



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

**FINANCIAL STATEMENTS**

June 30, 2025 and 2024



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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 years ended June 30, 2025 and 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, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. 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.

#### ***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 4–17 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 23, 2025, 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, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Ridgeland, Mississippi  
September 23, 2025



# MANAGEMENT'S DISCUSSION AND ANALYSIS

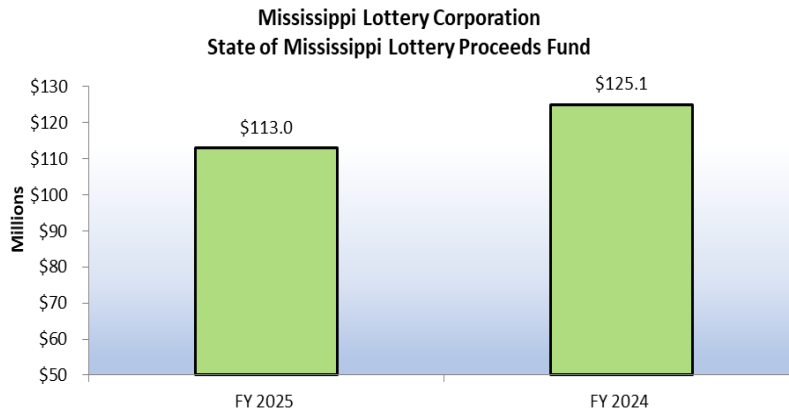


## Mississippi Lottery Corporation (A Component Unit of the State of Mississippi) Management's Discussion and Analysis

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, 2025, and 2024. Readers are encouraged to consider the information presented here in conjunction with the Corporation's financial statements, which immediately follow this discussion and analysis.

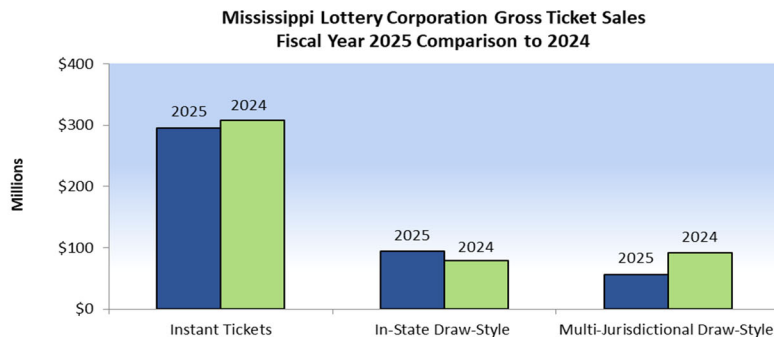
### Fiscal Years 2025 and 2024 Financial Highlights

The Mississippi Lottery Corporation transferred \$113.0 million in fiscal year 2025 compared to \$125.1 million in fiscal year 2024 to the State of Mississippi Lottery Proceeds Funds, bringing the total to over \$691.7 million since sales began November 25, 2019.



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 2025 were \$444.4 million, and in fiscal year 2024 gross ticket sales were \$477.6 million, bringing the total gross ticket sales since inception to more than \$2.6 billion.



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

## **Fiscal Years 2025 and 2024 Financial Highlights (continued)**

Total actual prizes paid for fiscal year 2025 were \$270.4 million and \$264.3 million in 2024.

- The Magnolia State celebrated a historic moment when a Powerball ticket sold in Mississippi matched all five Double Play white balls plus the Double Play Powerball, claiming the game's \$10 million dollar jackpot. This remarkable achievement marks the largest prize ever won in Mississippi Lottery history. This win represents only the fifth time the Double Play jackpot has been hit since the game's launch in 2021, making Mississippi's milestone even more extraordinary.
- One lucky Mississippi Lottery player won a record-breaking \$1.2 million on a Match 5 ticket, the largest and first ever seven-figure Mississippi Match 5 jackpot in the game's history. This historic win marks a major milestone for the in-state draw game and highlights the growing excitement around Mississippi's own in-state jackpot game.

The Corporation's retailers earned almost \$26.7 million in fiscal year 2025 and \$28.7 million in fiscal year 2024 in commissions and incentives.

Management credits the Corporation's success to its unwavering commitment to its mission: to operate in a manner that ensures the people of Mississippi benefit from its profits. This success is grounded in a strong foundation of security, integrity, strategic planning, and effective marketing.

## **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 18; statements of revenues, expenses, and changes in net position on page 19; and statements of cash flows on pages 20 - 21.

The statement of net position reflects the Corporation's financial position at June 30, 2025 and 2024. The statements of revenue, expenses, and changes in net position for the years ended June 30, 2025 and 2024 report the revenues and expenses related to the lottery operations.

The statements of cash flows for the years ended June 30, 2025 and 2024 report cash inflows and outflows related to lottery operations.

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 22 of the financial statements.

