



Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)

FINANCIAL STATEMENTS

June 30, 2024 and 2023



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REPORT





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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Mississippi Lottery Corporation
Flowood, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Mississippi Lottery Corporation (the “Corporation”), a component unit of the State of Mississippi, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Corporation as of June 30, 2023, were audited by other auditors whose report dated September 28, 2023, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

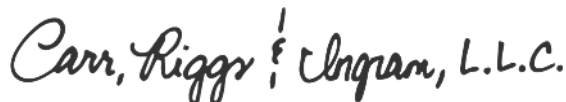
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
September 27, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS



Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management’s Discussion and Analysis

The following discussion and analysis of Mississippi Lottery Corporation (the Corporation) financial performance provides an overview of the Corporation’s financial activities for the fiscal years ended June 30, 2024 and 2023. Readers are encouraged to consider the information presented here in conjunction with the Corporation’s financial statements, which immediately follow this discussion and analysis.

Fiscal Years 2024 and 2023 Financial Highlights

The Mississippi Lottery Corporation transferred \$125.1 million in fiscal year 2024 compared to \$122.4 million in fiscal year 2023 to the State of Mississippi Lottery Proceeds Funds, bringing the total to over \$578.7 million since sales began November 25, 2019.

Mississippi Lottery Corporation
State of Mississippi Lottery Proceeds Fund



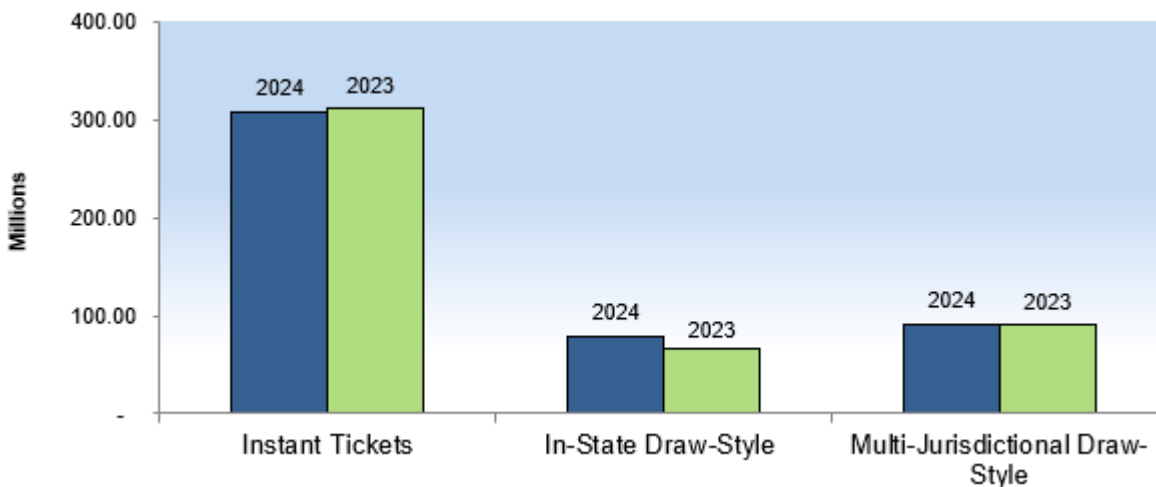
In accordance with the Alyce G. Clarke Mississippi Lottery Law (the Law), the first \$80 million transferred each fiscal year will be used to fund infrastructure projects throughout the state. Proceeds exceeding \$80 million per fiscal year will be transferred into the Education Enhancement Fund for the purposes of funding the Early Childhood Learning Collaborative, the Classroom Supply Fund, and other educational purposes.

Gross ticket sales for the fiscal year 2024 were \$477.6 million, and in fiscal year 2023 gross ticket sales were \$467.7 million, bringing the total gross ticket sales since inception to more than \$2.2 billion. Total actual prizes paid for fiscal year 2024 were \$264.3 million and \$256.9 million in 2023. Included in the prizes paid for fiscal year 2024 were one \$3 million-dollar, one \$1 million-dollar Mega Millions game winners, one \$1 million-dollar Powerball game winner, and one \$572 thousand-dollar Match 5 game winner.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management’s Discussion and Analysis

Fiscal Years 2024 and 2023 Financial Highlights (continued)

**Mississippi Lottery Corporation Gross Ticket Sales
 Fiscal Year 2024 Comparison to 2023**



Management credits its success to the Corporation’s focus on its mission to be managed in such a manner that the people of Mississippi benefit from its profits, security, integrity, strategic planning, and effective marketing.

The Corporation offers and oversees the following games:

Instant Ticket Games

In fiscal year 2024, sales for Instant Tickets were \$307.5 million, compared to \$311.5 in fiscal year 2023. Instant tickets accounted for 64.4% of all ticket sales in 2024, compared to 66.6% during the fiscal year 2023. Thirty-eight new instant ticket games were introduced in fiscal year 2024 including Mississippi’s first scratch-off featuring \$1 million dollar top prizes, the \$20 “Jackson,” the first \$5 extended play Bingo “Blackout Bingo” and the \$5 “Lucky Dog” scratch-off featuring photos of eight players’ pups voted on by players. The Corporation’s marketing strategy, continuous development, effective management of the instant game portfolio, and product mix gives the Corporation the ability to provide quality games and sufficient inventory to meet the demand.

In-State Draw-Style Games

Cash 3 sales began across the state on September 1, 2020. Sales for the fiscal year 2024 were \$16.6 million, compared to \$18.8 in fiscal year 2023.

Cash 4 sales began across the state on January 10, 2022. Sales for the fiscal year 2024 were \$16.9 million, compared to \$16.7 in fiscal year 2023.

Sales for *Mississippi Match 5* began across the state on April 28, 2021. Sales for the fiscal year 2024 were \$20.3 million, compared to \$17.1 in fiscal year 2023.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Fiscal Years 2024 and 2023 Financial Highlights (continued)

In fiscal year 2023, the Corporation launched a draw-style game Cash Pop. Cash Pop sales began across the state on November 20, 2022. Sales for the fiscal year 2024 were \$24.7 million, compared to \$13.3 million in fiscal year 2023.

