514,787
Change in net assets before amount remitted to and due to Education Lottery Account	261,211,067	263,896,687
REMITTED TO AND DUE TO EDUCATION LOTTERY ACCOUNT	261,524,395	265,288,764
Change in net assets	(313,328)	(1,392,077)
NET ASSETS,		
BEGINNING OF YEAR	1,664,142	3,056,219
END OF YEAR	<u>\$ 1,350,814</u>	<u>\$ 1,664,142</u>

See notes to 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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from retailers	\$ 1,007,959,574	\$ 993,260,080
Cash payments to prize winners	(637,239,019)	(616,685,547)
Cash payments to suppliers for goods and services	(102,790,549)	(102,443,236)
Cash payments to employees for services	(10,512,383)	(10,291,529)
Net cash provided by operating activities	<u>257,417,623</u>	<u>263,839,768</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Refunds of deposit with Multi-State Lottery Association	176,904	1,202,190
Allocation from Multi-State Lottery Association	500,631	(58,987)
Payments to Education Lottery Account	(256,519,823)	(268,485,984)
Net cash used for noncapital financing activities	(255,842,288)	(267,342,781)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from dispositions of capital assets	21,220	6,105
Purchase of capital assets	(122,182)	(628,729)
Net cash used for financing activities	(100,962)	(622,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	127,464	516,841
Net cash provided by investing activities	<u>127,464</u>	<u>516,841</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,601,837	(3,608,796)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	11,134,051	14,742,847
END OF YEAR	<u>\$ 12,735,888</u>	<u>\$ 11,134,051</u>
OPERATING ACTIVITIES		
Operating income	\$ 261,066,767	\$ 263,381,900
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	444,248	2,064,688
Changes in assets and liabilities		
Retailer accounts receivable	(769,966)	(3,245,522)
Accounts receivable - Multi-State Lottery Association	288,939	(288,939)
Inventory	193,445	310,876
Prepaid expenses and other current assets	1,708,838	(2,163,468)
Accounts payable and accrued liabilities	(1,414,305)	(293,935)
Prizes payable	(4,042,613)	3,785,240
Deferred revenue	(57,730)	288,928
Net cash provided by operating activities	<u>\$ 257,417,623</u>	<u>\$ 263,839,768</u>

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

***SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
NOTES TO FINANCIAL STATEMENTS***

NOTE 1 - REPORTING ENTITY

The *South Carolina Education Lottery Commission* (the Commission), was established as an instrumentality of the state, of South Carolina (the State) with enactment of Act 59 of 2001 (the Act). The Commission is responsible for the provision of lotteries on behalf of the State in accordance with the Act. The Act established a board of nine commissioners as an organization legally separate from the State. Three commissioners are appointed by the Governor, three are appointed by the President Pro Tempore of the Senate and three are appointed by the Speaker of the House of Representatives. The Commission exercises powers comparable to those of a governing board of an entrepreneurial organization. The Commission 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.

Net operating revenues

Operating revenue is defined as revenue earned from all operations related to the selling of tickets for instant and online games less uncollectible retailer accounts receivable.

Non-operating revenue

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue, accounts receivable, and deferred revenue recognition

Revenue and accounts receivable for 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 percent on total sales.

Prizes

In accordance with the Act, as nearly as practical, at least 45 percent 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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; and
Leasehold improvements	5 – 10 years.

Prepaid Expenses

In accordance with the State of SC accounting policy the consumption method is used to account for prepaid expenses.

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, 2009, the balance in the Restricted Fidelity Fund was \$476,096. A transfer of \$27,718 was made during 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

Accounts receivable Multi-State Lottery Association (MUSL)

Accounts receivable - MUSL consists of:

- The Commission’s portion of certain sales revenues shared by member lotteries, and
- The Commission’s annual pro rata allocation of earnings on a reserve account in which MUSL holds member deposits.

Balances related to these receivables as of June 30 were as follows:

	<u>2009</u>	<u>2008</u>
Shared sales revenue	\$ -	\$ 288,939
Allocation of earnings on reserve account	51,865	552,496
	<u>\$ 51,865</u>	<u>\$ 841,435</u>

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.

New accounting pronouncements

Certain recently issued accounting standards have not yet been adopted by the Commission as management has determined that they did not have a material effect on the Commission’s financial position or results of operations as of and for the year ended June 30, 2009.

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.

For the years ending June 30, 2009 and 2008, the amounts of the Commission deposits were as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Carrying amount</u>	<u>Bank balances</u>	<u>Carrying amount</u>	<u>Bank balances</u>
Demand deposits	\$ 12,348,273	\$ 12,934,023	\$ 10,724,117	\$ 11,553,107
Deposits held by State Treasurer	387,615	387,615	409,934	409,934
	<u>\$ 12,735,888</u>	<u>\$ 13,321,638</u>	<u>\$ 11,134,051</u>	<u>\$ 11,963,041</u>

NOTE 3 - DEPOSITS, Continued

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. For the years ending June 30, 2009 and 2008, all of the Commission's bank balances of \$13,321,638 and \$11,963,041, 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, 2009 and 2008.

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 2009:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Cost				
Machinery and equipment	\$ 21,056,032	\$ 122,182	\$(9,852,029)	\$ 11,326,185
Vehicles	68,826	-	(21,000)	47,826
Leasehold improvements	1,315,694	-	-	1,315,694
	<u>22,440,552</u>	<u>122,182</u>	<u>(9,873,029)</u>	<u>12,689,705</u>
Accumulated depreciation				
Machinery and equipment	(20,412,507)	(309,915)	9,847,645	(10,874,777)
Vehicles	(68,826)	-	21,000	(47,826)
Leasehold Improvements	(758,051)	(134,333)	-	(892,384)
	<u>(21,239,384)</u>	<u>(444,248)</u>	<u>9,868,645</u>	<u>(11,814,987)</u>
Total capital assets, net	<u>\$ 1,201,168</u>	<u>\$ (322,066)</u>	<u>\$ (4,384)</u>	<u>\$ 874,718</u>

The following is a summary of changes in capital assets and accumulated depreciation during fiscal year 2008:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
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
	<u>21,878,516</u>	<u>628,729</u>	<u>(66,693)</u>	<u>22,440,552</u>
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)
	<u>(19,233,230)</u>	<u>(2,064,688)</u>	<u>58,534</u>	<u>(21,239,384)</u>
Total capital assets, net	<u>\$ 2,645,286</u>	<u>\$ (1,435,959)</u>	<u>\$ (8,159)</u>	<u>\$ 1,201,168</u>

NOTE 5 - ACCRUED EXPENSES

Accrued liabilities as of June 30, 2009, consist of the following:

Accrued payroll and related expenses	\$ 840,481
Accrued SLED costs	122,092
Accrued other expenses	94,805
Total accrued	<u>\$ 1,057,378</u>

Accrued liabilities as of June 30, 2008, consist of the following:

Accrued payroll and related expenses	\$ 807,793
Accrued other expenses	103,791
Total accrued	<u>\$ 911,584</u>

NOTE 6 - LONG-TERM CONTRACTS AND COMMITMENTS

In January 2008, the Commission entered into a ten-year contract with a new vendor, Intralot, to provide online gaming services that had been previously provided by Scientific Games, beginning in November 2008. Conversion to Intralot from Scientific Games was completed on November 4, 2008. The online contract with Scientific Games expired on November 15, 2008. The contract with Intralot requires Intralot to provide and support the components of the Commission's lottery operations. Services to be provided under the contract include the replacement, as necessary, of hardware and software owned and maintained by Intralot. The Commission has agreed to pay an annual fee of \$6,777,900 for these services.

Future minimum contract payments to Intralot are scheduled as follows for the year ending June 30:

<u>Fiscal</u> <u>Year</u>	<u>Contract Payments</u> <u>to Intralot</u>
2010	\$ 6,777,900
2011	6,777,900
2012	6,777,900
2013	6,777,900
2014	6,777,900
2015 - 2019	29,427,382

The monthly online gaming fee payments to Intralot totaled \$4,462,118 for fiscal year 2009. There were no payments made to Intralot in 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. 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 required ten monthly payments of \$450,000 with a final payment of \$225,000. The monthly online gaming fees paid to Scientific Games was \$2,025,000 and \$5,400,000 for fiscal years 2009 and 2008, respectively.

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. Payments to Scientific Games are contingent upon actual services provided. Total payments to Scientific Games as it relates to instant ticket services was \$8,159,953 and \$8,914,210 for fiscal years 2009 and 2008, respectively. The contract period ends September 2013.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences during fiscal year 2009:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Accrued compensated absences	\$ 1,130,980	\$ 542,379	\$ 816,112	\$ 857,247

Compensated absences due in the next fiscal year are estimated at \$588,393, 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 2008:

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

Compensated absences due in the next fiscal year are estimated at \$491,642, which is based on an average of prior year's expenses plus all compensatory time.

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:

<u>Fiscal</u> <u>Year</u>	<u>Operating</u> <u>leases</u>
2010	\$ 745,697
2011	753,835
2012	706,430
2013	635,123
2014	654,510
2015 - 2016	1,186,927

Rental expenses under all operating leases, including those on month-to-month terms, totaled \$1,017,575 and \$981,250 for the years ended June 30, 2009 and 2008, respectively. This amount includes \$112,933 and \$107,868 in vehicle rental paid 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:

	<u>2009</u>	<u>2008</u>
Amount payable to the Education Lottery Account, beginning of year	\$ 18,650,862	\$ 21,848,082
Change in net assets subject to remittance	<u>261,211,067</u>	<u>263,896,687</u>
	279,861,929	285,744,769
Change in capital assets		
Capital assets	326,450	1,444,118
Net amount (collected for) paid from fidelity fund	(13,122)	(52,041)
Amount paid during the year	<u>(256,519,823)</u>	<u>(268,485,984)</u>
Amount payable to the Education Lottery Account, end of year	<u>\$ 23,655,434</u>	<u>\$ 18,650,862</u>

Net proceeds related to the above payable were remitted to the Education Lottery Account in July 2009, and 2008, 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 Section 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 and 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:

	<u>SCRS</u>
Employee contributions	6.50% of salary
Employer contributions	
Retirement	9.24% of salary
Insurance surcharge	3.50% of salary
Group life insurance	.15% of salary

For the years ending June 30, 2009, 2008, and 2007 the Commission contributions to SCRS were \$962,486, \$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, 2009.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (continued)

Commission employees may participate in Internal Revenue Code 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 Employee 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 earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. TERI participants that continue to work after their TERI participation has ended will pay working retiree contributions like active members.

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

A comprehensive annual financial report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960, 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 as of May 2, 2008, and after, retirees are eligible for benefits if they have established twenty-five years of service for 100 percent employer funding and fifteen through twenty-four years of service for 50 percent 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, 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through 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, 3.50% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The Commission paid \$263,305 and \$252,537 applicable to the surcharge included with the employer contribution for RMP and LTDC for the fiscal years ended June 30, 2009 and 2008, respectively, which were 100 percent of the required contribution amounts. 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, 2009 and 2008.

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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, 2009.

NOTE 13 - TRANSACTIONS WITH STATE ENTITIES AND RELATED PARTIES

For the year ended June 30, 2009, the Commission had certain transactions with the State and various other state agencies as follows:

<u>Related Party</u>	<u>Amount</u>	<u>Nature of Transaction</u>
South Carolina Department of Revenue	\$ 5,135,158	Transfers of state tax withholding, use taxes, debt setoffs, and retailer credit checks
SLED	279,499	Security services and fees paid for background checks on employees and retailers
South Carolina State Treasurer	256,519,823	Remittances of net proceeds and unclaimed prizes
South Carolina State Treasurer	9,600,375	Transfer of payroll funds for processing
Comptroller General	30,000	Fees for payroll processing
Comptroller General	23,970	Unemployment compensation premium
South Carolina Budget and Control Board	134,054	Insurance, telephone, printing, misc. services
South Carolina Department of Social Services	28,138	Debt setoffs withheld from prize winnings
South Carolina Department of Public Safety	333,868	Security services
SC Legislative Audit Council	281,618	FY09 Legislative Audit
SC State Accident Fund	57,213	FY09 Workers' Compensation Premium

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:

<u>Related Party</u>	<u>Amount</u>	<u>Nature of Transaction</u>
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 Comptroller General	9,824,125 30,000	Transfer of payroll funds for processing Fees for payroll processing
Comptroller General	16,565	Unemployment compensation premium
South Carolina Budget and 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

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

	<u>For the years ended</u>	
	<u>2009</u>	<u>2008</u>
Charges for services	\$ 1,008,481,495	\$ 996,507,668
Operating grants and contributions	144,300	514,787
Less expenses	<u>747,414,728</u>	<u>733,125,768</u>
Net program revenue	261,211,067	263,896,687
Remittances to and due out to state agencies/funds	<u>(261,524,395)</u>	<u>(265,288,764)</u>
Change in net assets	(313,328)	(1,392,077)
NET ASSETS - BEGINNING	<u>1,664,142</u>	<u>3,056,219</u>
NET ASSETS - ENDING	<u>\$ 1,350,814</u>	<u>\$ 1,664,142</u>



Elliott Davis
Accountants and Business Advisors

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

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

We have audited the financial statements of *South Carolina Education Lottery Commission* (the Commission), a discretely presented component unit of the State of South Carolina (the State), as of and for the years ended June 30, 2009, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

Columbia, South Carolina
September 24, 2009

Elliott Davis, LLC

SOUTH CAROLINA EDUCATION LOTTERY COMMISSION
SCHEDULE OF FINDINGS
For the year ended June 30, 2009

I. SUMMARY OF AUDITOR'S RESULTS

We have issued an unqualified opinion, dated September 5, 2009 on the financial statements of the Commission as of and for the years ended June 30, 2009 and 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*.