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

**Financial Analysis**

The Corporation's Net Position

<i>June 30,</i>	<b>2025</b>	Increase (Decrease)	2024	Increase (Decrease)	2023
<b>Assets</b>					
Current assets	\$ 68,360,509	\$ 3,060,811	\$ 65,299,698	\$ 8,944,843	\$ 56,354,855
Capital assets	2,015,676	(235,187)	2,250,863	(248,535)	2,499,398
Noncurrent assets	2,472,099	37,270	2,434,829	301,319	2,133,510
<b>Total assets</b>	<b>\$ 72,848,284</b>	<b>\$ 2,862,894</b>	<b>\$ 69,985,390</b>	<b>\$ 8,997,627</b>	<b>\$ 60,987,763</b>
<b>Liabilities</b>					
Prizes payable	\$ 60,480,734	\$ 3,361,553	\$ 57,119,181	\$ 8,917,096	\$ 48,202,085
Other current liabilities	2,070,771	(380,098)	2,450,869	341,106	2,109,763
Due to State of Mississippi	9,200,864	97,919	9,102,945	(52,422)	9,155,367
Lease liability - current	225,184	8,705	216,479	8,326	208,153
Lease liability - noncurrent	870,731	(225,185)	1,095,916	(216,479)	1,312,395
<b>Total liabilities</b>	<b>72,848,284</b>	<b>2,862,894</b>	<b>69,985,390</b>	<b>8,997,627</b>	<b>60,987,763</b>
<b>Net Position</b>					
Net investment in capital assets	919,761	(18,707)	938,468	(40,382)	978,850
Restricted for prize reserve on deposits	2,472,099	37,270	2,434,829	301,319	2,133,510
Unrestricted (deficit)	(3,391,860)	(18,563)	(3,373,297)	(260,937)	(3,112,360)
<b>Total net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities net position</b>	<b>\$ 72,848,284</b>	<b>\$ 2,862,894</b>	<b>\$ 69,985,390</b>	<b>\$ 8,997,627</b>	<b>\$ 60,987,763</b>

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

**Financial Summary**

Assets

When comparing fiscal year 2025 to 2024, total assets increased by \$2.9 million. This increase is primarily attributable to an increase in unclaimed prizes, which contributed to an overall rise in cash balances at year-end. Retailer accounts receivable increased \$196.0 thousand during the fiscal year 2025. Additionally, cash increased \$3.0 million, largely driven by receipt of funds to cover prizes won during the fiscal year.

Comparatively, total assets increased by \$9.0 million from fiscal year 2023 to 2024. This increase is primarily due to higher lottery ticket sales, resulting in increased cash balance at the end of the fiscal year. Retailer accounts receivable increased \$1.8 million during the fiscal year 2024, and cash increased \$6.8 million, as a result of funds received from lottery ticket sales.

As detailed in Note 3 to the financial statements:

- Capital assets, net of depreciation, were \$1.0 million and \$1.1 million as of June 30, 2025 and 2024, respectively.
- Right-to-use leased assets, net of amortization, totaled \$977.6 thousand and \$1.2 million as of June 30, 2025 and 2024, respectively.

For comparison:

- Capital assets, net of depreciation, remained consistent at \$1.1 million as of both June 30, 2024 and 2023.
- Right-to-use leased assets, net of amortization, were \$1.2 million and \$1.4 million as of June 30, 2024 and 2023, respectively.

Liabilities

When comparing fiscal year 2025 to 2024, total liabilities increased \$2.9 million. The increase is primarily driven by the increase in liabilities related to prizes payable to players for both instant and draw-style ticket sales as of June 30, 2025. Additionally, the Corporation was scheduled to transfer \$9.2 million to the State of Mississippi for June 2025.

In comparison, total liabilities increased \$9 million from fiscal year 2023 to 2024. The increase was also primarily attributable to higher prize liabilities for both instant and draw-style ticket sales at June 30, 2024. The Corporation was scheduled to transfer \$9.1 million to the State of Mississippi for June 2024.

Net Position

The Corporation's net position consists of three components: net investment in capital assets, restricted for prize reserve on deposit, and unrestricted net position.

- Net investment in capital assets reflects the Corporation's investment in capital assets and right-to-use leased assets, net of accumulated depreciation, amortization, and outstanding long-term lease liabilities.

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

**Financial Summary (continued)**

Net Position (continued)

- Restricted for prize reserve on deposit represents funds held with the Multi-State Lottery Association (MUSL) to support prize reserves for Lotto America, Powerball, and Mega Millions. These reserves are designated for use in the event of multiple large prize winners in succession.
- Unrestricted net position includes all other assets available to support ongoing operations and obligations not otherwise classified.

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

**Financial Summary (continued)**

The Corporation's Statement of Revenues, Expenses and Changes in Net Position

<i>For the years ended June 30,</i>	<b>2025</b>	Increase (Decrease)	2024	Increase (Decrease)	2023
<b>Operating Revenues</b>					
Net ticket sales	\$ 440,459,813	\$ (33,190,061)	\$ 473,649,874	\$ 10,835,650	\$ 462,814,224
Other operating revenues	1,855,090	(18,557)	1,873,647	5,125	1,868,522
<b>Total operating revenues</b>	<b>442,314,903</b>	<b>(33,208,618)</b>	<b>475,523,521</b>	<b>10,840,775</b>	<b>464,682,746</b>
<b>Operating Expenses</b>					
Prize expense, net	279,723,313	(18,938,220)	298,661,533	7,061,304	291,600,229
<b>Other Operating Expenses</b>					
Retailer commissions	26,674,700	(1,992,619)	28,667,319	590,813	28,076,506
Gaming vendor fees	12,878,160	(815,757)	13,693,917	179,324	13,514,593
Other administrative operating expenses	12,698,430	978,381	11,720,049	(9,733)	11,729,782
<b>Total other operating expenses</b>	<b>52,251,290</b>	<b>(1,829,995)</b>	<b>54,081,285</b>	<b>760,404</b>	<b>53,320,881</b>
<b>Total operating expenses</b>	<b>331,974,603</b>	<b>(20,768,215)</b>	<b>352,742,818</b>	<b>7,821,708</b>	<b>344,921,110</b>
<b>Operating Income</b>	<b>110,340,300</b>	<b>(12,440,403)</b>	<b>122,780,703</b>	<b>3,019,067</b>	<b>119,761,636</b>
<b>Nonoperating (Revenues) Expenses</b>					
Payments to State of Mississippi	(113,001,106)	12,101,269	(125,102,375)	(2,726,744)	(122,375,631)
Interest income	2,173,186	(29,110)	2,202,296	779,303	1,422,993
Interest expense	(52,496)	8,326	(60,822)	8,006	(68,828)
Other revenue	540,116	359,918	180,198	112,449	67,749
<b>Total nonoperating expenses</b>	<b>(110,340,300)</b>	<b>12,440,403</b>	<b>(122,780,703)</b>	<b>(1,826,986)</b>	<b>(120,953,717)</b>
Change in net position	-	-	-	1,192,081	(1,192,081)
Net position - beginning of year	-	-	-	(1,192,081)	1,192,081
Net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Financial Summary (continued)**