On May 12, 2024, the Corporation launched *Lotto America*. The in-state game feature EZ-match was added to *Lotto America* to offer a way to win up to \$500 instantly. Sales for EZ -Match for *Lotto America* were \$384 thousand.

Total in-state draw-style games sales for the year were \$79.0 million, accounting for 16.6% of total ticket sales in fiscal year 2024, compared to \$65.9 million, accounting for 14.1% of total ticket sales in fiscal year 2023.

Multi-Jurisdictional Draw-Style Games

In fiscal year 2024, the Corporation launched *Lotto America* a draw-style game with jackpots starting at \$2 million. Sales were \$988 thousand in fiscal year 2024.

Powerball sales for 2024 were \$53.7 million. Sales increased by \$4.5 million in fiscal year 2024, as compared to 2023. The year-over-year increase can be attributed to larger jackpots.

On November 5, 2023, the *Powerball Double Play* feature was added to *Powerball* where players can win up to \$10 million with their chosen *Powerball* numbers. Sales for the fiscal year were over \$1.9 million.

Mega Millions sales for 2024 were \$34.4 million. Sales decreased by \$6.7 million in fiscal year 2024, as compared to 2023. In fiscal year 2024 and 2023, there were two billion-dollar jackpots attributing to sales.

Total multi-jurisdictional draw-style game sales for fiscal year 2024 were \$91.0 million, accounting for 19.0% of total ticket sales compared to \$90.3 million, accounting for 19.3% of total ticket sales in fiscal year 2023.

Overview of the Financial Statements

The Corporation is accounted for as a business-type activity and is a discretely presented component unit of the State of Mississippi, reporting transactions using a full accrual basis of accounting. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements, along with notes to the financial statements. The basic financial statements include the Corporation's statements of net position on page 15; statements of revenues, expenses, and changes in net position on page 16; and statements of cash flows on pages 17 - 18.

The statement of net position reflect the Corporation's financial position at June 30, 2024 and 2023. The statements of revenue, expenses, and changes in net position for the years ended June 30, 2024 and 2023 report the revenues and expenses related to the lottery operations.

The statements of cash flows for the years ended June 30, 2024 and 2023 report cash inflows and outflows related to lottery operations.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Overview of the Financial Statements (continued)

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 19 of the financial statements.

Financial Analysis

The Corporation's Net Position

<i>June 30,</i>	2024	Increase (Decrease)	2023	Increase (Decrease)	2022
Assets					
Current assets	\$ 65,299,698	\$ 8,944,843	\$ 56,354,855	\$ 12,784,587	\$ 43,570,268
Capital assets	2,250,863	(248,535)	2,499,398	(413,378)	2,912,776
Noncurrent assets	2,434,829	301,319	2,133,510	1,627,984	505,526
Total assets	\$ 69,985,390	\$ 8,997,627	\$ 60,987,763	\$ 13,999,193	\$ 46,988,570
Liabilities					
Prizes payable	\$ 57,119,181	\$ 8,917,096	\$ 48,202,085	\$ 14,155,354	\$ 34,046,731
Other current liabilities	2,450,869	341,106	2,109,763	(70,549)	2,180,312
Due to State of Mississippi	9,102,945	(52,422)	9,155,367	1,306,616	7,848,751
Lease liability - current	216,479	8,326	208,153	8,006	200,147
Lease liability - noncurrent	1,095,916	(216,479)	1,312,395	(208,153)	1,520,548
Total liabilities	69,985,390	8,997,627	60,987,763	15,191,274	45,796,489
Net Position					
Net investment in capital assets	938,468	(40,382)	978,850	(213,231)	1,192,081
Restricted for prize reserve on deposits	2,434,829	301,319	2,133,510	1,627,984	505,526
Unrestricted (deficit)	(3,373,297)	(260,937)	(3,112,360)	(2,606,834)	(505,526)
Total net position	-	-	-	(1,192,081)	1,192,081
Total liabilities net position	\$ 69,985,390	\$ 8,997,627	\$ 60,987,763	\$ 13,999,193	\$ 46,988,570

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Financial Analysis (continued)

2024

Assets

The \$9 million increase in total assets is primarily due to an increase in lottery ticket sales resulting in increased cash at fiscal year-end. Retailer accounts receivable increased \$1.8 million during the fiscal year 2024. Cash increased \$6.8 million during fiscal year 2024. This increase is related to the cash received from lottery ticket sales.

As detailed in Note 3 to the financial statements, capital assets, net of depreciation were \$1.1 million at June 30, 2024 and 2023, respectively. Right-to-use leased assets, net amortization were \$1.2 million and \$1.4 million at June 30, 2024 and 2023.

Liabilities

Total liabilities increased \$9 million in 2024. The increase is primarily driven by the increase in liabilities related to prizes payable to players for both instant and draw-style ticket sales at June 30, 2024. Additionally, the Corporation was set to transfer to State of MS for June 2024 in the amount of \$9.1 million.

2023

Assets

The \$14 million increase in total assets is primarily due to an increase in lottery ticket sales resulting in increased cash at fiscal year-end. Retailer accounts receivable decreased \$552 thousand during the fiscal year 2023. Cash increased \$13.3 million during fiscal year 2023. This increase is related to the cash received from lottery ticket sales.

Capital assets, net of depreciation were \$1.1 million and \$1.3 million at June 30, 2023 and 2022, respectively. Right-to-use lease assets, net amortization were \$1.4 million and \$1.6 million at June 30, 2023 and 2022.

Liabilities

Total liabilities increased \$15.2 million in 2023. The increase is primarily driven by the increase in liabilities related to prizes payable to players for both instant and draw-style ticket sales at June 30, 2023. Additionally, the Corporation was set to transfer to State of MS for June 2023 the amount of \$9.1 million.

Operating Results and Changes in the Corporation's Net Position

The net position consists solely of net investment in capital assets, restricted for prizes reserve on deposit, and unrestricted net position. The net investment in capital assets category represents the purchase of capital and right to use assets less accumulated depreciation, amortization, and long-term lease liability. The restricted for prize reserve on deposits represents MUSL funds set aside to fund Powerball and Mega Millions prize reserves which can be used in the event of multiple prize winners in succession.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Operating Results and Changes in the Corporation's Net Position (continued)

In 2023, the Corporation's net position decreased by approximately \$1.2 million, as shown in the following table. The net position decrease is a result of a change in the calculation of the net proceeds transfer. During the year ended June 30, 2023, the Corporation changed its method of determining the transfer to the State to equal change in net position as calculated in the statement of revenues, expenses, and changes in net position, which remains consistent with the requirements set forth in the Law.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Operating Results and Changes in the Corporation's Net Position (continued)

The following table presents activities of the Corporation for the years ended June 30, 2024, 2023, and 2022.