SOUTH CAROLINA EDUCATION LOTTERY COMMISSION

2009 STATISTICAL INFORMATION

FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

FOCUS

The Lottery continues to attain high rankings among the global lottery industry while maintaining a local focus.



Global & Local Focus

Global

The South Carolina Education Lottery continues to attain high rankings among the global lottery industry. The September 2009 issue of *La Fleur's Magazine*, reports among the U.S. lotteries SCEL ranks at number 15 in total sales with sales of \$1,003.9 million for FY09, an increase of 1 percent over the previous fiscal year. The majority of U.S. lotteries (24) reported a decline in sales during the fiscal year. SCEL comes in at number 11 with per capita total sales of \$224. In a ranking of U.S. lotteries by instant ticket sales during FY09, SCEL ranks at number 14, moving up to number 6 with per capita instant ticket sales of \$145, a 4 percent increase in instant ticket sales during a time where 19 U.S. lotteries saw a decline in instant sales.

Local

As with the rest of the country, South Carolinians have felt the effects of the economic recession. During Fiscal Year 2008-09, the South Carolina General Assembly returned to Columbia in October to deal with the budget shortfall. The legislature enacted H. 5300, the 2008-2009 Rescission Bill, in order to balance the budget. The bill included language in the event lottery revenue received was less than the amounts appropriated to ensure the LIFE, S.C. HOPE and Palmetto Fellows scholarships would be fully funded. Other projects and programs would have their appropriations reduced on a pro rata basis.

Fortunately, the retailers that sell lottery tickets and the players that enjoy playing SCEL's games made it possible

for the South Carolina Education Lottery to exceed the Board of Economic Advisor's estimate of revenue transferred to the Education Lottery Account by more than \$8 million. All programs were fully funded during the fiscal year.

During academic year 2008-09 (Fall 2008-Summer 2009), the General Assembly's appropriations resulted in 112,997 lottery-funded scholarships and grants being awarded to students of all ages attending colleges and universities in South Carolina. The cumulative number of scholarships awarded exceeded 708,000 since the Lottery began.

The General Assembly changed appropriations from lottery net proceeds, and \$10 million was rescinded from the Centers for Economic Excellence while the endowment's funding was suspended for the fiscal year. Funding for LIFE Scholarships received an additional \$10 million.

Unclaimed prize funds were appropriated to the following programs:

- Technology at Public 4-Year Universities, 2-Year Institutions, and State Technical Colleges - \$8,400,000;
- State Board for Technical and Comprehensive Education for the Allied Healthcare Initiative - \$4,000,000;
- Commission on Higher Education for the Critical Needs Nursing Initiative Fund (Simulation Technology and Equipment) - \$1,000,000; and
- Commission on Higher Education for the Need-Based Grants - \$6,037,827.

BENEFICIARY

Since the first day of sales, the Lottery's net proceeds have been transferred to the Education Lottery Account (ELA) for appropriation by the General Assembly. From startup on January 7, 2002 through the end of Fiscal Year 2008-09, the amount returned to the ELA to support educational programs was \$1,990,391,415. The total amount transferred to the ELA for Fiscal Year 2008-09 was \$260,437,827.

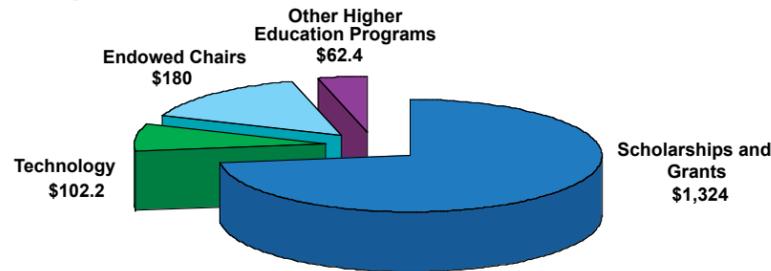
It is a common misconception that the Lottery has a say in how the funds it raises are spent. While the commission and staff of the Lottery, along with its retailers and players, earn the funds deposited in the Education Lottery Account to support educational programs, the General Assembly decides which programs to fund. The credit for determining scholarship eligibility criteria as well as deciding how many scholarships and grants to fund, what K-12 programs to assist and how to best serve the needs of community education belongs to the General Assembly.

For the period January 7, 2002 through June 30, 2010, the General Assembly's appropriations from the Education Lottery Account total \$2,276,017,843. Of this amount, 73.36 percent (\$1,669,615,600) supports scholarship and grants, in addition to other higher education programs. The Department of Education will receive \$549,949,126 or 24.16 percent. The remaining 2.48 percent (\$56,453,117) is to be used to fund community education programs such as county libraries and the Allied Healthcare Initiative. For additional information on the programs the General Assembly funds with lottery net proceeds, please visit the Budget and Control Board's website at: <http://www.budget.sc.gov/OSB-historical.phtm>.

To find what appropriations your county has received from the Education Lottery Account, SCEL's webpage contains a map of the distribution on a by-county basis. The South Carolina Commission on Higher Education, the South Carolina Tuition Grants Commission, the South Carolina Department of Education and the South Carolina State Library collaborated with SCEL to compile this information. This by-county distribution map is available online at www.sceducationlottery.com/educationwins/county.aspx.

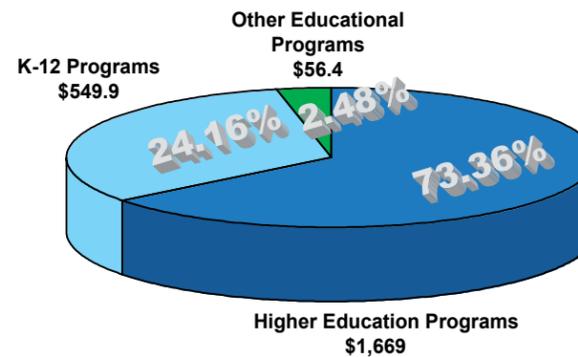
Approximately 97 cents of every dollar spent by players on the South Carolina Education Lottery is returned to the state in the form of contributions to education, prizes, retailer commissions, and payment to contractors for goods and services.

Higher Education Appropriations to Date*



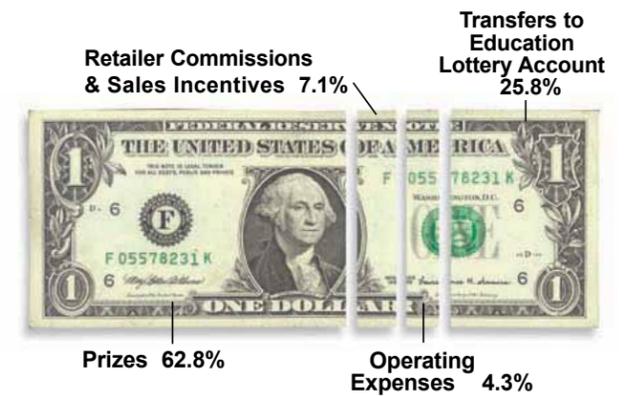
*Source of appropriations: Office of State Budget, SC Budget and Control Board. "Education Lottery Appropriations." July 23, 2009. www.budget.sc.gov/OSB-historical.phtm

Lottery Dollars Appropriated to Date**



**Dollar figures for all charts are in millions and incorporate the period from January 7, 2002 - June 30, 2010. Figures received July 23, 2009.

What is the breakdown of SCEL's gross proceeds?***



***Figures represent FY 2008-09.

PLAY RESPONSIBLY

Responsible play is an operational pillar of the Lottery. Games are intended to be a source of entertainment, but if played in excess they can quickly lose their fun. The Education Lottery Act, passed in 2001, specified at the end of Section 59-150-60(A)(18): "The commission must promote fair and responsible play, including disclosure of the odds of winning, and must ensure that any advertising used does not exhort the public to bet by misrepresenting, directly or indirectly, a person's chance of winning a prize."

In addition to providing odds for all of SCEL's games, the Act specifies:

"In addition, wherever lottery game tickets are sold, the commission must provide information regarding resources for persons with gambling problems. Wherever lottery game tickets are sold, a lottery retailer must post a conspicuous sign in a prominent location, inside the retailer's premises and adjacent to the point of sale, clearly warning of the dangers and risks of gambling and the odds of winning and the odds of losing."

The Lottery's philosophy is grounded in encouraging responsible play while increasing the public's awareness of problem gambling through education. SCEL's Play Responsibly brochure is updated annually and distributed to all retail locations, providing information on the warning signs of problem gambling and on where to get confidential

referrals for treatment through the S.C. Gambling Helpline managed by the South Carolina Department of Alcohol and Other Drug Abuse Services (DAODAS). In the fall of 2008, SCEL launched a website, PlayResponsiblySC.com, devoted to educating the public on identifying problem gambling. The website also provides information on resources in place to offer support and effective treatment for problem gamblers and their families and was reviewed by DAODAS.

The DAODAS helpline number is printed on the back of all instant tickets and play slips, Play Responsibly brochures are available at every licensed retail location, and public service announcements addressing this issue are broadcast on stations across the state.

Lottery Scholarship Distribution by County Since Inception

County	K-12*	Scholarship Awards**	Scholarship Amounts**	Library Totals***
ABBEVILLE	\$1,888,438.90	5,749	\$6,569,373.55	\$230,939.80
AIKEN	\$10,499,532.81	24,908	\$37,393,961.80	\$402,093.71
ALLENDALE	\$5,511,218.04	1,828	\$1,848,271.17	\$208,945.76
ANDERSON	\$13,693,535.81	32,646	\$42,330,952.41	\$436,193.60
BAMBERG	\$3,786,646.26	3,587	\$3,758,785.82	\$216,956.03
BARNWELL	\$4,155,016.21	4,608	\$5,783,212.25	\$226,985.41
BEAUFORT	\$9,248,465.56	16,161	\$22,297,759.14	\$370,307.03
BERKELEY	\$11,997,613.44	30,097	\$35,375,138.10	\$402,239.29
CALHOUN	\$2,134,072.65	2,950	\$3,220,621.56	\$214,789.86
CHARLESTON	\$29,039,137.80	53,922	\$73,478,062.24	\$648,294.45
CHEROKEE	\$5,168,425.50	8,498	\$9,803,695.11	\$269,719.10
CHESTER	\$3,448,037.48	5,380	\$6,226,206.97	\$242,558.89
CHESTERFIELD	\$4,555,127.94	8,188	\$9,516,367.02	\$255,352.97
CLARENDON	\$5,210,390.20	6,164	\$6,540,276.68	\$240,255.96
COLLETON	\$5,666,521.17	5,860	\$6,838,482.17	\$248,729.46
DARLINGTON	\$8,122,837.70	11,739	\$13,800,794.32	\$291,567.57
DILLON	\$5,769,358.29	5,281	\$6,293,377.36	\$237,638.32
DORCHESTER	\$11,998,117.07	24,661	\$32,942,114.13	\$334,242.44
EDGEFIELD	\$2,189,379.47	3,602	\$4,664,316.58	\$228,628.05
FAIRFIELD	\$4,084,537.46	4,843	\$4,843,537.36	\$226,950.12
FLORENCE	\$14,138,934.95	25,353	\$34,930,784.08	\$377,401.14
GEORGETOWN	\$4,924,935.20	9,826	\$13,564,515.70	\$274,513.21
GREENVILLE	\$28,024,724.50	79,901	\$112,797,529.37	\$750,716.19
GREENWOOD	\$6,025,678.94	17,682	\$21,745,495.35	\$289,916.10
HAMPTON	\$3,883,143.56	3,967	\$4,590,337.48	\$223,908.95
HORRY	\$13,383,035.88	28,918	\$42,746,086.74	\$481,618.47
JASPER	\$4,678,791.94	1,687	\$1,669,090.97	\$222,867.77
KERSHAW	\$4,992,312.89	10,338	\$13,693,116.99	\$269,880.86
LANCASTER	\$5,359,465.27	8,572	\$13,265,918.58	\$282,680.83
LAURENS	\$6,351,712.22	12,472	\$14,371,089.49	\$294,763.15
LEE	\$3,904,449.90	2,728	\$2,861,787.74	\$222,045.72
LEXINGTON	\$28,654,840.94	45,791	\$70,648,910.19	\$510,125.74
MARION	\$5,897,651.09	5,894	\$6,586,714.37	\$244,614.77
MARLBORO	\$4,981,396.71	5,962	\$5,545,850.19	\$234,838.32
McCORMICK	\$939,920.57	1,536	\$1,744,080.02	\$207,103.11
NEWBERRY	\$3,843,554.87	7,353	\$9,005,201.47	\$245,558.88
OCONEE	\$5,230,779.87	11,953	\$16,317,770.25	\$289,833.75
ORANGEBURG	\$13,554,496.62	20,356	\$21,114,395.05	\$327,138.05
PICKENS	\$6,421,230.60	22,589	\$30,701,459.40	\$355,336.49
RICHLAND	\$28,918,683.15	58,553	\$80,725,427.44	\$664,041.45
SALUDA	\$1,664,968.29	3,176	\$3,989,362.82	\$220,666.31
SPARTANBURG	\$24,318,776.33	48,831	\$66,606,788.09	\$565,679.98
SUMTER	\$9,765,166.14	21,790	\$26,255,654.95	\$346,349.76
UNION	\$3,648,109.49	6,896	\$9,053,148.52	\$236,401.56
WILLIAMSBURG	\$3,950,932.99	8,710	\$8,154,464.92	\$247,189.76
YORK	\$14,625,360.38	30,822	\$50,631,745.81	\$434,537.73
SC CHARTER DISTRICT^	\$128,500.00	NA	NA	NA
Others****	\$8,744,261.59	31,882	\$39,770,388.75	NA
Total	\$409,122,224.64	794,210	\$1,056,612,420.43	\$14,753,115.87

* Information provided by SC Department of Education for FY 2002-03 to FY 2008-09.