Operating Revenues

Operating revenues are derived primarily from lottery ticket sales and retailer license fees. Gross ticket sales totaled \$444.4 million, \$477.6 million, and \$467.7 million for the fiscal years ended June 30, 2025, 2024, and 2023, respectively. A breakdown of gross and net ticket sales for each of the past three fiscal years is presented below:

<b>Ticket Sales</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>
\$1 instant tickets	\$ 20,228,866	\$ 17,319,676	\$ 20,869,256
\$2 instant tickets	30,641,952	35,049,986	37,300,986
\$3 instant tickets	8,813,907	10,862,766	16,184,463
\$5 instant tickets	75,098,790	85,347,740	88,601,585
\$10 instant tickets	65,160,300	60,601,570	62,771,710
\$20 instant tickets	94,986,500	98,314,600	85,772,760
<b>Total instant tickets</b>	<b>294,930,315</b>	<b>307,496,338</b>	<b>311,500,760</b>
Cash 3	16,865,894	16,619,486	18,815,490
Cash 4	17,434,099	16,988,686	16,705,654
Mississippi Match 5	22,311,015	20,291,051	17,078,041
Cash Pop	35,182,250	24,733,939	13,280,596
Lotto America with EZ-Match	1,784,951	384,379	-
<b>Total in-state draw-style game sales</b>	<b>93,578,209</b>	<b>79,017,541</b>	<b>65,879,781</b>
Lotto America	5,707,551	987,849	-
Mega Millions	23,463,958	34,434,969	41,125,136
Powerball	24,670,022	53,694,266	49,220,277
Powerball Doubleplay	2,028,193	1,950,343	-
<b>Total multi-jurisdictional draw-style sales</b>	<b>55,869,724</b>	<b>91,067,427</b>	<b>90,345,413</b>
Gross ticket sales	444,378,248	477,581,306	467,725,954
Less tickets provided as prizes	(3,918,435)	(3,931,432)	(4,911,730)
<b>Net ticket sales</b>	<b>\$ 440,459,813</b>	<b>\$ 473,649,874</b>	<b>\$ 462,814,224</b>

Instant Ticket Sales

In fiscal year 2025, Instant Ticket sales totaled \$294.9 million, compared to \$307.5 million in fiscal year 2024. Instant tickets represented 66.4% of total ticket sales in 2025, up from 64.4% in the prior fiscal year.

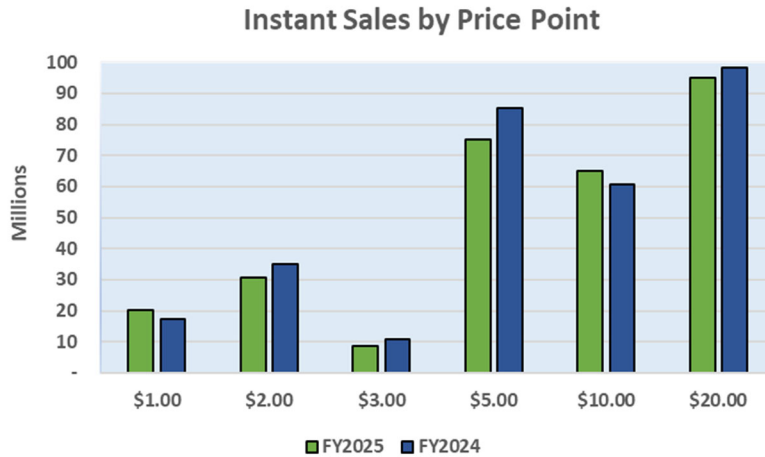
**Mississippi Lottery Corporation**  
**(A Component Unit of the State of Mississippi)**  
**Management’s Discussion and Analysis**

**Financial Summary (Continued)**

Instant Ticket Sales (continued)

A total of 37 new instant ticket games were introduced during the year, including Mississippi Lottery’s anniversary game “HGTV’s My Lottery Dream Home” (©2024 Warner Bros. Discovery). This game featured a \$1 million dollar second chance-prize, along with a unique promotional opportunity allowing players to win cash prizes and digital gift cards through second-chance entries.

Instant ticket sales declined by \$12.6 million in fiscal year 2025 compared to the prior year. While there was growth in sales of \$1 and \$10 price point instant tickets during FY2025, all other price points experienced a year-over-year decrease. The chart below provides a comparative breakdown of instant sales by price point for fiscal years 2025 and 2024:



The Corporation’s marketing strategy, ongoing product development, and effective management of the instant game portfolio and product mix have positioned it to consistently deliver high-quality games and maintain sufficient inventory to meet player demand.