<i>For the years ended June 30,</i>	2024	Increase (Decrease)	2023	Increase (Decrease)	2022
Operating Revenues					
Net ticket sales	\$ 473,649,874	\$ 10,835,650	\$ 462,814,224	\$ 40,924,127	\$ 421,890,097
Other operating revenues	1,873,647	5,125	1,868,522	3,779	1,864,743
Total operating revenues	475,523,521	10,840,775	464,682,746	40,927,906	423,754,840
Operating Expenses					
Prize expense, net	298,661,533	7,061,304	291,600,229	40,344,026	251,256,203
Other Operating Expenses					
Retailer commissions	28,667,319	590,813	28,076,506	2,100,192	25,976,314
Gaming vendor fees	13,693,917	179,324	13,514,593	335,714	13,178,879
Other administrative operating expenses	11,720,049	(9,733)	11,729,782	854,710	10,875,072
Total other operating expenses	54,081,285	760,404	53,320,881	3,290,616	50,030,265
Total operating expenses	352,742,818	7,821,708	344,921,110	43,634,642	301,286,468
Operating Income	122,780,703	3,019,067	119,761,636	(2,706,736)	122,468,372
Nonoperating (Revenues) Expenses					
Payments to State of Mississippi	(125,102,375)	(2,726,744)	(122,375,631)	507,511	(122,883,142)
Interest income	2,202,296	779,303	1,422,993	1,341,412	81,581
Interest expense	(60,822)	8,006	(68,828)	7,575	(76,403)
Other revenue	180,198	112,449	67,749	56,067	11,682
Total nonoperating expenses	(122,780,703)	(1,826,986)	(120,953,717)	1,912,565	(122,866,282)
Change in net position	-	1,192,081	(1,192,081)	(794,171)	(397,910)
Net position - beginning of year	-	(1,192,081)	1,192,081	(397,910)	1,589,991
Net position - ending	\$ -	\$ -	\$ -	\$ (1,192,081)	\$ 1,192,081

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Operating Revenues

Operating revenues consist primarily of ticket sales and fees charged to retailers. Gross ticket sales total \$477.6 million, \$467.7 million, and \$432.9 million for the years ended June 30, 2024, 2023, and 2022, respectively. Gross and net ticket sales for the years ended June 30, 2024, 2023, and 2022 were as follows:

Ticket Sales	2024	2023	2022
\$1 instant tickets	\$ 17,319,676	\$ 20,869,256	\$ 30,101,200
\$2 instant tickets	35,049,986	37,300,986	45,461,250
\$3 instant tickets	10,862,766	16,184,463	16,438,668
\$5 instant tickets	85,347,740	88,601,585	95,091,410
\$10 instant tickets	60,601,570	62,771,710	76,005,990
\$20 instant tickets	98,314,600	85,772,760	77,168,720
Total instant tickets	307,496,338	311,500,760	340,267,238
Cash Pop	24,733,939	13,280,596	-
Cash 3	16,619,486	18,815,490	18,987,283
Cash 4	16,988,686	16,705,654	5,006,712
<i>Mississippi Match 5</i>	20,291,051	17,078,041	12,503,180
<i>Lotto America</i>	987,849	-	-
<i>Lotto America with EZ-Match</i>	384,379	-	-
<i>Mega Millions</i>	34,434,969	41,125,136	19,324,477
<i>Powerball</i>	53,694,266	49,220,277	36,774,147
<i>Powerball Doubleplay</i>	1,950,343	-	-
Total draw-style game sales	170,084,968	156,225,194	92,595,799
Gross ticket sales	477,581,306	467,725,954	432,863,037
Less tickets provided as prizes	(3,931,432)	(4,911,730)	(10,972,940)
Net ticket sales	\$ 473,649,874	\$ 462,814,224	\$ 421,890,097

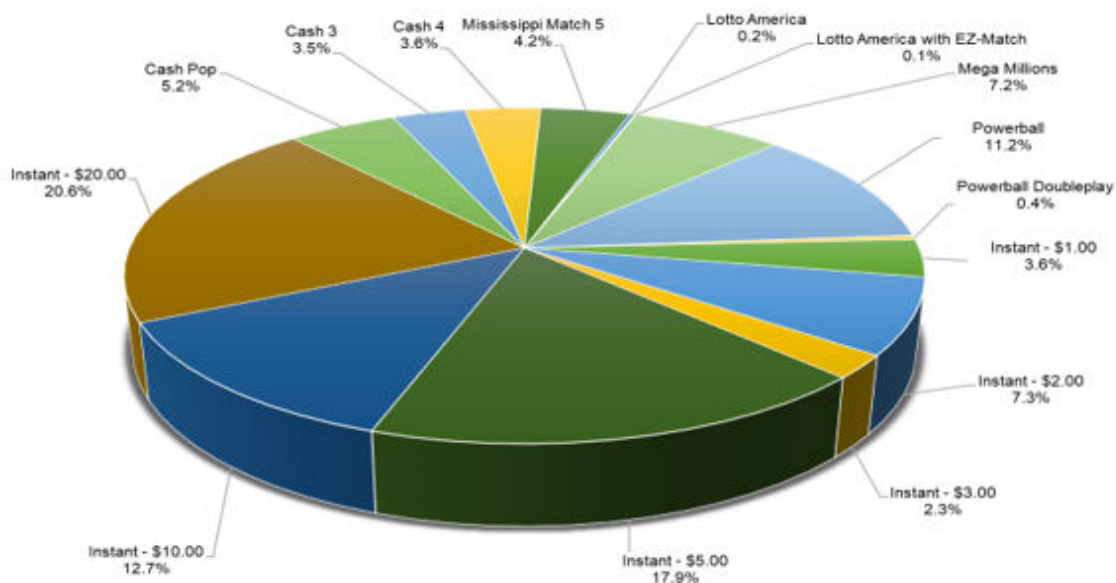
The Corporation experienced an increase in total lottery ticket sales of \$9.9 million, or 2.1% for fiscal year 2024, as compared to 2023, due to the launch of the new draw-style game Lotto America with EZ-Match, adding a new Powerball add-on feature Double Play, Mississippi Match 5 moving to daily drawings and Powerball and Mega Millions jackpots exceeding the billion dollar mark five times in 2024. Instant ticket sales contributed to 64.4% and 66.6% to total fiscal year sales for 2024 and 2023, respectively. For fiscal year 2024, instant ticket gross sales decreased by \$4 million, while draw-style game sales increased by \$13.9 million.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Operating Revenues (continued)