**Scholarship information for academic years 2002-09 provided by CHE and the Tuition Grants Commission. Academic year 2009-10 figures are in expected Fall 2010.

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

****Others" K-12 amounts from DOE include items listed on sheet 2 of this spreadsheet.

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

^The SC Charter School District first received appropriations in FY 2009-10.

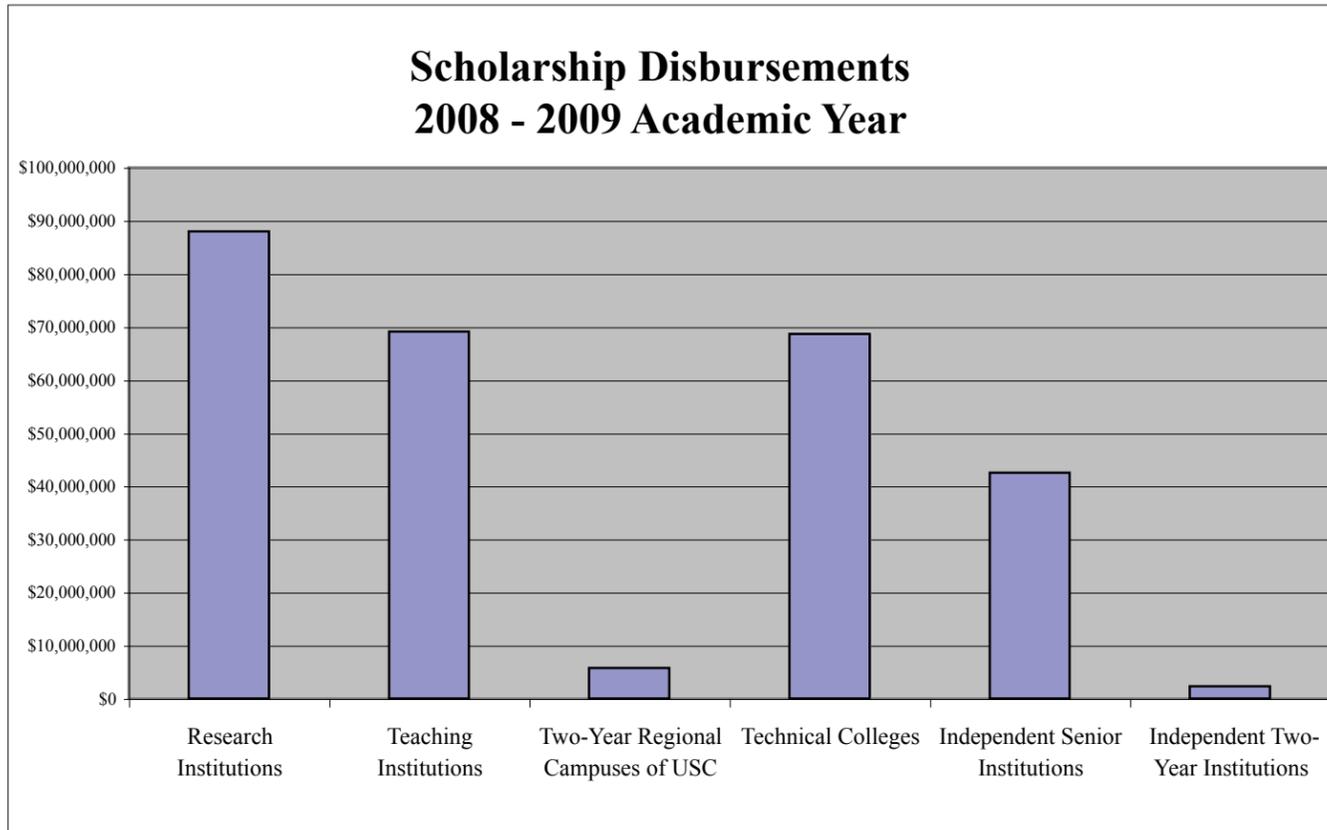
South Carolina Commission on Higher Education Scholarship Disbursements 2008-2009 Academic Year (Fall, Winter, Spring and Summer Combined)

	Total	
	Number	Amount
Research Institutions		
Clemson University	7,417	41,082,143
U.S.C. Columbia	9,749	46,436,147
Medical University of S.C.	77	410,375
Sub Totals	17,243	87,928,665
Comprehensive Teaching Colleges & Universities		
The Citadel	508	2,169,481
Coastal Carolina University	2,283	8,204,599
College of Charleston	3,421	16,767,707
Francis Marion University	1,767	6,557,905
Lander University	1,175	4,538,297
S. C. State University	1,599	4,307,797
U.S.C. Aiken	1,389	5,831,399
U.S.C. Beaufort	331	1,293,877
U.S.C. Upstate	2,183	8,423,114
Winthrop University	2,672	11,011,650
Sub Totals	17,328	69,105,826
Two-Year Regional Campuses of USC		
U.S.C. Lancaster	894	2,201,307
U.S.C. Salkehatchie	643	1,084,946
U.S.C. Sumter	932	1,822,207
U.S.C. Union	454	648,674
Sub Totals	2,923	5,757,135
Technical Colleges		
Aiken Tech	1,937	2,129,521
Central Carolina Tech	2,036	1,891,549
Denmark Tech	429	492,685
Florence-Darlington Tech	2,638	3,473,609
Greenville Tech	9,563	12,230,157
Horry-Georgetown Tech	3,728	4,586,324
Midlands Tech	7,273	9,947,238
Northeastern Tech	969	897,260
Orangeburg-Calhoun Tech	2,150	2,123,532
Piedmont Tech	4,010	4,398,346
Spartanburg Tech	3,421	4,529,633
Tech Coll. of the Lowcountry	1,399	1,418,598
Tri-County Tech	3,990	6,297,917
Trident Tech	8,200	10,115,238
Williamsburg Tech	394	317,233
York Tech	2,794	3,812,425
Sub Totals	54,931	68,661,266
Independent Senior Institutions		
Allen University	358	475,275
Anderson University	1,516	3,369,677
Benedict College	1,110	1,318,885
Bob Jones University	1,007	2,622,520
Charleston Southern Univ.	1,872	3,653,870
Claflin University	1,371	2,284,539
Coker College	998	1,561,210
Columbia College	1,047	2,430,140
Columbia International Univ.	263	582,165
Converse College	607	1,596,462
Erskine College	623	1,759,026
Furman University	1,132	4,327,353
Limestone College	943	922,704
Morris College	581	510,622
Newberry College	975	1,983,840
North Greenville University	1,796	4,284,132
Presbyterian College	966	3,121,488
South University	31	117,673
Southern Wesleyan Univ.	914	1,101,308
Voorhees College	231	199,557
Wofford College	1,111	4,324,090
Sub Totals	19,452	42,546,539
Independent Two Year Institutions		
Spartanburg Methodist Coll.	1,120	2,300,634
Sub Totals	1,120	2,300,634
ACADEMIC TOTALS	112,997	\$276,300,065

Date: 9/12/09

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

South Carolina Commission on Higher Education
Scholarship Disbursements
2008-2009 Academic Year (Fall, Winter, Spring and Summer Combined)



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

	2009	2008	2007	2006	2005	2004	2003	2002
Revenues								
Revenue - Instant Games	\$ 650,432,139	\$ 622,863,738	\$ 617,473,072	\$ 696,459,836	\$ 578,838,811	\$ 537,339,766	\$ 426,311,967	\$ 306,321,772
Revenue - Pick 3	136,605,580	137,072,324	138,431,158	134,328,783	118,853,836	109,098,145	99,076,360	27,799,674
Revenue - Pick 4	61,814,760	62,037,872	62,134,053	58,390,812	51,322,171	48,592,577	19,490,444	-
Revenue - Powerball®	118,164,741	133,483,244	134,312,216	221,810,074	178,937,972	232,186,929	153,849,870	-
Revenue - Palmetto Cash 5	19,402,181	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	19,076,762	10,689,524	-	-	-	-	-	-
Revenue - Millionaire Raffle	-	-	9,058,080	-	-	-	-	-
Contra Revenue - AR Writeoffs	(389,478)	-	-	-	-	-	-	-
Permit Fees	482,895	501,005	503,180	505,230	480,600	496,555	327,813	566,492
Reserve for Bond	32,700	45,750	42,075	37,200	44,115	37,125	209,371	458,357
Retailer Telephone Fees	2,761,993	2,742,225	2,777,700	2,690,863	2,645,765	2,596,384	2,044,924	631,549
Miscellaneous Revenue	97,223	725,924	257,948	12,157	26,965	24,912	14,147	3,891
Total Revenues	1,008,481,495	996,507,668	991,739,055	1,147,851,700	960,149,462	953,162,647	726,909,530	337,149,060
Direct Costs								
Retailer Commissions	70,390,776	69,469,511	69,171,329	80,109,450	66,975,675	66,499,099	50,700,500	23,486,957
Retailer Incentives	864,879	963,105	864,997	855,917	558,372	451,304	435,750	-
Total Commissions and Incentives	71,255,655	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	463,165,582	442,920,754	428,661,025	481,978,668	396,667,017	359,887,244	274,301,493	186,493,692
On-line Games	170,030,824	177,550,033	171,425,400	220,362,886	176,928,852	192,399,813	141,415,762	13,816,805
Total Prize Expense	633,196,406	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	8,357,463	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	10,883,608	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	19,241,071	17,089,005	18,077,179	20,378,890	18,175,707	20,385,780	19,253,048	10,305,020
Total Direct Costs	723,693,132	707,992,408	688,199,930	803,785,811	659,305,623	639,623,241	486,106,553	234,102,474
Gross Profit	284,788,363	288,515,260	303,539,125	344,065,889	300,843,839	313,539,406	240,802,977	103,046,585
Operating Expenses								
Advertising - Lottery	8,283,384	8,279,712	9,874,697	8,743,897	7,723,588	6,618,834	6,361,753	5,364,976
Security & Credit Checks	219,175	232,980	219,180	216,860	221,295	176,910	117,950	175,942
Salaries	7,915,507	8,267,427	7,607,490	7,127,283	6,810,895	6,961,080	6,384,103	4,238,248
Temporary Services	233,727	232,143	296,555	251,539	273,469	139,138	64,233	241,312
Per Diem	1,890	1,785	945	945	700	875	1,831	4,200
Employee Benefits	2,165,068	2,161,389	1,988,964	1,779,767	1,675,127	1,658,706	1,441,637	871,570
Advertising Employment	15,790	13,252	16,499	21,915	9,589	11,789	8,852	36,268
Auditing & Financial Consultants	449,152	167,721	167,349	405,291	170,194	370,892	232,070	13,000
Depreciation	214,748	155,521	231,564	98,813	131,805	201,945	176,300	467,628
Dues & Memberships	444,248	2,064,688	3,726,082	3,647,532	3,592,637	3,522,001	3,322,198	1,469,914
Education & Training	35,520	38,773	34,790	29,380	28,432	25,552	46,797	10,696
Employee Recognition	94,297	101,301	89,369	94,139	61,473	71,511	65,214	10,858
Insurance	18,094	6,443	13,403	8,322	3,003	901	1,715	709
Lease - Computers	265,921	339,747	337,502	372,076	334,635	184,777	214,513	80,171
Lease - Office Space	-	-	-	22,920	130,618	165,922	106,527	52,299
Lease - Vehicles	849,939	801,242	655,471	566,250	557,630	562,746	559,021	290,282
Legal	112,933	107,868	87,551	63,463	65,738	84,669	76,577	51,712
Maintenance & Repairs	454,043	99,532	95,792	181,828	90,032	49,592	21,216	140,662
Miscellaneous Expense	303,660	205,659	178,980	193,466	141,788	48,254	33,795	10,554
Postage & Freight	71,580	84,761	100,313	80,208	68,327	57,423	53,790	56,815
Printing	40,382	43,633	51,326	51,314	61,116	56,929	54,152	33,612
Promotion - Retailers	25,713	30,420	28,217	30,719	31,412	35,070	39,252	26,484
Rent - Equipment	1,637	52,879	34,210	122,932	23,265	110,644	43,645	309
Security Services	54,704	72,140	61,174	58,627	61,115	52,772	56,527	16,315
Services - Payroll	562,193	495,556	578,752	536,961	439,041	430,555	436,965	228,985
Supplies - Office	30,000	30,000	30,000	30,000	30,000	30,000	57,450	7,550
Supplies - Data Processing	103,382	192,472	217,649	164,616	102,800	167,448	158,581	458,784
Telecommunications Services	87,468	149,770	104,093	133,345	135,278	206,817	20,742	70,678
Telephone	65,813	95,992	113,976	124,205	155,066	234,026	162,665	114,030
Travel - Commissioners	195,522	229,159	213,173	169,256	180,816	200,647	241,340	232,682
Travel - Field Service Reps Vehicle Mileage	1,917	2,813	1,827	1,370	1,480	1,955	3,888	7,843
Travel - Others	313,551	264,231	269,488	209,104	209,897	206,865	236,437	196,495
Uncollectible Accounts	60,059	86,026	101,117	70,150	57,128	94,635	102,227	51,776
Utilities	-	-	111,356	691,200	110,000	271,092	-	-
Total Operating Expenses	23,721,596	25,133,360	27,648,092	26,319,832	23,707,292	23,031,391	20,921,401	15,037,657
Non-Operating Income (Expense)								
Interest Income	127,464	516,841	1,230,566	1,233,565	590,010	225,481	223,287	60,592
Gains/Losses	16,836	(2,054)	14,825	12,549	2,597	-	-	-
Interest Expense	-	-	(25,091)	(129,139)	(231,441)	(602,948)	(815,892)	(348,118)
Total Non-Operating Income (Expense)	144,300	514,787	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	261,211,067	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	261,524,395	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	(313,328)	(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	1,664,142	3,056,219	5,181,271	6,948,168	9,188,515	5,808,553	6,576,109	0
Net Assets - End of Period	\$ 1,350,814	\$ 1,664,142	\$ 3,056,219	\$ 5,181,271	\$ 6,948,168	\$ 9,188,515	\$ 5,808,553	\$ 6,576,109

