Mississippi Lottery Corporation

(A Component Unit of the State of Mississippi)

FINANCIAL STATEMENTS

June 30, 2026 and 2025

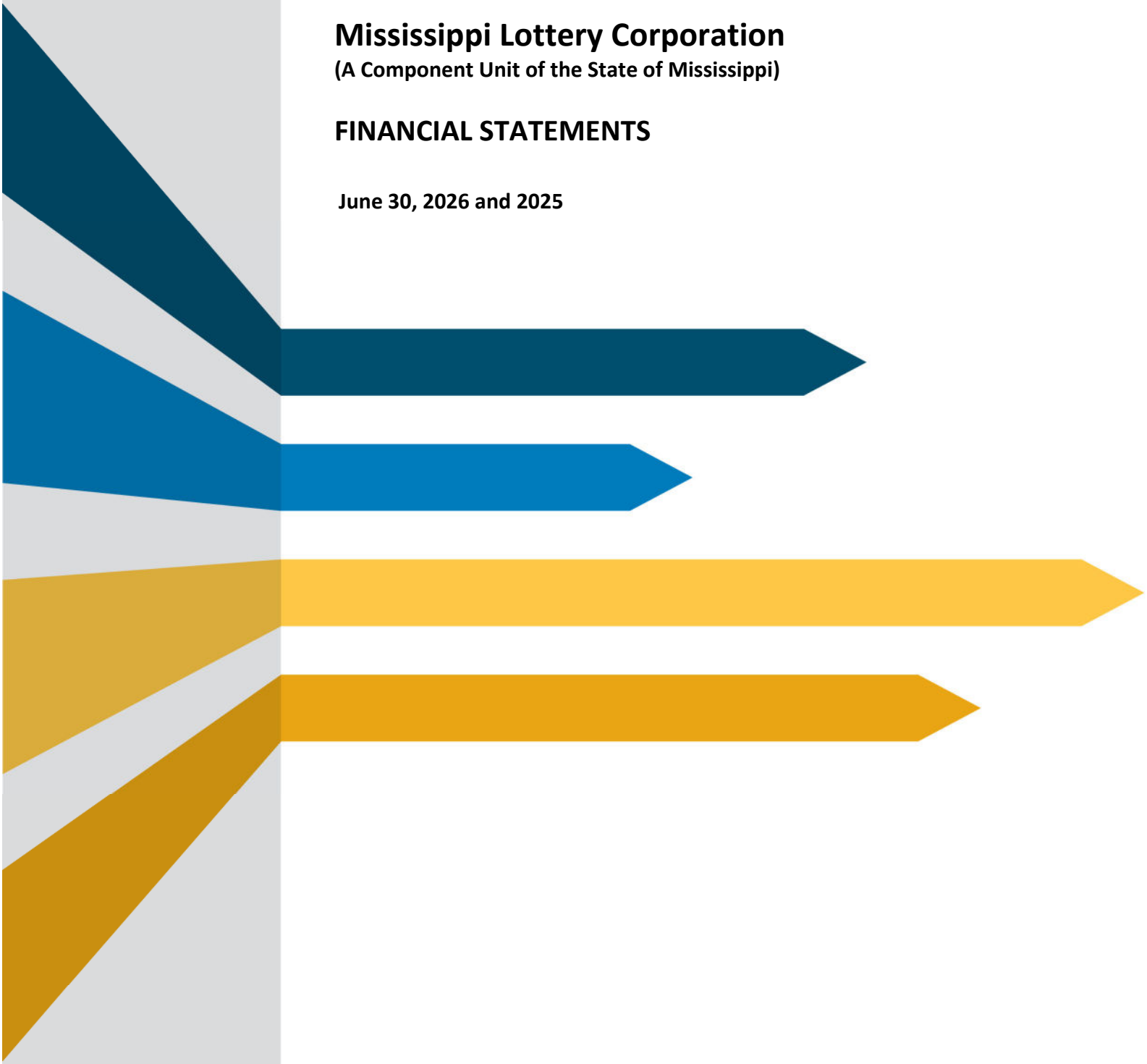


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REPORT

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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, 2026 and 2025, 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, 2026 and 2025, 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 management's discussion and analysis on pages 4–20 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Corporation's basic financial statements. The accompanying budgetary comparison information on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Unites States of America. In our opinion, the budgetary comparison information on page 39 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2026, 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.