The graph below summarizes the fiscal year 2024 sales as a percent of total ticket revenues:

Fiscal Year 2024 Game Revenues as a Percent of Sales



Operating Expenses

In 2024 prize expenses were \$298.7 million and other operating expenses were \$54.1 million. In 2023, prize expenses were \$291.6 million and other operating expenses were \$53.3 million. In accordance with Section 26(d) of the Law, prize payments in any case shall be no less than 50% of gross revenues, and operation and administrative costs in no case shall exceed 15% of the total gross revenues.

	FY 2024	%	FY 2023	%
Operating Revenues				
Gross ticket sales	\$ 477,581,306	100.00%	\$ 467,725,954	100.00%
Operating Prize Expense				
Prize expense	298,661,533	62.54%	291,600,229	62.34%
Other Administrative Operating Expenses				
Total other administrative operating expenses	54,081,285	11.32%	53,320,881	11.40%

% shown as a percentage of gross ticket sales

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Operating Expenses (continued)

Operating costs include retailer commissions, marketing and advertising costs, general administrative costs, depreciation, gaming related costs, and vendor fees.

Net prize expense of \$298.7 million relates directly to the proportional sales mix of instant and draw-style games and promotional prizes.

For instant tickets, the prize expense is managed through an approved prize structure for each game. The prize structure is established prior to the printing of the instant tickets for each game. Prize expense is recognized based on the established prize structure in relation to ticket sales. Gross prize expense for instant tickets for the current year equaled \$212.3 million.

For draw-style games (*Cash Pop*, *Cash 3*, *Cash 4*, *Mississippi Match 5*, *Lotto America* with *EZ-Match*, *Powerball*, and *Mega Millions*), prize expense is recorded based on the respective game rules. Prize expense is a percentage of each drawing's sale and is recorded on the day of the draw. Gross prize expense for these draw-style games for fiscal year 2024 was \$88.2 million.

Prize expense is reduced by unclaimed prizes. In 2024, unclaimed prize expense was \$1.8 million and related directly to instant games. Unclaimed prize amounts are adjusted to actual for instant games after the game has closed and the 90-day claim period for prizes has ended. For draw-style games, unclaimed prize amounts are adjusted to actual after the 180-day claim period for each drawing has passed.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of required transfers to the State of Mississippi Lottery Proceeds Fund, as well as interest income and expense.

Monthly, the Corporation is required to transfer their net proceeds to the Lottery Proceeds Fund of the State Treasury. For the fiscal years 2024 and 2023, net transfers of \$125.1 million and \$122.4 million, respectively, were made to the State of Mississippi Lottery Proceeds Fund.

The Law requires the first \$80 million of net proceeds each fiscal year to be used to support the Mississippi State Highway Fund through June 30, 2028. Any proceeds exceeding the \$80 million will be deposited into the Education Enhancement Fund for the purposes of funding the Early Childhood Learning Collaborative, the Classroom Supply Fund, and other educational purposes.

Net Position

In fiscal year 2023, the Corporation's net position decreased by approximately \$1.2 million. During the year ended June 30, 2023, the Corporation changed its method of determining the transfer to the State to equal change in net position as calculated in the statement of revenues, expenses and changes in net position, which remains consistent with the requirements set forth in the Law.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Management's Discussion and Analysis

Other Economic Factors

Inflationary pressures have also impacted sales. Due to the increasing gas prices and other cost of living price increases, players have reduced spending on lottery products, primarily instant (scratch) products. The long-term impact of inflation on sales cannot yet be determined.

Significant Factors Affecting Next Year

The Corporation's mission is to enable the people of the State of Mississippi to benefit from its profits. The following is presented to inform readers of the financial statements about factors that could potentially affect future results:

- The Corporation will continue to introduce new instant ticket games with varied price points.
- The Corporation will expand its current library of draw-style game offerings as appropriate games are identified.
- The Corporation will continually review prize payout percentages for instant game products to maximize sales, with the goal of ensuring the highest net proceeds are eligible for transfer to the State.
- Current inflationary trends could potentially continue to have a significant impact on sales.

Contact Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with interest. Questions concerning any of the information contained in this report or requests for any additional information should be addressed to the Vice President of Finance at Mississippi Lottery Corporation, Post Office Box 321433, Flowood, MS 39232.



FINANCIAL STATEMENTS



Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Statements of Net Position

<i>June 30,</i>	2024	2023
Assets		
Current Assets		
Cash	\$ 51,472,812	\$ 44,622,355
Retailer accounts receivable, net of allowance for doubtful accounts of \$13,154 and \$32,582 in 2024 and 2023, respectively	13,089,771	11,246,146
Other receivables	207,092	10,434
Prepaid expenses	248,048	235,596
Other current assets	281,975	240,324
Total current assets	65,299,698	56,354,855
Noncurrent Assets		
Restricted prize reserve on deposit	2,434,829	2,133,510
Capital assets		
Depreciable assets, net	1,051,870	1,079,052
Right-to-use lease asset, net	1,198,993	1,420,346
Total noncurrent assets	4,685,692	4,632,908
Total assets	\$ 69,985,390	\$ 60,987,763
Liabilities and Net Position		
Current Liabilities		
Prizes payable	\$ 57,119,181	\$ 48,202,085
Accounts payable	1,052,107	727,066
Accrued payroll and related liabilities	259,310	148,114
Accrued compensated absences	299,249	260,723
Due to MUSL	309,267	300,832
Unearned revenue	530,936	673,028
Due to State of Mississippi	9,102,945	9,155,367
Current portion of lease liability	216,479	208,153
Total current liabilities	68,889,474	59,675,368
Noncurrent Liabilities		
Lease liability	1,095,916	1,312,395
Total noncurrent liabilities	1,095,916	1,312,395
Total liabilities	69,985,390	60,987,763
Net Position		
Net investment in capital assets	938,468	978,850
Restricted for prize reserve on deposit	2,434,829	2,133,510
Unrestricted (deficit)	(3,373,297)	(3,112,360)
Total net position	-	-
Total liabilities and net position	\$ 69,985,390	\$ 60,987,763

The accompanying notes are an integral part of these financial statements.