South Carolina Education Lottery Statistics

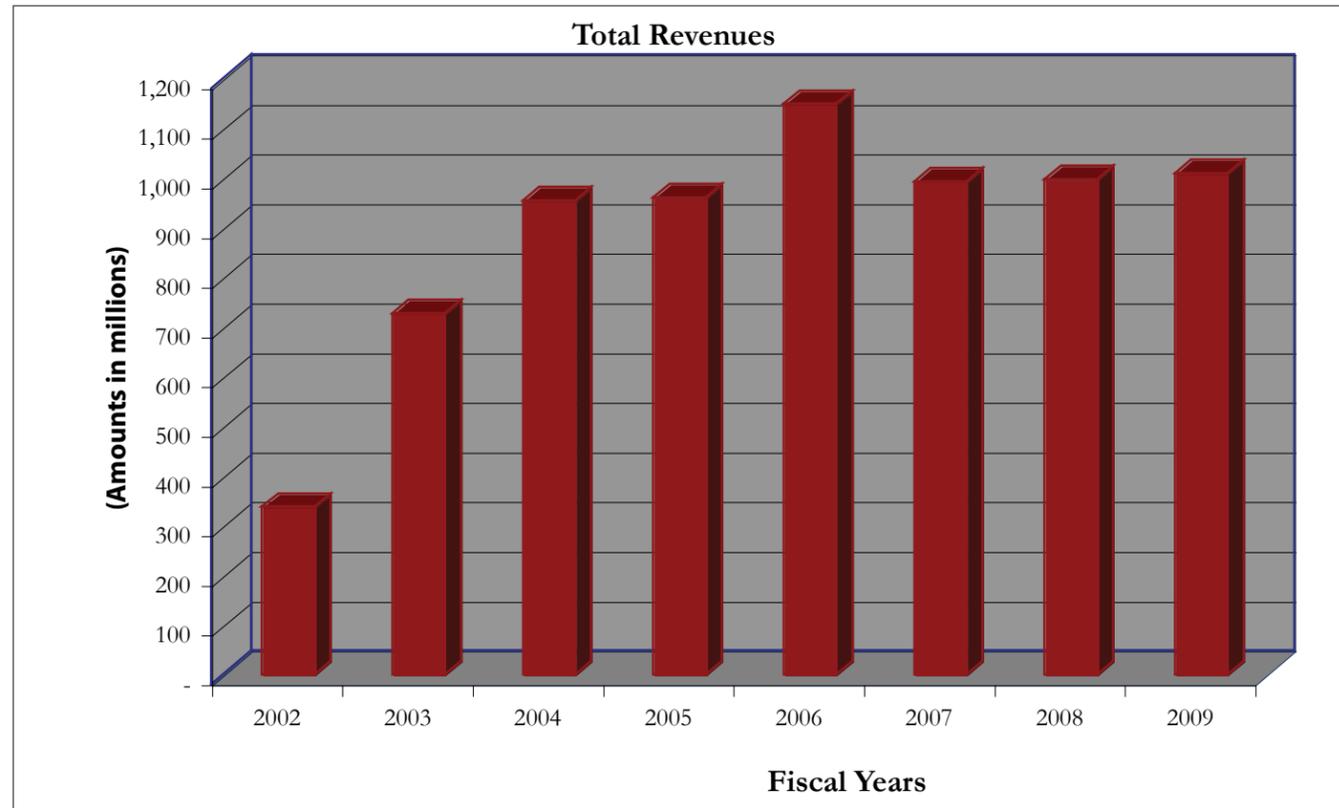
Revenues - Since Inception

(Amounts expressed in millions)

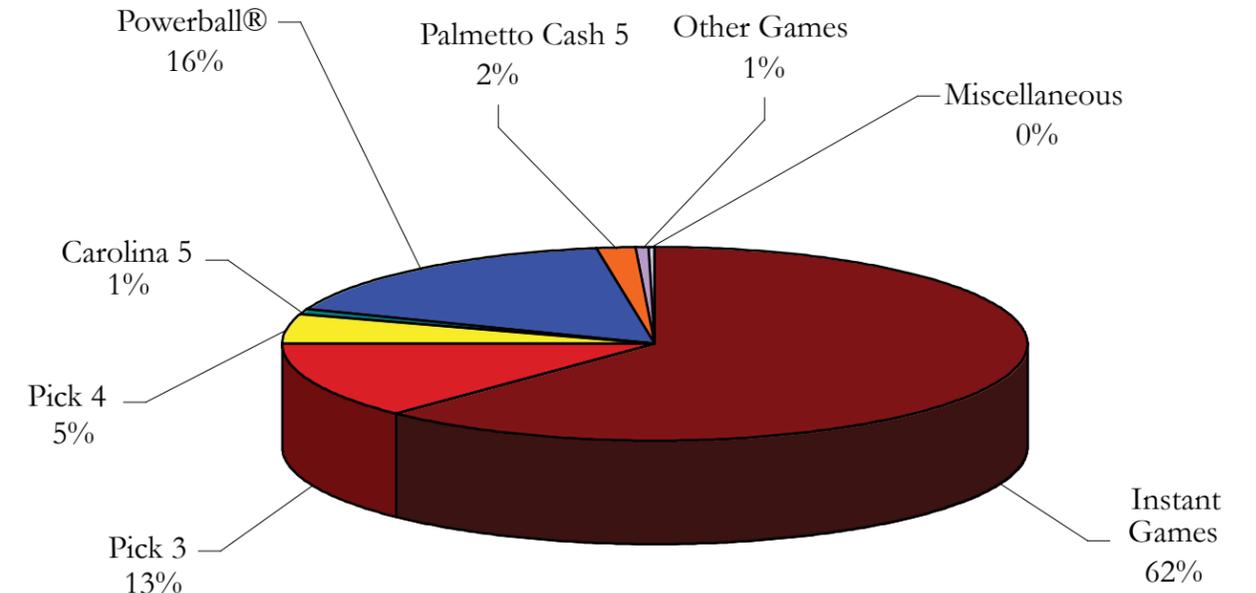
Revenues by Fiscal Year	2002	2003	2004	2005
Revenue - Instant Games	\$ 306.3	\$ 426.3	\$ 537.3	\$ 578.8
Revenue - Pick 3	27.8	99.1	109.1	118.9
Revenue - Pick 4	-	19.5	48.6	51.3
Revenue - Carolina 5	1.4	25.6	22.8	12.5
Revenue - Powerball®	-	153.9	232.2	178.9
Revenue - Palmetto Cash 5	-	-	-	16.5
Revenue - Other Games	-	-	-	-
Revenue - Miscellaneous	1.6	2.5	3.2	3.2
Total Revenues	\$ 337.1	\$ 726.9	\$ 953.2	\$ 960.1

2006	2007	2008	2009	Total
\$ 696.5	\$ 617.5	\$ 622.9	\$ 650.0	\$ 4,435.6
134.3	138.4	137.1	136.6	\$ 901.3
58.4	62.1	62.0	61.8	\$ 363.7
-	-	-	-	\$ 62.3
221.8	134.3	133.5	118.2	\$ 1,172.8
33.6	26.7	26.3	19.4	\$ 122.5
-	9.1	10.7	19.1	\$ 38.9
3.3	3.5	4.0	3.4	\$ 24.7
\$ 1,147.9	\$ 991.6	\$ 996.5	\$ 1,008.5	\$ 7,121.8

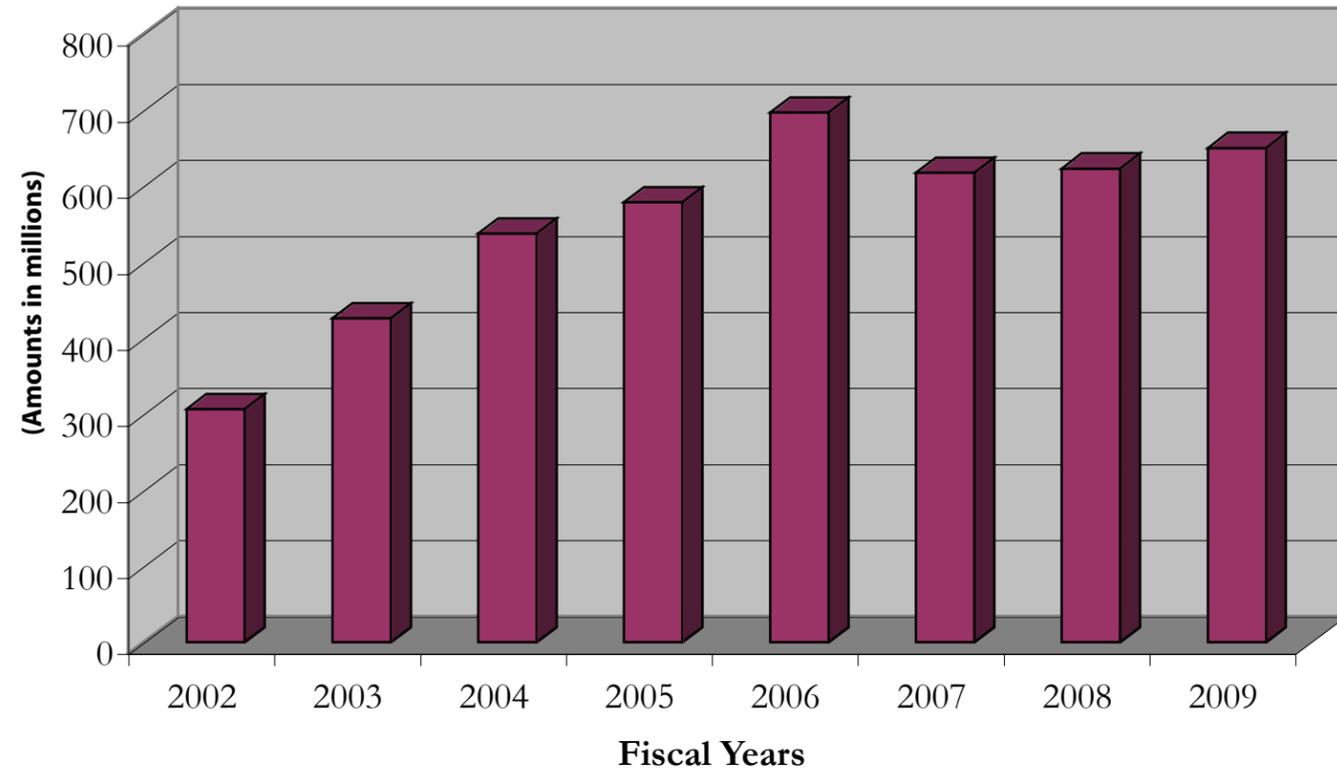
South Carolina Education Lottery Commission
Revenues - Since Inception