In-State Draw-Style Sales

The Mississippi Lottery Corporation continues to see growth and diversification in its in-state draw-style game portfolio. A breakdown of sales performance by game for fiscal years 2025 and 2024 is provided below:

- Cash 3, launched statewide on September 1, 2020, generated \$16.9 million in sales in FY2025, up slightly from \$16.6 million in FY2024.
- Cash 4, launched January 10, 2022, recorded \$17.4 million in FY2025 sales, compared to \$16.9 million in FY2024.
- Mississippi Match 5, launched April 28, 2021, saw sales increase to \$22.3 million in FY2025 from \$20.3 million in FY2024.

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

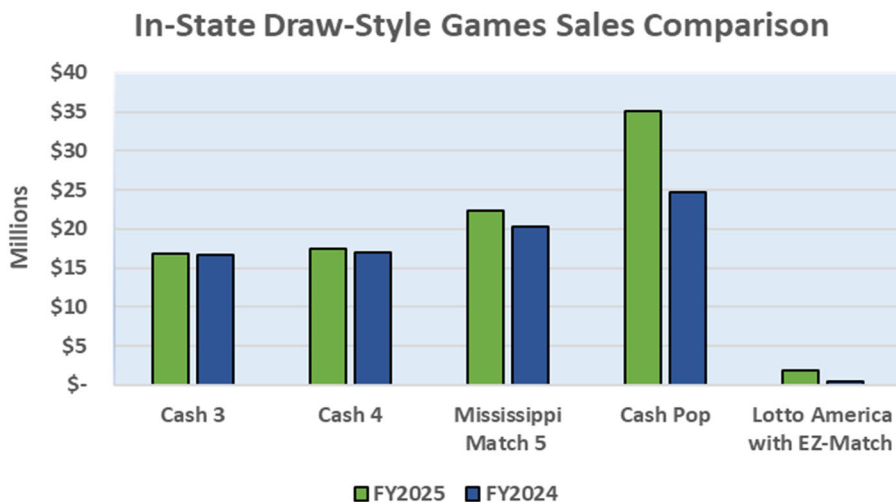
**Financial Summary (continued)**

In-State Draw-Style Sales (continued)

- Cash Pop, introduced on November 20, 2022, experienced significant growth with \$35.2 million in sales in FY2025, compared to \$24.7 million in FY2024.
- Lotto America, launched on May 12, 2024, included the EZ Match feature, which allows players to win up to \$500 instantly. EZ Match sales totaled \$1.8 million in FY2025, a substantial increase from \$384.4 thousand in FY2024.

Total sales of in-state draw-style games reached \$93.6 million in FY2025, accounting for 21.1% of total ticket sales, compared to \$79.0 million or 16.6% in FY2024. The primary driver of this growth was Cash Pop, which contributed a \$10.4 million year-over-year increase.

The chart below provides a visual comparison of in-state draw-style game sales for fiscal years 2025 and 2024:



Multi-Jurisdictional Draw-Style Games

- In fiscal year 2024, the Corporation launched *Lotto America*, a multi-jurisdictional draw-style game with jackpots starting at \$2 million. Sales for the game totaled \$5.7 million in FY2025, compared to \$987.8 thousand in its launch year, FY2024.
- Mega Millions sales reached \$23.5 million in FY2025, representing a \$10.9 million decrease from the prior year. The drop is attributed to the lack of billion-dollar jackpots in FY2025, whereas FY2024 featured two billion-dollar jackpots, significantly boosting sales. On April 5, 2025, Mega Millions underwent a major game update, introducing larger starting jackpots (\$50 million), automatic multipliers, and enhanced prize structures.

**Mississippi Lottery Corporation**  
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**Management’s Discussion and Analysis**

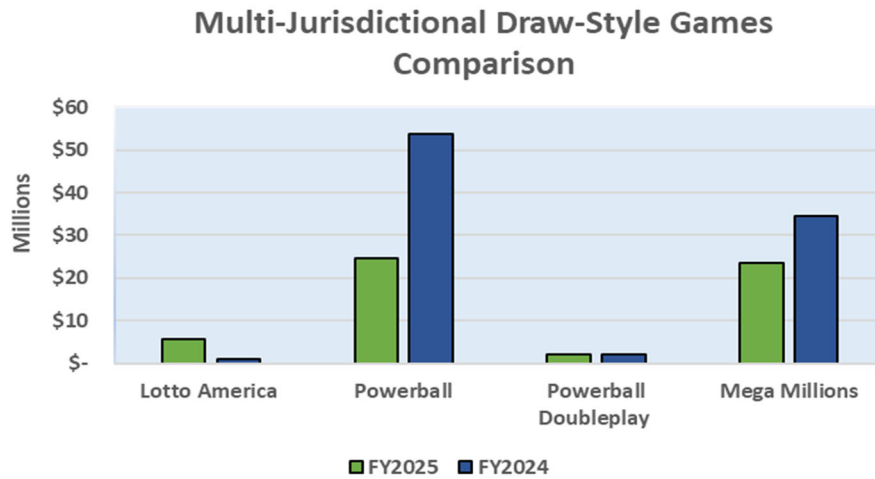
**Financial Summary (continued)**

Multi-Jurisdictional Draw-Style Games (continued)

- Powerball sales totaled \$24.7 million in FY2025, a \$29.0 million decrease from FY2024. The year-over-year decline was largely due to the presence of larger jackpot runs in FY2024, which typically drive higher sales.
- On November 5, 2023, the Corporation added the Double Play feature to Powerball, giving players a chance to win up to \$10 million using their same Powerball numbers. Sales for the Double Play add-on were \$2.0 million in FY2025, following \$1.9 million in FY2024.