Mississippi Lottery Corporation
A Component Unit of the State of Mississippi)
Statements of Revenues, Expenses, and Changes in Net Position

<i>For the years ended June 30,</i>	2024	2023
Operating Revenues		
Instant ticket sales	\$ 307,496,338	\$ 311,500,760
Draw-style game sales	170,084,968	156,225,194
Gross ticket sales	477,581,306	467,725,954
Less tickets provided as prizes	(3,931,432)	(4,911,730)
Net ticket sales	473,649,874	462,814,224
Other Operating Revenues		
Other operating revenues	1,873,647	1,868,522
Total other operating revenues	1,873,647	1,868,522
Total operating revenues	475,523,521	464,682,746
Operating Expenses		
Prize expense, net	298,661,533	291,600,229
Other Administrative Operating Expenses		
Retailer commissions	28,667,319	28,076,506
Gaming vendor fees	13,693,917	13,514,593
Salaries and wages	6,102,998	5,649,822
Advertising	2,988,365	3,072,245
Professional fees and services	567,062	638,782
General and administrative expenses	989,129	984,192
Contractor fees	67,359	70,144
Other gaming costs	82,060	395,748
Deprecation and amortization	565,444	627,904
Retailer merchandising and marketing	223,194	168,834
Rent, utilities, and maintenance	134,438	122,111
Total other administrative operating expenses	54,081,285	53,320,881
Total operating expenses	352,742,818	344,921,110
Operating Income	122,780,703	119,761,636
Nonoperating Revenues (Expenses)		
Interest income	2,202,296	1,422,993
Interest expense	(60,822)	(68,828)
Other revenue	180,198	67,749
Payments to the State of Mississippi Highway Fund	(80,000,000)	(80,000,000)
Payments to the Education Enhancement Fund	(45,102,375)	(42,375,631)
Total nonoperating revenues (expenses)	(122,780,703)	(120,953,717)
Change in net position	-	(1,192,081)
Net position, beginning of year	-	1,192,081
Net position, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Statements of Cash Flows

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of retailers	\$ 473,546,342	\$ 465,351,937
Payments to winners	(290,079,943)	(279,432,855)
Payments to suppliers	(47,310,118)	(47,083,081)
Payments to employees	(5,947,637)	(5,506,310)
Net cash provided by (used in) operating activities	130,208,644	133,329,691
Cash Flows From Noncapital Financing Activities		
Payments to State of Mississippi Highway Fund	(80,000,000)	(78,693,384)
Payments to Education Enhancement Fund	(45,154,797)	(42,375,631)
Net cash provided by (used in) non capital and related financing activities	(125,154,797)	(121,069,015)
Cash Flows From Capital and Related Financing Activities		
Purchase of property and equipment	(323,615)	(216,796)
Principal payment on lease liability	(208,153)	(200,147)
Interest paid on lease liability	(60,822)	(68,828)
Net cash provided by (used in) capital and related financing activities	(592,590)	(485,771)
Cash Flows From Investing Activities		
Interest income	2,202,296	1,422,993
Sale of property and equipment	6,706	2,270
Other	180,198	67,749
Net cash provided by (used in) investing activities	2,389,200	1,493,012
Net increase (decrease) in cash	6,850,457	13,267,917
Cash at beginning of year	44,622,355	31,354,438
Cash at end of year	\$ 51,472,812	\$ 44,622,355

(Continued)

The accompanying notes are an integral part of these financial statements.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Statements of Cash Flows (Continued)

<i>For the years ended June 30,</i>	2024	2023
Reconciliation of Operating Income to Net Cash Provided		
by (Used in) Operating Activities		
Operating income	\$ 122,780,703	\$ 119,761,636
Depreciation and amortization	565,444	627,904
Changes in operating assets and liabilities		
Retailer accounts receivable, net	(1,843,625)	552,058
Prepaid expenses	(12,452)	(15,335)
Other current assets and noncurrent assets	(539,628)	(1,681,377)
Prizes payable	8,917,096	14,155,354
Accounts payable, accrued expenses, and due to MUSL	483,198	(185,004)
Unearned revenue	(142,092)	114,455
Net cash provided by (used in) operating activities	\$ 130,208,644	\$ 133,329,691

The accompanying notes are an integral part of these financial statements.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Alyce G. Clarke Mississippi Lottery Law (the Law), Senate Bill 2001 (First Extraordinary Session 2018) formed the Mississippi Lottery Corporation (the Corporation) to administer the State of Mississippi's lottery.

Reporting Entity

The Corporation's Board of Directors (the Board) governs the Corporation. The Board is comprised of five members appointed by the Governor, with the advice and consent of the Senate, in addition to the Commissioner of the Department of Revenue and the State Treasurer as ex officio members. The Corporation is a special-purpose government entity under the laws of the State of Mississippi and is a component unit of the State of Mississippi (the State). The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Corporation began conducting lottery games on November 25, 2019. The more significant accounting policies used by the Corporation are described below.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Budgetary Information

Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America with concurrence by the Corporation's Board of Directors on an annual basis. The Corporation, however, is not required by statute to adopt a legally binding budget. Accordingly, budgetary information is not a required part of these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. At June 30, 2024 and 2023, the Corporation held no cash equivalents.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retailer Accounts Receivable

Retailer accounts receivable consist of amounts due from retailers for gross ticket sales and weekly fees less commissions and prizes paid by the retailers. Lottery proceeds for instant tickets sold by retailers are due and payable to the Corporation upon pack settlement, which is the end of the billing cycle. Ticket packs will be settled 21 days following activation of the pack, or when 75% of low tier prizes in the pack have been validated, or upon manual change of pack status to "settled", whichever occurs first. Lottery proceeds for draw-style game tickets are due and payable at the end of the accounting period in accordance with Section 2.11 of Retailer Rules and Regulations. Lottery proceeds are collected from retailer bank accounts established in a trust. Retailers are invoiced for net proceeds on a weekly basis for all billable activity from Sunday through Saturday of each week.