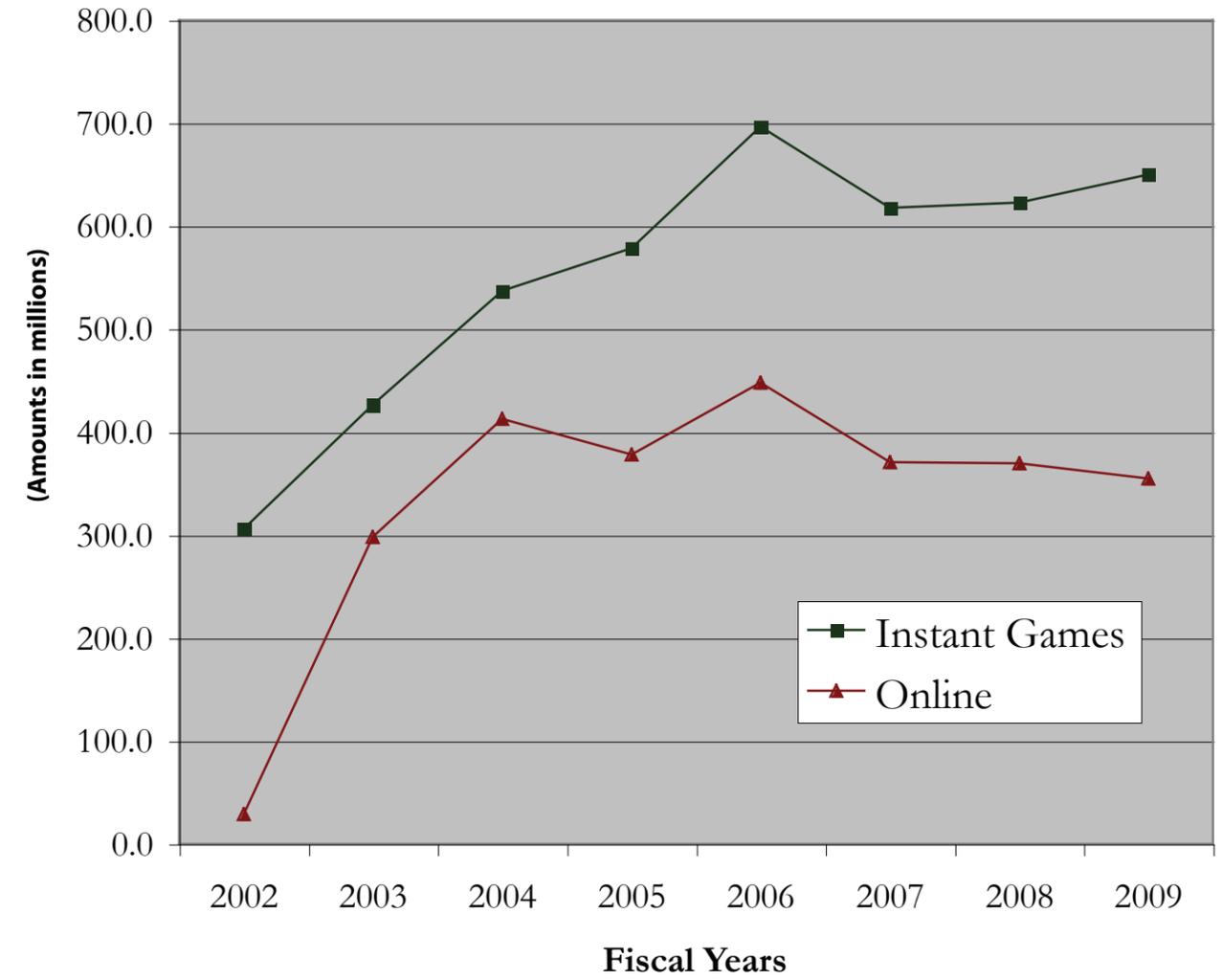
Sales By Game (Since Inception)



Instant Games Sales (Since Inception)



Instant vs. Online Sales (Since Inception)



Expenses - Since Inception

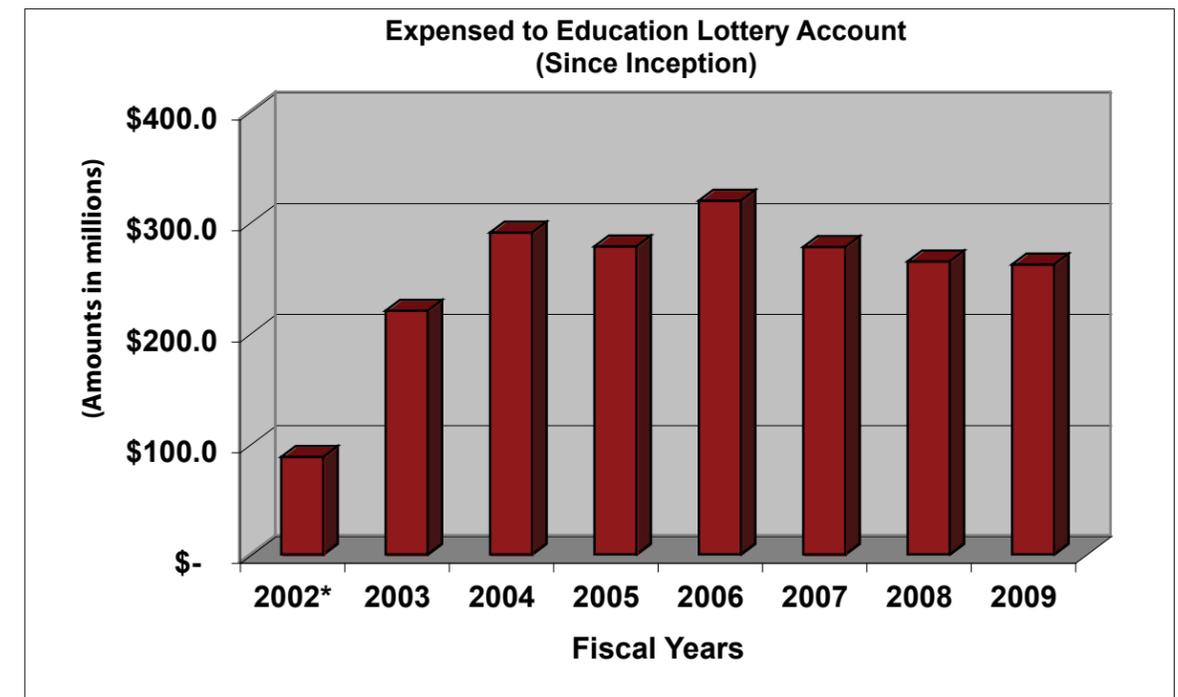
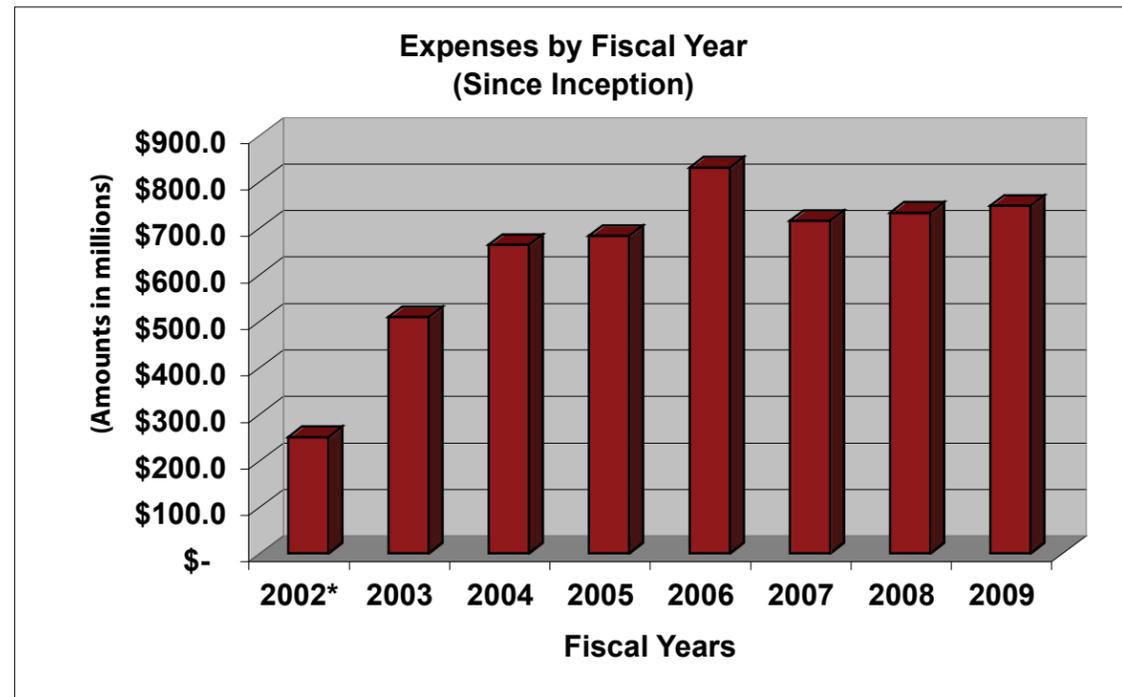
(Amounts expressed in millions)

Expenses	2002*	2003	2004	2005
Prize Expense	\$ 200.3	\$ 415.7	\$ 552.3	\$ 573.6
Retailer Commissions	23.5	51.1	67.0	67.5
Operating Expenses	25.3	40.2	43.4	41.9
Total	\$ 249.1	\$ 507.0	\$ 662.7	\$ 683.0

2006	2007	2008	2009	Total
\$ 702.3	\$ 600.1	\$ 620.5	\$ 633.2	\$ 4,298.0
81.1	70.0	70.4	71.3	\$ 501.9
46.7	45.7	42.2	43.0	\$ 328.4
\$ 830.1	\$ 715.8	\$ 733.1	\$ 747.5	\$ 5,128.3

	2002*	2003	2004	2005
Expensed to Education Account	\$ 87.7	\$ 219.3	\$ 290.1	\$ 277.5

2006	2007	2008	2009	Total
\$ 318.9	\$ 277.1	\$ 263.9	\$ 261.2	\$ 1,995.7



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

**Capital Assets by Function
Last Three Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Property & Equipment			
Furniture, fixtures, and equipment	\$ 624,378	\$ 623,004	\$ 623,003
Data Processing	20,040,439	20,205,059	10,469,538
Drawing Equipment	189,500	227,970	233,645
Vehicles	68,826	68,826	47,826
Leaseholds	<u>955,373</u>	<u>1,315,694</u>	<u>1,315,694</u>
Total Property & Equipment	21,878,516	22,440,552	12,689,705
Accumulated Depreciation			
Furniture, fixtures, and equipment	(355,836)	(469,202)	(541,853)
Data Processing	(18,004,121)	(19,784,707)	(10,157,414)
Drawing Equipment	(142,819)	(158,598)	(175,510)
Vehicles	(68,826)	(68,826)	(47,826)
Leaseholds	<u>(661,629)</u>	<u>(758,051)</u>	<u>(892,384)</u>
Total Accumulated Depreciation	<u>(19,233,230)</u>	<u>(21,239,384)</u>	<u>(11,814,987)</u>
Net Capital Assets	<u><u>\$ 2,645,286</u></u>	<u><u>\$ 1,201,168</u></u>	<u><u>\$ 874,718</u></u>

**Employees by Department/Function
Permanent Employees**

	2002	2003	2004	2005	2006	2007	2008	2009*
Executive	5	5	4	4	4	3	3	3
Internal Audit	1	1	1	1	1	1	2	2
Finance	13	13	13	13	13	13	13	13
Finance-Claims	7	7	7	8	10	12	12	9
Internal Operations	14	16	19	17	17	19	17	17
Information Technology	14	15	15	16	15	18	17	17
Legal Services	4	4	4	4	4	5	5	5
Marketing & Product Dev	7	7	10	11	14	18	19	19
Sales & Retailer Relations	53	53	57	57	57	57	56	55
Security	7	7	7	8	8	8	9	8
Total	125	128	137	139	143	154	153	148