Total multi-jurisdictional draw-style game sales for fiscal year 2025 were \$55.9 million, accounting for 12.6% of total ticket sales, compared to \$91.1 million and 19.0% in fiscal year 2024. As with prior years, sales for these games remain largely jackpot-driven, with fluctuations dependent on the frequency and size of major jackpots.

The chart below presents a comparison of multi-jurisdictional draw-style game sales for fiscal years 2025 and 2024:



The Corporation experienced a \$33.2 million decrease in total lottery ticket sales for fiscal year 2025, representing a 7% decline compared to fiscal year 2024. This reduction is primarily attributed to the exceptionally strong performance of multi-jurisdictional games in FY2024, when Powerball and Mega Millions jackpots surpassed the billion-dollar mark five times, significantly boosting sales during that period.

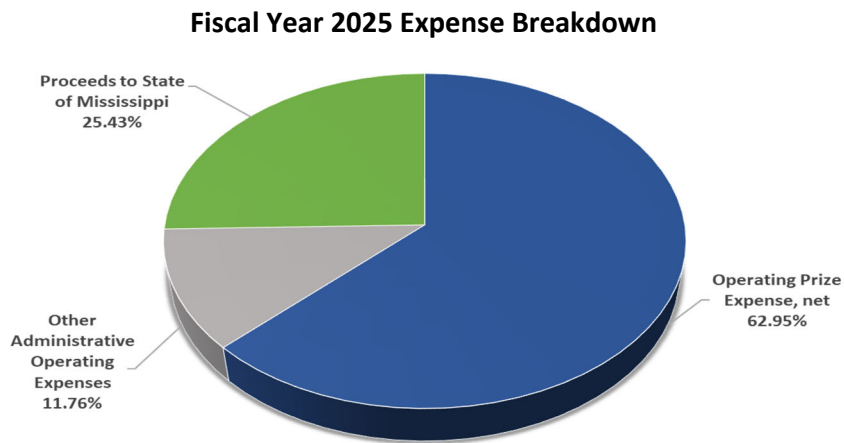
**Mississippi Lottery Corporation**  
**(A Component Unit of the State of Mississippi)**  
**Management’s Discussion and Analysis**

**Financial Summary (continued)**

Total Operating Expenses

In accordance with Section 26(c-d) of the Alyce G. Clarke Mississippi Law, prize payments must equal no less than 50% of gross revenues, while operating and administrative costs are limited to no more than 15% of the total gross revenues. The remaining net proceeds are transferred to the Lottery Proceeds Fund in the State Treasury to benefit the State.

The below provides a high-level percentage breakdown of lottery expenses for the fiscal year 2025, in alignment with these statutory requirements.



Lottery total operating expenses, inclusive of net prize expenses, were over \$331.9 million for fiscal year 2025 as compared to \$352.7 in fiscal year 2024. Of this amount, net prize expenses were \$279.7 million and other administrative operating expenses were \$52.3 million in fiscal year 2025. In fiscal year 2024, prize expenses were \$298.7 million and other operating expenses were \$54.1 million.

	FY 2025	%	FY 2024	%
<b>Operating Revenues</b>				
Gross ticket sales	\$ 444,378,248	100.00%	\$ 477,581,306	100.00%
<b>Operating Prize Expense</b>				
Prize expense	\$ 279,723,313	62.95%	\$ 298,661,533	62.54%
<b>Other Administrative Operating Expenses</b>				
Total other administrative operating expenses	\$ 52,251,290	11.76%	\$ 54,081,285	11.32%

% shown as a percentage of gross ticket sales

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

**Financial Summary (continued)**

Operating Prize Expense

Net prize expense is directly correlated to the proportional sales mix of instant and draw-style games, as well as promotional prizes.

- For instant ticket games, prize expense is managed through a pre-approved prize structure established prior to ticket printing. Prize expense is recognized in proportion to ticket sales, based on this structure. Gross prize expense for instant games in fiscal year 2025 totaled \$204.1 million.
- For draw-style games—including Cash Pop, Cash 3, Cash 4, Mississippi Match 5, Lotto America with EZ Match, Powerball, and Mega Millions—prize expense is recorded based on game-specific rules and calculated as a percentage of sales for each drawing, recognized on the day of the draw. Gross prize expense for draw-style games in fiscal year 2025 was \$79.2 million.
- Prize expense is reduced by unclaimed prizes, which are recognized once the applicable claim periods expire 90 days after game closure for instant tickets and 180 days after each drawing for draw-style games. In fiscal year 2025, unclaimed prizes totaled \$3.5 million, all related to instant games.

Other Administrative Operating Expenses

Other administrative operating expenses for the Corporation include, but are not limited to:

- Retailer commissions
- Gaming vendor fees
- Salaries and wages
- Marketing and advertising costs
- Depreciation and amortization
- General administrative expenses

These expenses are essential to the operation of the lottery and are managed in accordance with budgetary controls and statutory limits.

Nonoperating Revenues and Expenses

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

In accordance with the Mississippi Lottery Law, the Corporation is required to transfer net proceeds to the Lottery Proceeds Fund in the State Treasury monthly.

- For fiscal year 2025, net transfers totaled \$113.0 million.
- For fiscal year 2024, net transfers totaled \$125.1 million.

Under current law, through June 30, 2028, the first \$80 million of net proceeds each fiscal year is allocated to the Mississippi State Highway Fund. Any excess proceeds beyond \$80 million are transferred to the Education Enhancement Fund, where they support initiatives such as the Early Childhood Learning Collaborative, the Classroom Supply Fund, and other educational programs across the state.