Allowance for Doubtful Accounts

The Corporation will record a bad debt expense and related allowance for bad debt based on a quarterly review of outstanding retailer accounts receivable as a result of nonpayment. The outstanding balances will not be written off against the allowance account until required retailer bonds are executed, and management determines any remaining balance, if any, for such account is deemed uncollectible. Retailers will be charged NSF fees in accordance with Section 2.12 of Retailer Rules and Regulations.

In accordance with the Law, each retailer is required to post a bond or letter of credit with the Corporation using surety acceptable to the Corporation in an amount not to exceed twice the average lottery ticket sales of the lottery retailer for the period determined by the Corporation within which the lottery retailer is required to remit lottery funds to the Corporation. In accordance with the Corporation Rules and Regulations for 2024 and 2023, the amount of a retailer's initial letter of credit or bond shall be \$8,000 per retailer business location, subject to later adjustment by the Corporation.

Unearned Revenue

Unearned revenue represents amounts collected from retailers for draw-style game tickets for Cash Pop, Cash 3, Cash 4, *Match 5*, *Lotto America*, *Mega Millions* and *Powerball* sold in advance of the drawing. These amounts collected are recognized as revenue once the related drawing occurs.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Certain assets of the Corporation are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets for prize reserves as follows:

As part of the Corporation's agreement with the Multi-State Lottery Association (MUSL), for both the *Powerball* and *Mega Millions* games, a certain percentage of sales must be contributed to MUSL by each member, when required, to bring the set prize and grand prize reserves up to the reserve requirement amounts as determined by MUSL.

Mega Millions prize reserve – Deposited in interest-bearing accounts and refunded upon termination of the MUSL agreement. In accordance with MUSL requirements, during the years ended June 30, 2024 and 2023, a total of \$301,319 and \$391,363, respectively, was transferred from the Corporation to MUSL to cover *Mega Millions* set prize reserves. At June 30, 2024 and 2023, the balance held by MUSL for *Mega Millions* set-aside prize reserve for the Corporation was \$1,095,546 and \$794,227, respectively.

Powerball prize reserve - Deposited in interest-bearing accounts and refunded upon termination of the MUSL agreement. In accordance with MUSL requirements, during the year ended June 30, 2024 and 2023, a total of \$37,433 and \$751,986 was transferred, repaid, or owed related to the *Powerball* prize reserve. At June 30, 2024 and 2023, the balance held by MUSL for *Powerball* set-aside prize reserve for the Corporation was \$942,033 and \$904,600, respectively. During the year ended June 30, 2024 and 2023, a total of \$37,433 and \$17,917 was transferred, repaid, or owed related to the *Powerball* set prize reserve. At June 30, 2024 and 2023, the balance held by MUSL for the *Powerball* set prize reserve was \$397,250 and \$434,683.

Capital Assets

Capital assets include property, plant, equipment and right-to-use lease assets. Capital assets, except for right-to-use assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. The Corporation adheres to the state policy of capitalizing equipment only if the cost exceeds \$5,000 and has a useful life in excess of one year. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and leaseholds improvements	10 - 25 years
Equipment	3 - 15 years

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Effective October 15, 2019, the Corporation implemented an attendance and leave policy allowing employees to earn paid time off (PTO) during their employment on a calendar-year basis. The Corporation recognizes expense for PTO in the current year and does allow PTO not used in its entirety to be added to the next calendar year. The total maximum balance to be added to an employee's PTO for the next calendar year is 120 hours. Notwithstanding, the maximum number of additional PTO hours will never exceed 120 hours in any one year.

Expense and the related liability are recognized as PTO hours are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date and include salary-related benefits, where applicable. Employees are not compensated for any unused PTO upon termination of employment.

Unclaimed Prizes

Prizes not claimed within 90 days of the announced end-of-game date for instant games, and within 180 days of the drawing for all terminal-based draw-style games, are forfeited as unclaimed prizes. The Law requires that any unclaimed prize money be added to a pool from which future prizes are to be awarded or used for special prize promotions. Unclaimed prizes have been applied against prize expense to supplement prizes in the Corporation's games and promotions. As of June 30, 2024 and 2023, the Corporation had unclaimed prizes in the amount of \$17,703,917 and \$16,018,835, respectively, reported as prizes payable that had not yet been applied against prize expense.

Leases

Lease contracts that provide the Corporation with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Categories and Classification of Net Position

Net position flow assumption – Sometimes the Corporation will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position of the Corporation is classified in three components, as follows:

Net investment in capital assets - consists of capital assets, including lease assets, net of accumulated depreciation and amortization, less any outstanding debt or liability used to acquire the asset.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by legislation, creditors, granters, or donors external to the Corporation, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. In accordance with the Law, the Corporation reserves prize funds to the pool from which future prizes are to be awarded or used for special prize promotions.

Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position. At June 30, 2024 and 2023, the Corporation had a deficit of \$3,373,297 and \$3,112,360, respectively, in this category.

The Corporation's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing lottery products and services, the Corporation's principal ongoing operations. Operating expenses include expenses incurred in providing those products and services. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Income Taxes

The Corporation was created by the Mississippi Legislature and is exempt from state and federal income taxes.

Revenue Recognition

The Corporation recognizes revenue for instant games when retailers make them available for sale to the public, as indicated by the retailers' activation of tickets. Certain games include free tickets, which entitle the holder to exchange one instant ticket for another of equal value. The selling price of free tickets reduces instant ticket revenue when the free ticket is claimed by a player.

The Corporation recognizes revenue for terminal-based draw-style games based on the game characteristics. Revenues for draw-style games, whereby the prize expense is only determinable at the time of the related drawing, will be recognized after the tickets are sold to the players and the drawing occurs. Revenue collected from retailers for these games sold in advance of the draw are recorded as unearned revenue and recognized as the draw occurs.