*Employees by department as of June 30, 2009

Demographics

Million Dollar Sales Club Fiscal Year 2009

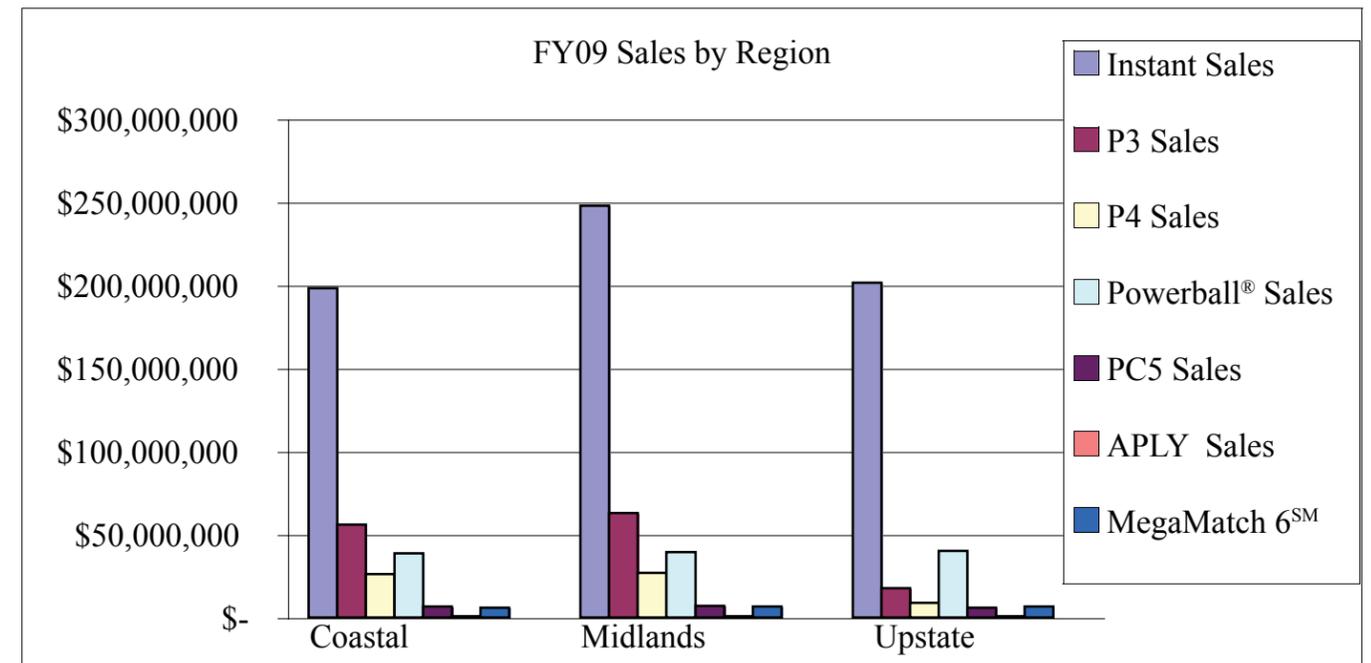
In the fiscal year ending June 30, 2009, retailers sold more than \$1.004 BILLION in lottery tickets, making fiscal year 2009 the second best year ever in terms of sales. This resulted in more than \$260 million transferred to the Education Lottery Account for fiscal year 2009 and over \$70 million in commissions earned.

To the right is a listing of the MILLION DOLLAR SALES CLUB for retailers with sales of more than \$1 million in fiscal year 2008-09. A total of 45 retailers are MILLION DOLLAR SALES CLUB members!

Business Name	City	Total Sales
1. Food Mart #1	Charleston	\$3,661,961.00
2. In N Out Convenience Store	Charleston	\$2,363,901.00
3. Sky Mart/BP	Charleston	\$2,337,493.00
4. Miller Produce & Farm	Fort Mill	\$2,253,193.50
5. Jimmy's Mart	Columbia	\$1,910,440.50
6. Port Royal BP	Port Royal	\$1,794,499.00
7. Garden Spot #4	Taylors	\$1,760,408.00
8. Kaival Plaza	St. Helena Island	\$1,746,438.50
9. Amoco Food Shop	Beaufort	\$1,730,834.00
10. Stop N Go	North Charleston	\$1,646,205.50
11. Persimmon Hill	Sumter	\$1,577,777.50
12. Circle K Stores #5116	Fort Mill	\$1,515,621.50
13. Sunhouse Petroleum #6	Florence	\$1,496,996.00
14. Mo Conv. & Tobacco Store	Aiken	\$1,487,263.00
15. Quick Pantry #7	Orangeburg	\$1,449,299.50
16. Shell Quick Mart	Georgetown	\$1,445,056.50
17. Kountry Mart	Bennettsville	\$1,427,343.50
18. 3-Way Food Mart #5	Aiken	\$1,422,496.50
19. Quick Pantry #5	Orangeburg	\$1,406,702.00
20. Dusty Bend Discount Bev	Camden	\$1,398,036.00
21. Fuel Express	North Charleston	\$1,397,907.00
22. V Go Food Mart	Holly Hill	\$1,384,630.50
23. Mini Mart	York	\$1,314,061.50
24. Quick C Food Mart #105	Chester	\$1,313,088.50
25. JD Super Center	Fort Mill	\$1,307,060.00
26. Quick Server	Lexington	\$1,301,915.50
27. Borderline Mini Mart	Clover	\$1,293,459.50
28. Sunhouse Petroleum #3	Burton	\$1,277,258.50
29. Quick Pantry #16	Greenwood	\$1,253,726.50
30. Quick Pantry #9	North Charleston	\$1,251,312.50
31. Quick Pantry #21	Orangeburg	\$1,242,303.00
32. Short Stop	Orangeburg	\$1,231,861.50
33. Quick Pantry #1	St. Matthews	\$1,220,507.00
34. BP Amoco and Huddle	Florence	\$1,217,458.50
35. Panhandle Food Store	Fort Mill	\$1,197,073.00
36. Pitt Stop #34	Irmo	\$1,188,828.00
37. Gas Express	Columbia	\$1,120,690.50
38. Ken's Corner	Florence	\$1,120,443.50
39. Parklane Amoco	Columbia	\$1,090,705.00
40. Tobacco Shop	Walterboro	\$1,049,761.50
41. M P Mart	Winnsboro	\$1,045,539.50
42. Big T's LLC	Goose Creek	\$1,040,576.50
43. Short Trip II	Manning	\$1,040,430.00
44. 3-Way Food Mart	Estill	\$1,015,423.50
45. E-Z Shop	Darlington	\$1,008,774.00

Number of Retailers and Sales by Region Fiscal Year 2009

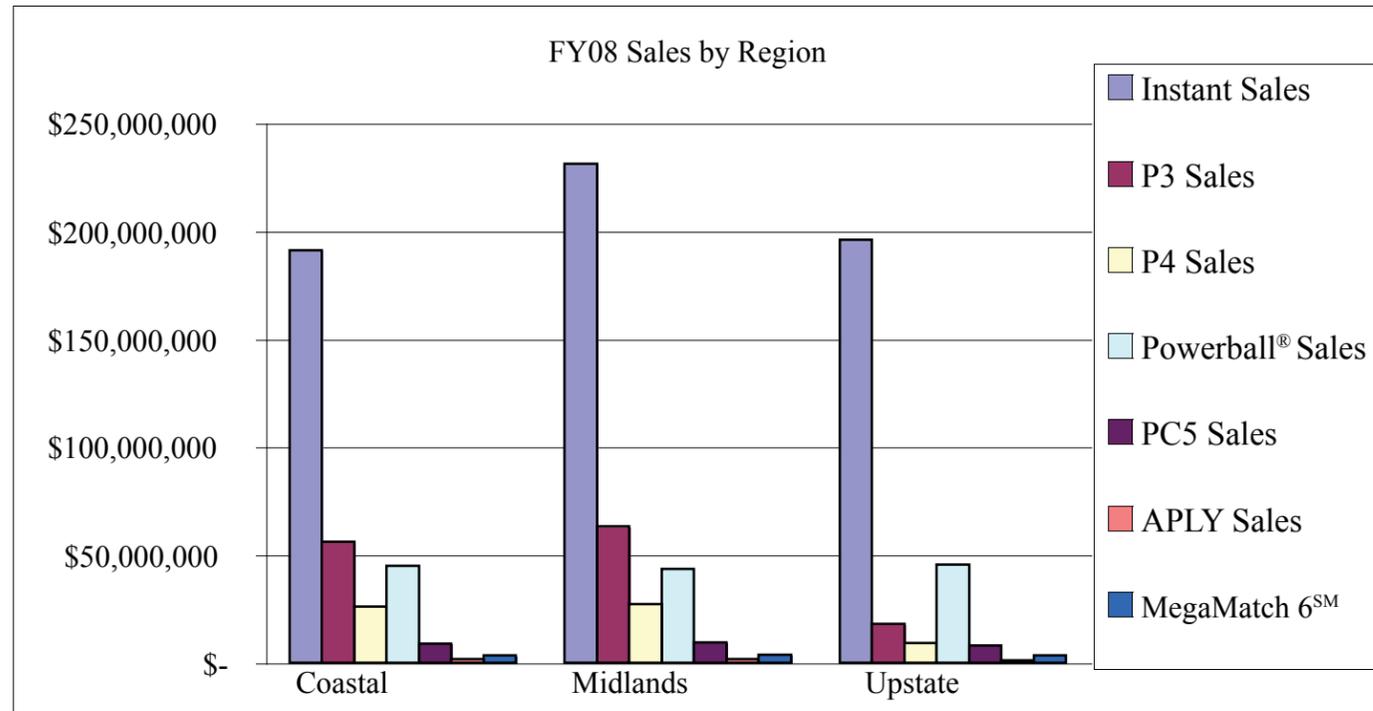
	Total Retailers*	Instant Sales	P3 Sales	P4 Sales	Powerball® Sales	PC5 Sales	APLY Sales	MegaMatch 6 SM	Total Sales**
Coastal	1276	\$ 197,981,487	\$ 55,879,776	\$ 26,133,938	\$ 38,758,138	\$ 6,530,672	\$ 816,755	\$ 5,873,580	\$ 331,974,346
Midlands	1418	\$ 247,886,450	\$ 63,013,423	\$ 26,989,613	\$ 39,339,673	\$ 6,887,557	\$ 919,076	\$ 6,516,960	\$ 391,552,752
Upstate	1299	\$ 201,297,483	\$ 17,719,107	\$ 8,690,580	\$ 40,072,138	\$ 5,970,122	\$ 612,753	\$ 6,614,220	\$ 280,976,403
Total	3993	\$ 647,165,420	\$136,612,306	\$ 61,814,131	\$ 118,169,949	\$ 19,388,351	\$ 2,348,584	\$ 19,004,760	\$ 1,004,503,500



* The number of retailers include all retailers that had activity during the fiscal year; including retailers that are no longer active.
**Cash sales; not on accrual basis.

**Number of Retailers and Sales by Region
Fiscal Year 2008**

	Total Retailers*	Instant Sales	P3 Sales	P4 Sales	Powerball® Sales	PC5 Sales	APLY Sales	MegaMatch 6 SM	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	1370	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	4111	\$ 618,248,672	\$137,332,260	\$ 62,217,798	\$ 133,895,436	\$ 26,407,272	\$ 4,515,677	\$ 7,302,160	\$ 989,919,275



* The number of retailers include all retailers that had activity during the fiscal year; including retailers that are no longer active.

**Cash sales; not on accrual basis.

PLAYER PROFILE

The Player Profile is comprised of information gathered from a market research study conducted by Research Inc. located in Alpharetta, Georgia.

As stated in the introduction, the goals of the study were to:

- Measure the incidence of South Carolina residents who play the lottery;
- Determine how frequently South Carolina lottery players play instant and online games;
- Evaluate the types of games South Carolina lottery players play;
- Measure the dollar amount played on South Carolina lottery games; and
- Obtain demographic information on the South Carolina Education Lottery's players.

All of the following charts and graphs were taken directly from the market research conducted by Research Inc.