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

**Financial Summary (continued)**

Net Position

During the year ended June 30, 2023, the Corporation adopted a revised methodology for determining the amount transferred to the State. Under this approach, the transfer is calculated to equal the change in net position as reported on the Statement of Revenues, Expenses, and Changes in Net Position. This change in methodology remains consistent with the statutory requirements set forth in the Mississippi Lottery Law.

**Detailed Analyses**

As of June 30, 2025, the Corporation had no significant changes to its major funds, governmental activities, or business type activities as presented in the financial statements. All financial reporting remains consistent with the prior year's classifications and disclosures.

**Significant Capital Assets**

As of June 30, 2025, the Corporation reported net capital assets of \$2.0 million, compared to \$2.3 million at the end of the prior fiscal year. Capital assets primarily consist of building and leasehold improvements, equipment, vehicles, and right-to-use leased assets.

- Building and leasehold improvements are depreciated over the applicable lease term.
- Equipment and vehicles are depreciated over estimated useful lives ranging from 3 to 7 years.
- Right-to-use leased assets are amortized over the term of the associated lease agreements.

A summary of changes in major capital asset categories is presented in the table below. Additional details can be found in Note 3 of the notes to the financial statements.

	<b>2025</b>	2024	Total % Change
Building and Leasehold improvements	\$ <b>912,598</b>	\$ 808,443	11.41%
Equipment	<b>987,336</b>	987,336	0.00%
Vehicles	<b>915,388</b>	809,505	11.57%
Right to Use Assets	<b>2,084,403</b>	2,084,403	0.00%
Total Capital Assets	<b>4,899,725</b>	4,689,687	4.29%
Less: Accumulated Depreciation & Amortization	<b>(2,884,050)</b>	(2,438,824)	15.44%
Net Capital Assets	\$ <b>2,015,675</b>	\$ 2,250,863	-11.67%

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

**Significant Capital Assets (continued)**

The Corporation's mission is to ensure that the people of Mississippi benefit from its profits. The following factors are presented to inform readers of the financial statements about key initiatives and external conditions that could potentially affect future financial results:

- The Corporation will continue to introduce new instant ticket games across a range of price points to maintain player engagement and support revenue growth.
- As appropriate draw-style games are identified, the Corporation will seek to expand its current game portfolio, offering players additional options and increasing potential revenue streams.
- The Corporation will continually assess and optimize prize payout percentages for instant game products to maximize ticket sales while ensuring the highest possible net proceeds are transferred to the State.
- Ongoing inflationary pressures and the uncertain impact of tariffs may continue to impact consumer spending and could negatively affect lottery sales in the near term.

The Corporation remains committed to strategic growth, responsible game development, and maximizing returns to the State through operational excellence and financial stewardship.

**Contact Information**

This financial report is intended to provide a general overview of the Mississippi Lottery Corporation's financial position and activities for all interested stakeholders. Questions regarding the information presented in this report or requests for any additional financial details should be directed to:

Vice President of Finance  
Mississippi Lottery Corporation  
P. O. 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>	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 54,508,214	\$ 51,472,812
Retailer accounts receivable, net of allowance for doubtful accounts of \$13,154 and \$32,582 in 2025 and 2024, respectively	13,285,726	13,089,771
Other receivables	75,161	207,092
Prepaid expenses	312,117	248,048
Other current assets	179,291	281,975
<b>Total current assets</b>	<b>68,360,509</b>	<b>65,299,698</b>
<b>Noncurrent Assets</b>		
Restricted prize reserve on deposit	2,472,099	2,434,829
Capital assets		
Depreciable assets, net	1,038,036	1,051,870
Right-to-use lease asset, net	977,640	1,198,993
<b>Total noncurrent assets</b>	<b>4,487,775</b>	<b>4,685,692</b>
<b>Total assets</b>	<b>\$ 72,848,284</b>	<b>\$ 69,985,390</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Prizes payable	\$ 60,480,734	\$ 57,119,181
Accounts payable	551,574	1,052,107
Accrued payroll and related liabilities	401,090	259,310
Accrued compensated absences	327,302	299,249
Due to Multi-State Lottery Association	347,804	309,267
Unearned revenue	443,001	530,936
Due to State of Mississippi	9,200,864	9,102,945
Current portion of lease liability	225,184	216,479
<b>Total current liabilities</b>	<b>71,977,553</b>	<b>68,889,474</b>
<b>Noncurrent Liabilities</b>		
Lease liability	870,731	1,095,916
<b>Total noncurrent liabilities</b>	<b>870,731</b>	<b>1,095,916</b>
<b>Total liabilities</b>	<b>72,848,284</b>	<b>69,985,390</b>
<b>Net Position</b>		
Net investment in capital assets	919,761	938,468
Restricted for prize reserve on deposit	2,472,099	2,434,829
Unrestricted (deficit)	(3,391,860)	(3,373,297)
<b>Total net position</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and net position</b>	<b>\$ 72,848,284</b>	<b>\$ 69,985,390</b>