Prize Expense

In accordance with the Law, as nearly as practical, at least 50% of ticket proceeds must be made available as prize money. The Corporation recognizes prize expense in the period of related revenue recognition, regardless of when prizes are claimed by the player. Gross prize expense for instant ticket sales is recognized based on a predetermined prize structure for each game in accordance with the approved game working papers when tickets are activated for sale. Draw-style games gross prize expense is recognized based on historical payout experience when the drawings occur.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prize Expense (continued)

Instant tickets - Instant ticket liability and expense are recognized at the point of ticket pack activation based on a predetermined prize payout for each game and are adjusted when the game ends. The Corporation will reconcile prize expense and prizes payable when the game is closed, and the claim period has ended. The prize structure is included as part of each instant game's working papers, which is the contractual commitment for the instant vendor to produce the game at a predetermined payout.

Draw-Style - Draw-style game prizes are recognized and recorded on the day of the draw. The Corporation prize expense is recognized for terminal-based draw-style games at 50% to 55% of net ticket sales, depending on the amount of prize payout allocated for each draw game and estimated unclaimed prizes. Cash Pop, Cash 3, Cash 4, Match 5, Lotto America, Lotto America with EZ-Match, Powerball, and Mega Millions prize expense is recognized as a percentage of ticket sales in accordance with the game rules and contractual agreement, as applicable (for example, Powerball Rule 28 and Mega Millions Rule 28).

Retailer Commissions

Retailers receive a commission of 6.0% on all instant tickets settled and draw-style tickets sold. The commission expense is recorded in the period of related ticket sales or activations. Where a commission has been paid to retailers for deferred ticket sales, this fee is recorded as a prepaid expense until the related revenue is recognized.

Retailers are also eligible to receive incentive payments in accordance with the following guidelines. The Corporation will pay an incentive of \$25,000 to a retailer in good standing with the Corporation that sells a jackpot winning Powerball or Mega Millions draw-style game play. The Corporation will pay an incentive of \$5,000 to a retailer in good standing with the Corporation who sells a winning draw-style game play (excluding a play described by the previous sentence) when the prize won is equal to or greater than \$1 million. If there are multiple winning plays sold in Mississippi in a single drawing that qualify for any of the incentives described in this section to be paid, the respective incentive will be divided between and among the respective retailers equally, based on the number of winning plays sold by each retailer. The retailer incentive expense is accrued in the same period in which the winning ticket is drawn.

Gaming Vendor Fees

The Corporation has contracted with IGT Corporation (IGT) for the gaming systems and supplies. IGT operates a gaming network in Mississippi that consists of 1,813 and 1,783 instant and draw-style retailer ticket terminals and vending machines of 278 and 255 at June 30, 2024 and 2023, respectively. The contract is for a period continuing seven years after December 1, 2019, and is subject to three, one-year contract extensions. Terms of the contract include a service fee rate of 1.9241% of gross on-line ticket sales revenue less cancelled transactions, plus the retail face value of all instant tickets activated during the week, less the retail face value of instant tickets returned, given as free tickets, returned as defective, reported stolen by a retailer, or issued by the Corporation as a promotion. The contract also includes a service fee rate of 1.4938% of the total face value of all instant tickets activated during the week, less the sum of the total face value of activated tickets

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gaming Vendor Fees (continued)

returned by retailers during the given week, activated defective tickets, activated tickets reported stolen by retailers, and activated promotional tickets issued by the Corporation during the week. These fees are recorded as gaming vendor fees in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 financial statement presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 27, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the government that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The Corporation is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DEPOSITS

Deposits

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The Corporation's deposit policy for custodial credit risk and the Law require compliance with the provisions of Section 27-105-5 Miss. Code Ann. (1972).

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Corporation's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

As of June 30, 2024 and 2023, \$500,000 was insured by FDIC, and monies invested in amounts greater than the insurance coverage are secured in qualified public depositories pledging securities with the State Treasurer.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 3: CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended years ended June 30, 2024 was:

	2024				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings and leasehold improvements	\$ 674,975	\$ 133,468	\$ -	\$ -	\$ 808,443
Equipment	982,020	5,316	-	-	987,336
Vehicles	649,824	184,831	(25,150)	-	809,505
Capital assets, being depreciated	2,306,819	323,615	(25,150)	-	2,605,284
Less accumulated depreciation					
Buildings and leasehold improvements	(238,027)	(69,111)	-	-	(307,138)
Equipment	(527,162)	(149,957)	-	-	(677,119)
Vehicles	(462,578)	(125,023)	18,444	-	(569,157)
Total accumulated depreciation	(1,227,767)	(344,091)	18,444	-	(1,553,414)
Total capital assets being depreciated, net	1,079,052	(20,476)	(6,706)	-	1,051,870
Right-to-use leased building being amortized, amortized, net	2,084,403 (664,057)	- (221,353)	- -	- -	2,084,403 (885,410)
Total capital assets being amortized, net	1,420,346	(221,353)	-	-	1,198,993
Capital assets, net	\$ 2,499,398	\$ (241,829)	\$ (6,706)	\$ -	\$ 2,250,863

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 3: CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets during the year ended years ended June 30, 2023 was:

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings and leasehold improvements	\$ 674,975	\$ -	\$ -	\$ -	\$ 674,975
Equipment	982,021	102,579	-	-	1,084,600
Vehicles	535,607	114,217	(102,580)	-	547,244
Capital assets, being depreciated	2,192,603	216,796	(102,580)	-	2,306,819
Less accumulated depreciation					
Buildings and leasehold improvements	(169,842)	(68,185)	-	-	(238,027)
Equipment	(412,629)	(214,843)	-	-	(627,472)
Vehicles	(339,054)	(123,524)	100,310	-	(362,268)
Total accumulated depreciation	(921,525)	(406,552)	100,310	-	(1,227,767)
Total capital assets being depreciated, net	1,271,078	(189,756)	(2,270)	-	1,079,052
Right-to-use leased building being amortized, amortized, net	2,084,403 (442,705)	- (221,352)	- -	- -	2,084,403 (664,057)
Total capital assets being amortized, net	1,641,698	(221,352)	-	-	1,420,346
Capital assets, net	\$ 2,912,776	\$ (411,108)	\$ (2,270)	\$ -	\$ 2,499,398

Depreciation and amortization expense for fiscal years ended June 30, 2024 and 2023 totaled \$565,444 and \$627,904.