**PLAYER PROFILE
PLAYER VS. NON-PLAYER**

	RESPONDENT TYPE		
	TOTAL SC RESIDENTS (1007) %	PLAYER (609) %	NON-PLAYER (398) %
# OF PEOPLE IN HOUSEHOLD			
ONE	16.7	15.9	17.8
TWO TO THREE	53.5	53.2	54.0
FOUR TO FIVE	21.1	26.9	22.4
SIX OR MORE	4.7	3.9	5.8
# OF CHILDREN IN HOUSEHOLD			
NONE	49.3	45.5	55.4
ONE	21.1	23.7	16.9
TWO	18.9	19.8	17.5
THREE TO FOUR	8.7	9.3	7.7
FIVE TO SIX	1.8	1.6	2.2
SEVEN OR MORE	0.2	0.2	0.3
MARITAL STATUS			
MARRIED	63.1	61.4	65.6
SINGLE	18.0	18.2	17.6
WIDOWED/DIVORCED/ SEPARATED	16.6	17.7	14.8
SOMETHING ELSE	1.3	1.8	0.5
REFUSED	1.1	0.8	1.5
HIGHEST LEVEL OF EDUCATION			
LESS THAN HIGH SCHOOL	8.9	10.5	6.4
HIGH SCHOOL DIPLOMA OR GED	25.1	24.3	26.3
SOME COLLEGE OR TECH.	15.3	18.0	11.1
2-YEAR COLLEGE	12.0	12.0	12.1
4-YEAR COLLEGE DEGREE	24.1	23.8	24.5
POST GRAD COURSES	4.0	3.8	4.4
ADVANCED DEGREE	10.6	7.7	15.2
EMPLOYMENT			
EMPLOYED OUTSIDE THE HOME	57.4	59.4	54.3
NOT EMPLOYED OUTSIDE THE HOME FOR PAY	42.0	39.7	45.5
DON'T KNOW	0.6	0.8	0.3
INTERNET ACCESS			
HAVE INTERNET ACCESS	70.4	69.8	71.4
NOT HAVE INTERNET ACCESS	29.6	30.2	28.6

Yellow shading indicates a significant difference between players and non-players at the 95% confidence level.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

PLAYER PROFILE
PLAYER VS. NON-PLAYER
(CONTINUED)

RESPONDENT TYPE			
	TOTAL SC RESIDENTS (1007) %	PLAYER (609) %	NON-PLAYER (398) %
INCOME			
UNDER \$10,000	5.1	5.7	4.0
\$10,000 TO \$19,999	7.5	8.5	6.0
\$20,000 TO \$29,999	7.5	8.2	6.5
\$30,000 TO \$39,999	7.9	8.9	6.5
\$40,000 TO \$49,999	5.5	5.6	5.3
\$50,000 TO \$59,999	10.8	11.2	10.3
\$60,000 TO \$69,999	7.2	6.9	7.8
\$70,000 TO \$79,999	7.2	7.2	7.3
\$80,000 OR MORE	20.4	20.7	19.8
REFUSED	20.8	17.1	26.4
AGE			
18 TO 24	4.9	3.4	7.0
25 TO 34	21.0	22.2	19.1
35 TO 44	19.7	21.0	17.6
45 TO 54	20.4	22.2	17.6
55 TO 64	13.1	14.3	11.3
65 OR OLDER	17.8	14.9	22.1
REFUSED	3.3	2.0	5.3
ETHNICITY			
CAUCASIAN/WHITE	73.6	70.0	79.1
AFRICAN AMERICAN/BLACK	19.7	23.2	14.3
OTHER	6.7	6.8	6.6
GENDER			
MALE	47.8	52.2	41.0
FEMALE	52.2	47.8	59.0

Yellow shading indicates a significant difference between players and non-players at the 95% confidence level.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

PLAYER PROFILE
BY FREQUENCY OF PLAY

	FREQUENCY OF PLAY					
	TOTAL SC RESIDENTS (1007) %	FREQUENT PLAYERS (73) %	REGULAR PLAYERS (70) %	OCCASIONAL PLAYERS (243) %	INFREQUENT PLAYERS (163) %	INACTIVE PLAYERS (55) %
# OF PEOPLE IN HOUSEHOLD						
ONE	16.7	26.0	8.6	14.8	15.3	20.0
TWO TO THREE	53.5	49.3	58.6	50.6	54.6	56.4
FOUR TO FIVE	21.1	21.9	30.0	30.0	25.2	21.8
SIX OR MORE	4.7	2.7	2.9	4.5	4.9	1.8
# OF CHILDREN IN HOUSEHOLD						
NONE	49.3	52.8	55.7	47.3	36.0	43.2
ONE	21.1	23.3	19.7	18.4	28.7	34.1
TWO	18.9	11.3	13.1	21.7	24.3	15.9
THREE TO FOUR	8.7	7.5	8.2	10.6	9.6	4.5
FIVE TO SIX	1.8	0.0	3.3	1.4	1.5	2.3
SEVEN OR MORE	0.2	0.0	0.0	0.5	0.0	0.0
MARITAL STATUS						
MARRIED	63.1	45.2	65.7	65.0	60.7	63.6
SINGLE	18.0	24.7	11.4	17.3	19.6	20.0
WIDOWED/DIVORCED/ SEPARATED	16.6	26.0	15.7	16.0	17.2	16.4
SOMETHING ELSE	1.3	2.7	2.9	1.6	1.8	0.0
REFUSED	1.1	1.4	4.3	0.0	0.6	0.0
HIGHEST LEVEL OF EDUCATION						
LESS THAN HIGH SCHOOL	8.9	20.8	7.6	7.9	11.2	9.1
HIGH SCHOOL DIPLOMA OR GED	25.1	33.3	28.8	25.6	19.3	12.7
SOME COLLEGE OR TECH. 2-YEAR COLLEGE	15.3	18.1	13.6	21.5	13.7	20.0
4-YEAR COLLEGE DEGREE	12.0	8.3	7.6	14.9	9.3	18.2
POST GRAD COURSES	24.1	16.7	22.7	20.7	33.5	21.8
ADVANCED DEGREE	4.0	1.4	9.1	2.5	4.3	5.5
	10.6	1.4	10.6	7.0	8.7	12.7
EMPLOYMENT						
EMPLOYED OUTSIDE THE HOME	57.4	50.7	55.7	60.1	65.0	60.0
NOT EMPLOYED OUTSIDE THE HOME FOR PAY	42.0	47.9	41.4	39.9	34.4	28.2
DON'T KNOW	0.6	1.4	2.9	0.0	0.6	1.8
INTERNET ACCESS						
HAVE INTERNET ACCESS	70.4	58.9	70.0	72.0	71.8	72.7
NOT HAVE INTERNET ACCESS	29.6	41.1	30.0	28.0	28.2	27.3

Yellow shading indicates a significant difference from total study at the 95% confidence level.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

PLAYER PROFILE
BY FREQUENCY OF PLAY
(CONTINUED)

	FREQUENCY OF PLAY					
	TOTAL SC RESIDENTS (1007) %	FREQUENT PLAYER (73) %	REGULAR PLAYERS (70) %	OCCASIONAL PLAYERS (243) %	INFREQUENT PLAYERS (163) %	INACTIVE PLAYERS (55) %
INCOME						
UNDER \$10,000	5.1	12.3	2.9	4.5	5.5	3.6
\$10,000 TO \$19,999	7.5	13.7	4.3	9.1	7.4	9.1
\$20,000 TO \$29,999	7.5	11.0	5.7	9.9	6.7	5.5
\$30,000 TO \$39,999	7.9	16.4	7.1	8.2	8.0	5.5
\$40,000 TO \$49,999	5.5	2.7	4.3	4.1	8.0	10.9
\$50,000 TO \$59,999	10.8	2.7	17.1	13.6	8.6	12.7
\$60,000 TO \$69,999	7.2	2.7	4.3	7.8	7.4	10.9
\$70,000 TO \$79,999	7.2	2.7	7.1	7.4	10.4	1.8
\$80,000 OR MORE	20.4	17.8	21.4	20.6	22.7	20.0
REFUSED	20.8	17.8	25.7	14.8	15.3	20.0
AGE						
18 TO 24	4.9	5.5	1.4	1.6	6.7	1.8
25 TO 34	21.0	4.1	14.3	25.5	25.8	29.1
35 TO 44	19.7	16.4	21.4	21.4	25.2	14.5
45 TO 54	20.4	24.7	22.9	23.0	20.2	18.2
55 TO 64	13.1	23.3	14.3	14.0	10.4	16.4
65 OR OLDER	17.8	24.7	17.1	14.4	9.2	18.2
REFUSED	3.3	1.4	8.6	0.0	2.5	1.8
ETHNICITY						
CAUCASIAN/WHITE	73.6	52.1	65.7	72.0	73.0	81.8
AFRICAN AMERICAN/BLACK	19.7	38.4	30.0	24.7	18.4	12.7
OTHER	6.7	9.5	4.3	3.3	8.6	5.5
GENDER						
MALE	47.8	64.4	64.3	51.0	44.2	49.1
FEMALE	52.2	35.6	35.7	49.0	55.8	50.9

Yellow shading indicates a significant difference from total study at the 95% confidence level.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

PLAYER PROFILE
BY GAME PLAYED

	GAME TYPE							
	TOTAL SC RESIDENTS (1007) %	TOTAL LOTTERY PLAYERS (609)	SCRATCH -OFF (436) %	PICK 3 (132) %	PICK 4 (64) %	PALMETTO CASH 5 (110) %	MEGA-MATCH (82) %	POWER -BALL (482) %
# OF PEOPLE IN HOUSEHOLD								
ONE	16.7	15.9	16.5	22.7	23.4	19.1	20.7	17.0
TWO TO THREE	53.5	53.2	49.1	48.5	40.6	56.4	50.0	52.9
FOUR TO FIVE	21.1	26.9	30.5	25.8	34.4	20.9	24.4	26.1
SIX OR MORE	4.7	3.9	3.9	3.0	1.6	3.6	4.9	3.9
# OF CHILDREN IN HOUSEHOLD								
NONE	49.3	45.5	40.5	41.8	34.8	54.1	44.6	48.1
ONE	21.1	23.7	24.6	28.6	32.6	22.4	27.7	22.8
TWO	18.9	19.8	22.3	15.3	13.0	15.3	13.8	18.5
THREE TO FOUR	8.7	9.3	10.6	13.3	19.6	4.7	12.3	8.9
FIVE TO SIX	1.8	1.6	1.7	1.0	0.0	3.5	1.5	1.8
SEVEN OR MORE	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0
MARITAL STATUS								
MARRIED	63.1	61.4	56.9	43.2	35.9	57.3	59.8	64.3
SINGLE	18.0	18.2	20.0	29.5	31.3	17.3	17.1	15.1
WIDOWED/DIVORCED/ SEPARATED	16.6	17.7	19.7	22.7	26.6	22.7	22.0	18.5
SOMETHING ELSE	1.3	1.8	2.3	3.0	3.1	0.0	0.0	1.2
REFUSED	1.1	0.8	1.1	1.5	3.1	2.7	1.2	0.8
HIGHEST LEVEL OF EDUCATION								
LESS THAN HIGH SCHOOL	8.9	10.5	12.1	20.9	23.8	15.7	6.2	7.3
HIGH SCHOOL DIPLOMA OR GED	25.1	24.3	27.6	28.7	30.2	25.9	34.6	23.4
SOME COLLEGE OR TECH.	15.3	18.0	18.8	18.6	17.5	16.7	21.0	19.0
2-YEAR COLLEGE	12.0	12.0	13.5	16.3	12.7	17.6	14.8	12.1
4-YEAR COLLEGE DEGREE	24.1	23.8	19.0	11.6	9.5	12.0	19.8	26.7
POST GRAD COURSES	4.0	3.8	4.4	1.6	1.6	6.5	2.5	3.3
ADVANCED DEGREE	10.6	7.7	4.6	2.3	4.8	5.6	1.2	8.1
EMPLOYMENT								
EMPLOYED OUTSIDE THE HOME	57.4	59.4	58.7	40.2	40.6	53.6	58.5	62.4
NOT EMPLOYED OUTSIDE THE HOME FOR PAY	42.0	39.7	40.4	59.1	57.8	44.5	40.2	36.9
DON'T KNOW	0.6	0.8	0.9	0.8	1.6	1.8	1.2	0.6
INTERNET ACCESS								
HAVE INTERNET ACCESS	70.4	69.8	67.7	53.0	56.3	68.2	74.4	74.5
NOT HAVE INTERNET ACCESS	29.6	30.2	32.3	47.0	43.8	31.8	25.6	25.5

Yellow shading indicates a significant difference from Total players at the 95% confidence interval.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

PLAYER PROFILE
BY GAME PLAYED
(CONTINUED)

	GAME TYPE							
	TOTAL SC RESIDENTS (1007) %	TOTAL LOTTERY PLAYERS (609)	SCRATCH-OFF (436) %	PICK 3 (132) %	PICK 4 (64) %	PALMETTO CASH 5 (110) %	MEGA-MATCH (82) %	POWER-BALL (482) %
	INCOME							
UNDER \$10,000	5.1	5.7	6.9	13.6	15.6	5.5	3.7	4.8
\$10,000 TO \$19,999	7.5	8.5	9.4	12.9	14.1	10.0	11.0	6.8
\$20,000 TO \$29,999	7.5	8.2	8.3	12.9	10.9	4.5	11.0	8.3
\$30,000 TO \$39,999	7.9	8.9	10.6	14.4	14.1	14.5	6.1	8.9
\$40,000 TO \$49,999	5.5	5.6	6.2	4.5	4.7	5.5	6.1	5.6
\$50,000 TO \$59,999	10.8	11.2	11.9	9.8	4.7	11.8	15.9	12.9
\$60,000 TO \$69,999	7.2	6.9	6.4	4.5	10.9	5.5	4.9	7.3
\$70,000 TO \$79,999	7.2	7.2	7.3	3.8	4.7	9.1	3.7	7.3
\$80,000 OR MORE	20.4	20.7	17.4	6.8	4.7	16.4	17.1	23.0
REFUSED	20.8	17.1	15.6	16.7	15.6	17.3	20.7	15.1
	AGE							
18 TO 24	4.9	3.4	4.6	3.8	3.1	1.8	1.2	2.7
25 TO 34	21.0	22.2	25.2	19.7	21.9	17.3	23.2	19.9
35 TO 44	19.7	21.0	22.0	19.9	20.3	18.2	13.4	22.0
45 TO 54	20.4	22.2	23.2	19.9	18.8	19.1	28.0	23.0
55 TO 64	13.1	14.3	11.0	14.4	12.5	16.4	12.2	14.7
65 OR OLDER	17.8	14.9	11.9	22.0	23.4	24.5	20.7	16.0
REFUSED	3.3	2.0	2.1	2.3	0.0	2.7	1.2	1.7
	ETHNICITY							
CAUCASIAN/WHITE	73.6	70.0	66.7	43.2	35.9	61.8	58.5	72.6
AFRICAN AMERICAN/BLACK	19.7	23.2	26.4	53.8	56.3	28.2	37.7	20.1
OTHER	6.7	6.8	6.9	3.0	7.8	10.0	3.8	7.3
	GENDER							
MALE	47.8	52.2	48.2	50.0	54.7	58.2	53.7	54.4
FEMALE	52.2	47.8	51.8	50.0	45.3	41.8	46.3	45.6

Yellow shading indicates a significant difference from Total players at the 95% confidence interval.