*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>	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>		
Instant ticket sales	\$ 294,930,315	\$ 307,496,338
Draw-style game sales	<b>149,447,933</b>	170,084,968
Gross ticket sales	<b>444,378,248</b>	477,581,306
Less tickets provided as prizes	<b>(3,918,435)</b>	(3,931,432)
Net ticket sales	<b>440,459,813</b>	473,649,874
<b>Other Operating Revenues</b>		
Other operating revenues	<b>1,855,090</b>	1,873,647
Total other operating revenues	<b>1,855,090</b>	1,873,647
Total operating revenues	<b>442,314,903</b>	475,523,521
<b>Operating Expenses</b>		
Prize expense, net	<b>279,723,313</b>	298,661,533
<b>Other Administrative Operating Expenses</b>		
Retailer commissions	<b>26,674,700</b>	28,667,319
Gaming vendor fees	<b>12,878,160</b>	13,693,917
Salaries and wages	<b>6,560,096</b>	6,102,998
Advertising	<b>2,924,763</b>	2,988,365
Professional fees and services	<b>545,002</b>	567,062
General and administrative expenses	<b>1,015,787</b>	989,129
Contractor fees	<b>46,629</b>	67,359
Other gaming costs	<b>454,330</b>	82,060
Depreciation and amortization	<b>672,836</b>	565,444
Retailer merchandising and marketing	<b>344,076</b>	223,194
Rent, utilities, and maintenance	<b>134,911</b>	134,438
Total other administrative operating expenses	<b>52,251,290</b>	54,081,285
Total operating expenses	<b>331,974,603</b>	352,742,818
<b>Operating Income</b>	<b>110,340,300</b>	122,780,703
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	<b>2,173,186</b>	2,202,296
Interest expense	<b>(52,496)</b>	(60,822)
Other revenue	<b>540,116</b>	180,198
Payments to the State of Mississippi Highway Fund	<b>(80,000,000)</b>	(80,000,000)
Payments to the Education Enhancement Fund	<b>(33,001,106)</b>	(45,102,375)
Total nonoperating revenues (expenses)	<b>(110,340,300)</b>	(122,780,703)
Change in net position	-	-
Net position, beginning of year	-	-
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**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of retailers	\$ 442,036,289	\$ 473,546,342
Payments to winners	(276,244,887)	(290,079,943)
Payments to suppliers	(45,424,981)	(47,310,118)
Payments to employees	(6,434,509)	(5,947,637)
<b>Net cash provided by (used in) operating activities</b>	<b>113,931,912</b>	<b>130,208,644</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Payments to State of Mississippi Highway Fund	(80,000,000)	(80,000,000)
Payments to Education Enhancement Fund	(32,903,187)	(45,154,797)
<b>Net cash provided by (used in) non capital and related financing activities</b>	<b>(112,903,187)</b>	<b>(125,154,797)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of property and equipment	(527,119)	(323,615)
Principal payment on lease liability	(216,479)	(208,153)
Interest paid on lease liability	(52,496)	(60,822)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(796,094)</b>	<b>(592,590)</b>
<b>Cash Flows From Investing Activities</b>		
Interest income	2,173,186	2,202,296
Sale of property and equipment	89,469	6,706
Other	540,116	180,198
<b>Net cash provided by (used in) investing activities</b>	<b>2,802,771</b>	<b>2,389,200</b>
<b>Net increase (decrease) in cash</b>	<b>3,035,402</b>	<b>6,850,457</b>
<b>Cash at beginning of year</b>	<b>51,472,812</b>	<b>44,622,355</b>
<b>Cash at end of year</b>	<b>\$ 54,508,214</b>	<b>\$ 51,472,812</b>

(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>	<b>2025</b>	<b>2024</b>
<b>Reconciliation of Operating Income to Net Cash Provided</b>		
<b>by (Used in) Operating Activities</b>		
Operating income	<b>\$ 110,340,300</b>	\$ 122,780,703
Depreciation and amortization	<b>672,836</b>	565,444
Changes in operating assets and liabilities		
Retailer accounts receivable, net	<b>(195,955)</b>	(1,843,625)
Prepaid expenses	<b>(64,069)</b>	(12,452)
Other current assets and noncurrent assets	<b>197,345</b>	(539,628)
Prizes payable	<b>3,361,553</b>	8,917,096
Accounts payable, accrued expenses, and due to MUSL	<b>(292,163)</b>	483,198
Unearned revenue	<b>(87,935)</b>	(142,092)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 113,931,912</b>	<b>\$ 130,208,644</b>

*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 (U.S 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, 2025, 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 are not 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 2025 and 2024, 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 paid.

**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, 2025 and 2024, a total of (\$14,412) and \$301,319, respectively, was transferred from (to) the Corporation to MUSL to cover *Mega Millions* set prize reserves. At June 30, 2025 and 2024, the balance held by MUSL for *Mega Millions* set-aside prize reserve for the Corporation was \$1,081,134 and \$1,095,546, 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, 2025, a total of \$63,481 and \$37,433 was repaid related to the *Powerball* prize reserve. At June 30, 2025, the balance held by MUSL for *Powerball* set-aside prize reserve for the Corporation was \$878,552 and \$942,033, respectively. During the year ended June 30, 2025, a total of \$15,074 and \$37,433 was owed related to the *Powerball* set prize reserve. At June 30, 2025, the balance held by MUSL for the *Powerball* set prize reserve was \$382,176 and \$397,250.

***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***

The Corporation has an attendance and leave policy allowing employees to earn paid time off (PTO) during their employment on a calendar-year basis. The Corporation allows 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 accrued PTO hours will never exceed 120 hours.

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. As of June 30, 2025 and 2024, the Corporation had unclaimed prizes in the amount of \$22,267,841 and \$17,703,917, 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, grantors, 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, 2025, the Corporation had a deficit of \$3,391,859 and \$3,373,297, respectively, in this category.