Note 4: DUE TO STATE OF MISSISSIPPI AND TRANSFERS TO STATE OF MISSISSIPPI

In accordance with Section 26(c) of the Law, all net proceeds of the Corporation are due to the State of Mississippi. In accordance with the Law, distributions of net proceeds shall be made within 20 days following the close of each calendar month. In accordance with Section 43 of the Law, net proceeds generated by the Corporation shall be paid to the State of Mississippi Highway Fund until June 30, 2028, not to exceed \$80 million per fiscal year. All monies deposited into the Lottery Proceeds Fund over \$80 million per fiscal year shall be transferred into the Education Enhancement Fund for the purposes of funding the Early Childhood Learning Collaborative, the Classroom Supply Fund, and other educational purposes.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 4: DUE TO STATE OF MISSISSIPPI AND TRANSFERS TO STATE OF MISSISSIPPI (Continued)

Net proceeds for the years ended June 30, 2024 and 2023 are summarized as follows:

<i>For the years ended June 30,</i>	2024	2023
Operating Revenues		
Ticket sales	\$ 477,581,306	\$ 467,725,954
Less tickets provided as prizes	(3,931,432)	(4,911,730)
Net ticket sales	473,649,874	462,814,224
Other operating revenues	1,873,647	1,868,522
Operating Expenses		
Gaming	298,661,533	291,600,229
Operating	54,081,285	53,320,881
Total operating expenses, as defined	352,742,818	344,921,110
Operating Income	122,780,703	119,761,636
Nonoperating Revenues (Expenses)		
Interest income	2,202,296	1,422,993
Interest expense	(60,822)	(68,828)
Other revenue	180,198	67,749
Total nonoperating revenues (expenses)	2,321,672	1,421,914
Adjustments to Amount Due to State		
Net investment in capital assets adjustment	-	1,192,081
Net proceeds	\$ 125,102,375	\$ 122,375,631

During the year ended June 30, 2023, the Corporation changed its method of determining the transfer to the State to equal change in net position as calculated in the statement of revenues, expenses, and changes in net position, which remains consistent with the requirements set forth in the Law.

Note 5: LONG-TERM DEBT AND LIABILITIES

Line of Credit

The Corporation had a \$15,000,000 revolving bank line of credit that matured on May 31, 2023. The line was unsecured, with interest payments monthly at a variable rate of 1.65% over an index rate. There were no funds drawn on the line of credit at June 30, 2023.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 5: LONG-TERM DEBT AND LIABILITIES (Continued)

Leases – Lessee

The Corporation has entered into lease agreement to obtain the right-to-use a building. The total annual rental for the building that the Corporation paid for the fiscal year ended June 30, 2024 was \$268,975. The lease has a 10-year term. The lease liability is discounted using the Corporation's incremental borrowing rate of 4.0%. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

The following is a schedule of minimum future lease payments from lease agreements as of June 30, 2024:

<i>Year ending June 30</i>	Principal Payments	Interest Expense	Total
2025	\$ 216,479	\$ 52,496	\$ 268,975
2026	229,621	43,837	273,458
2027	242,008	34,652	276,660
2028	251,689	24,971	276,660
2029	261,756	14,904	276,660
2030 - 2031	110,842	4,434	115,276
	\$ 1,312,395	\$ 175,294	\$ 1,487,689

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024:

2024				
Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
\$ 1,520,548	\$ -	\$ (208,153)	\$ 1,312,395	\$ 216,479

Long-term liability activity for the year ended June 30, 2023:

2023				
Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
\$ 1,720,695	\$ -	\$ (200,147)	\$ 1,520,548	\$ 208,153

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 6: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

	2024	2023
Capital assets (net)	\$ 2,250,863	\$ 2,499,398
Outstanding debt related to capital assets	(1,312,395)	(1,520,548)
Net investment in capital assets	\$ 938,468	\$ 978,850

Note 7: EMPLOYEE RETIREMENT PLANS

The Corporation has two types of defined contribution retirement plans for its employees. The first is a Governmental 401(a) Plan. The second plan is an Eligible Governmental 457 Plan, which permits employees to make additional pretax contributions from their wages up to defined Internal Revenue Service (IRS) limitations. In the 401(a) plan, the Corporation will contribute 100% of each employee's pretax wages that are deferred in the 457 plan up to 4%. The Corporation's contributions are limited to 4% and only to the extent of each individual employee's contributions to the 457 plan up to a total of \$23,000 (\$30,500 for catch-up eligible employees) per employee for calendar year ended 2024.

Retirement expense is recorded for the amount of the Corporation's required contributions and administrative fees determined in accordance with the terms of the plans. The Corporation has an appointed investment committee, including the President and an external investment advisor, to administer the plans. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Corporation's Board of Directors and management. Employee contributions of pretax wages are subject to a maximum set by the IRS.

Contributions made by the Corporation were \$141,961 and \$119,450 during the years ended June 30, 2024 and 2023, respectively.

Note 8: RISK MANAGEMENT

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage since the Corporation was formed. Settlements for workers' compensation were insignificant in 2024 and 2023.

Mississippi Lottery Corporation
(A Component Unit of the State of Mississippi)
Notes to Financial Statements

Note 9: COMMITMENTS AND CONTINGENCIES

Litigation

During the ordinary course of its operation, the Corporation is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Corporation, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Corporation or results of activities.



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**INDEPENDENT AUDITOR’S 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***

Board of Directors
Mississippi Lottery Corporation
Flowood, Mississippi

We have audited, in accordance with the 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, the financial statements of Mississippi Lottery Corporation (the “Corporation”), a component unit of the State of Mississippi, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements and have issued our report thereon dated September 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

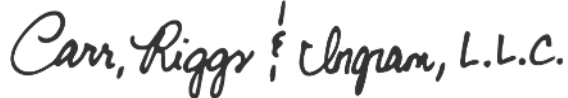
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." with a vertical line under the ampersand.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
September 27, 2024