Player Profile data compiled in a research study conducted by Research Inc. in November and December 2008.

State Demographic Statistics

Year	Population at July 1 ^a	Total Personal Income ^b	Per Capita Income ^b	Average Annual Unemployment Rate ^c
2002	4,102,568	427,938,000	25,348	5.90%
2003	4,146,753	442,582,000	25,852	6.70%
2004	4,197,892	468,920,000	27,039	6.80%
2005	4,255,083	497,515,000	28,292	6.70%
2006	4,321,249	536,816,000	30,041	5.90%
2007	4,407,709	564,974,000	31,103	6.20%
2008	4,479,800	585,340,000	31,884	6.90%

^aSource: U.S. Census Bureau

^bSource: Bureau of Economic Analysis

^cSource: U.S. Department of Labor

**Employment by Industry
Last Two Fiscal Years**

Industry	June-09	June-08	Net Change
Total Nonagricultural Employment	1,869,900	1,957,800	(87,900)
Construction	103,700	112,800	(9,100)
Manufacturing	215,300	245,500	(30,200)
Trade, Transportation, & Utilities	357,500	377,300	(19,800)
Retail Trade	227,300	236,300	(9,000)
Information	30,000	27,300	2,700
Financial Activities	103,800	108,300	(4,500)
Real Estate, Rental, & Leasing	29,900	31,900	(2,000)
Professional and Business Services	216,300	228,500	(12,200)
Educational and Health Services	208,000	206,200	1,800
Leisure and Hospitality	215,300	222,900	(7,600)
Arts, Entertainment, & Recreation	31,500	26,900	4,600
Accommodation & Food Services	183,800	196,000	(12,200)
Other Services	72,800	75,300	(2,500)
Government	343,000	349,300	(6,300)
Federal Government	32,200	29,900	2,300
State Government	95,500	99,000	(3,500)
Local Government	215,300	220,400	(5,100)

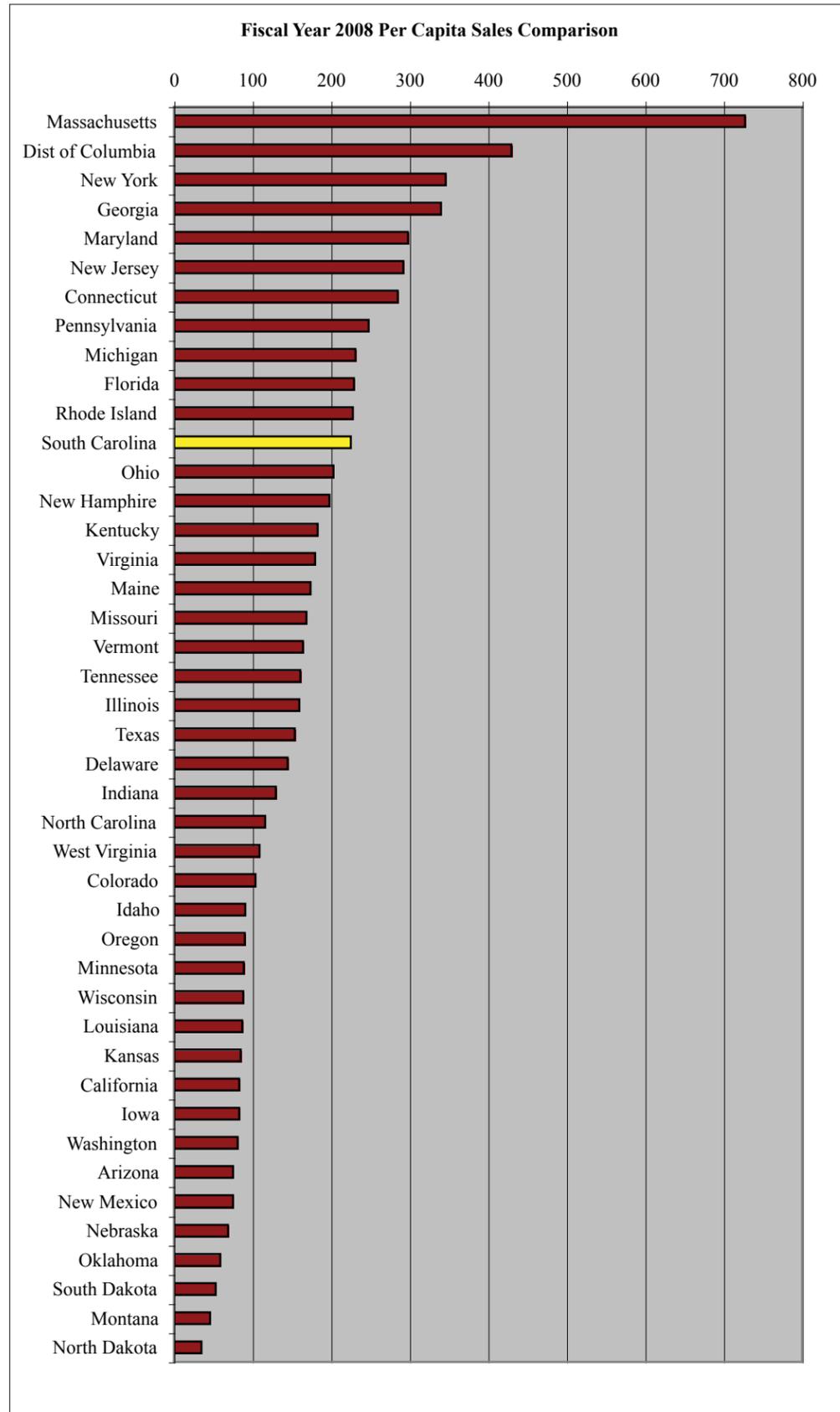
Source: South Carolina Workforce Trends (www.sces.org/lmi/pubs/OnlinePubs/Sept2009wtf.pdf)

Industry Statistics

Comparative Data per La Fleur's 2009 World Lottery Almanac

Per Capita Sales

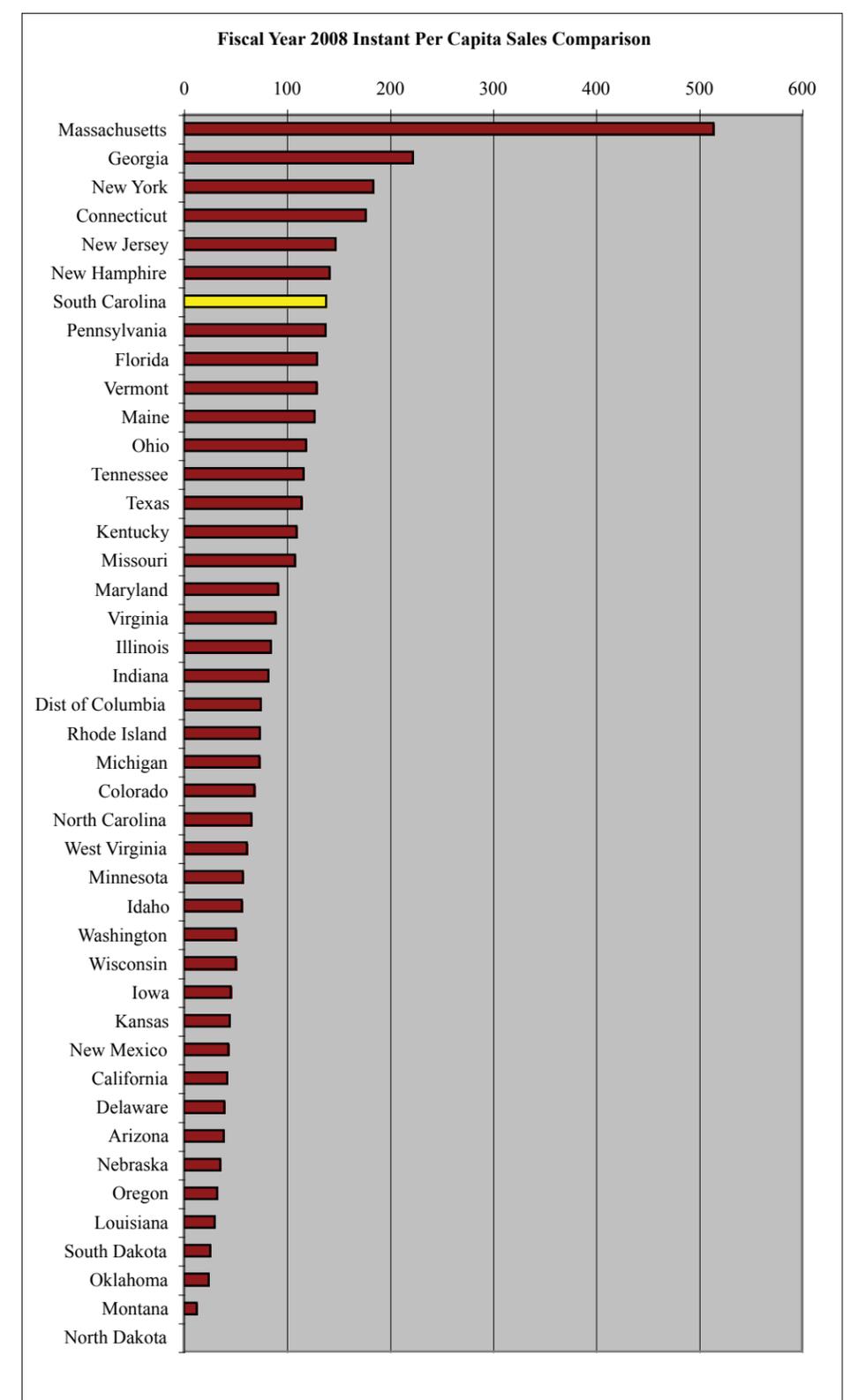
Massachusetts	\$	727
Dist of Columbia		430
New York		346
Georgia		340
Maryland		298
New Jersey		292
Connecticut		285
Pennsylvania		248
Michigan		231
Florida		229
Rhode Island		228
South Carolina		225
Ohio		203
New Hampshire		198
Kentucky		183
Virginia		180
Maine		174
Missouri		169
Vermont		164
Tennessee		161
Illinois		160
Texas		154
Delaware		145
Indiana		130
North Carolina		116
West Virginia		109
Colorado		104
Idaho		91
Oregon		90
Minnesota		89
Wisconsin		88
Louisiana		87
Kansas		85
California		83
Iowa		83
Washington		81
Arizona		75
New Mexico		75
Nebraska		69
Oklahoma		59
South Dakota		53
Montana		46
North Dakota		35
Median	\$	173



Comparative Data per La Fleur's 2009 World Lottery Almanac

Per Capita Sales - Instant

State	PC Sales
Massachusetts	\$ 514
Georgia	222
New York	184
Connecticut	177
New Jersey	148
New Hampshire	142
South Carolina	138
Pennsylvania	138
Florida	129
Vermont	129
Maine	127
Ohio	119
Tennessee	116
Texas	115
Kentucky	110
Missouri	108
Maryland	92
Virginia	89
Illinois	85
Indiana	82
Dist of Columbia	75
Rhode Island	74
Michigan	73
Colorado	69
North Carolina	66
West Virginia	62
Minnesota	57
Idaho	56
Washington	51
Wisconsin	51
Iowa	46
Kansas	45
New Mexico	43
California	42
Delaware	40
Arizona	39
Nebraska	35
Oregon	33
Louisiana	30
South Dakota	26
Oklahoma	24
Montana	13
North Dakota	-
Median	\$ 93







South Carolina Education Lottery

P.O. Box 11949

Columbia, SC 29211

1333 Main Street, 4th Floor

Columbia, SC 29201

(803) 737-2002

www.SCEducationLottery.com

www.PlayResponsiblySC.com