The Corporation's statements 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 is 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 Brightstar Corporation (Brightstar) for the gaming systems and supplies. Brightstar operates a gaming network in Mississippi that consists of 1,847 and 1,813 instant and draw-style retailer ticket terminals and vending machines of 310 and 278 at June 30, 2025 and 2024, respectively. The contract is for a period continuing seven years after December 1, 2019, and is subject to three, one-year contract extensions. On May 7, 2024, the Corporation extended the term for a period of three years resulting in the term ending December 1, 2029. Terms of the contract include a service fee rate of 1.9241% of gross online 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

**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)***

value of activated tickets 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.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements. 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 23, 2025, 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***

The Governmental Accounting Standards Board has issued a statement that will become effective in future years. This statement is as follows:

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 statement and the impact on reporting.

**Note 2: DEPOSITS**

***Deposits***

*Custodial credit risk* – Custodial credit risk for deposits is the risk that, 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, 2025, \$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 years ended June 30, 2025 and 2024:

	2025				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings and leasehold improvements	\$ 808,443	\$ 104,155	\$ -	\$ -	\$ 912,598
Equipment	987,336	-	-	-	987,336
Vehicles	809,505	333,494	(227,611)	-	915,388
Capital assets, being depreciated	2,605,284	437,649	(227,611)	-	2,815,322
Less accumulated depreciation					
Buildings and leasehold improvements	(307,138)	(94,231)	-	-	(401,369)
Equipment	(677,119)	(114,409)	-	-	(791,528)
Vehicles	(569,157)	(242,843)	227,611	-	(584,389)
Total accumulated depreciation	(1,553,414)	(451,483)	227,611	-	(1,777,286)
Total capital assets being depreciated, net	1,051,870	(13,834)	-	-	1,038,036
Right-to-use leased building being amortized, net	2,084,403	-	-	-	2,084,403
	(885,410)	(221,353)	-	-	(1,106,763)
Total capital assets being amortized, net	1,198,993	(221,353)	-	-	977,640
Capital assets, net	\$ 2,250,863	\$ (235,187)	\$ -	\$ -	\$ 2,015,676

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

**Note 3: CAPITAL ASSETS (Continued)**

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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, net	2,084,403	-	-	-	2,084,403
	(664,057)	(221,353)	-	-	(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

Depreciation and amortization expense for fiscal years ended June 30, 2025 and 2024 totaled \$672,836 and \$565,444.

**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, 2025 and 2024 are summarized as follows:

<i>For the years ended June 30,</i>	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>		
Ticket sales	\$ 444,378,248	\$ 477,581,306
Less tickets provided as prizes	(3,918,435)	(3,931,432)
Net ticket sales	<b>440,459,813</b>	473,649,874
Other operating revenues	<b>1,855,090</b>	1,873,647
<b>Operating Expenses</b>		
Gaming	<b>279,723,313</b>	298,661,533
Operating	<b>52,251,290</b>	54,081,285
Total operating expenses, as defined	<b>331,974,603</b>	352,742,818
<b>Operating Income</b>	<b>110,340,300</b>	122,780,703
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	<b>2,173,186</b>	2,202,296
Interest expense	<b>(52,496)</b>	(60,822)
Other revenue	<b>540,116</b>	180,198
Total nonoperating revenues (expenses)	<b>2,660,806</b>	2,321,672
Net proceeds	<b>\$ 113,001,106</b>	\$ 125,102,375

**Note 5: LONG-TERM DEBT AND LIABILITIES**

**Leases – Lessee**

The Corporation has entered into a 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, 2025 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. On March 17, 2025, the lease agreement was amended to terminate a small portion of the leased space as of June 30, 2025.

**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 (continued)***

The following is a schedule of minimum future lease payments from lease agreements as of June 30, 2025:

<i>Year ending June 30</i>	Principal Payments	Interest Expense	Total
2026	\$ 225,184	\$ 42,990	\$ 268,174
2027	237,332	33,982	271,314
2028	246,825	24,489	271,314
2029	256,698	14,616	271,314
2030	108,700	4,348	113,048
	<b>\$ 1,074,739</b>	<b>\$ 120,425</b>	<b>\$ 1,195,164</b>

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended June 30, 2025:

<b>2025</b>				
Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
\$ 1,312,395	\$ -	\$ (216,480)	\$ 1,095,915	\$ 225,184

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

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

**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:

	2025	2024
Capital assets (net)	\$ 2,015,676	\$ 2,250,863
Outstanding debt related to capital assets	(1,095,915)	(1,312,395)
Net investment in capital assets	\$ 919,761	\$ 938,468

**Note 7: EMPLOYEE RETIREMENT PLANS**

The Corporation has three 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. The third plan is an Eligible Government 457 Roth plan, which permits employees to make additional post-tax contributions from their wages up to defined Internal Revenue Service (IRS) limitations. In the 401(a) plan, the Corporation contributes 100% of each employee's pretax wages that are deferred in the 457 and 457 Roth plans up to 4%. The Corporation's contributions are limited to 4% and are made only to the extent of each individual employee's contributions to the 457 and 457 Roth plans up to a total of \$23,500 (\$31,000 for catch-up eligible employees) per employee for calendar year ended 2025.

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 \$147,107 and \$141,961 during the years ended June 30, 2025 and 2024, 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 2025 and 2024.

**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.



# REPORT





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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, 2025, 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 23, 2025.

**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.

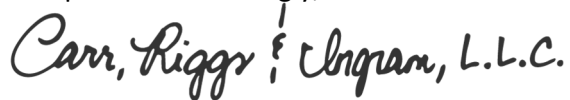
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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, L.L.C.

Ridgeland, Mississippi  
September 23, 2025