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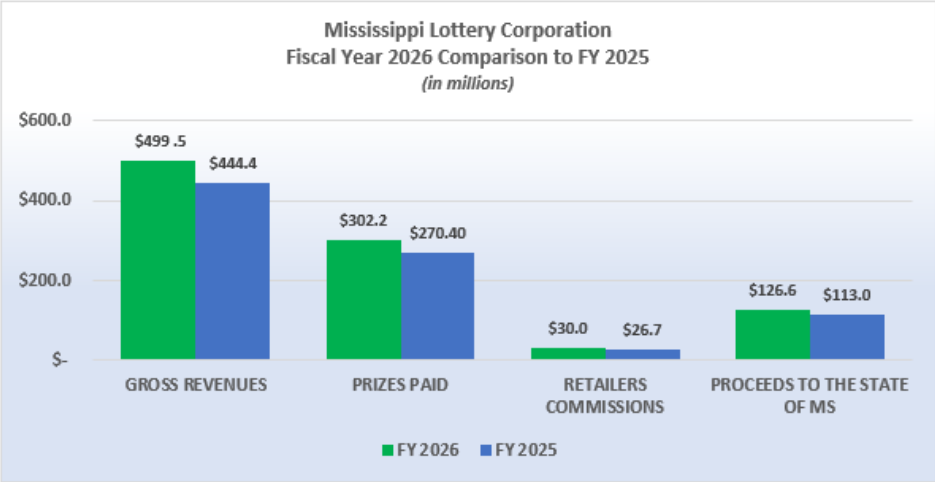
CARR, RIGGS & INGRAM, L.L.C.

Ridgeland, Mississippi
September 22, 2026

The following Management's Discussion and Analysis (MDA) provides an overview of the Mississippi Lottery Corporation's financial position, operating results, and cash flows for the fiscal year ended June 30, 2026, and 2025. The discussion is intended to assist readers in understanding the factors that influenced the Corporation's financial performance during the year and should be read in conjunction with the accompanying financial statements and notes, which provide additional detail and context.

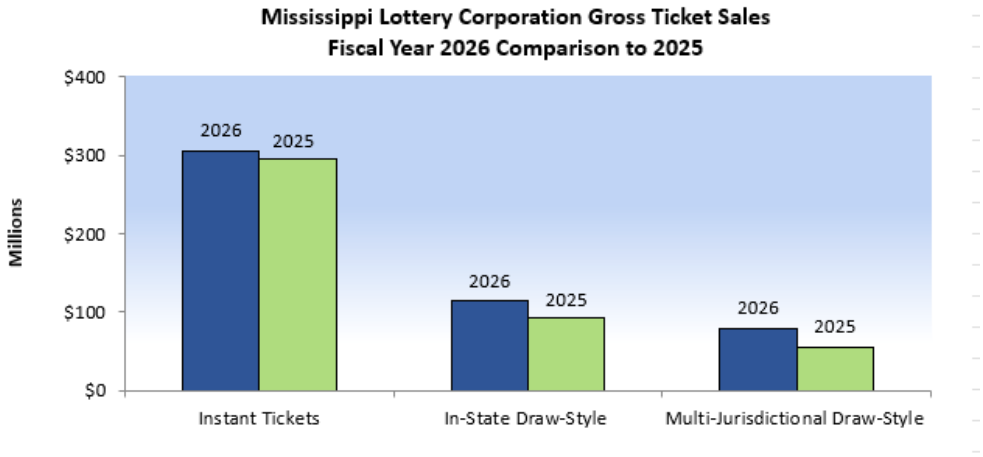
Fiscal Years 2026 and 2025 Financial Highlights

The Mississippi Lottery Corporation continued its mission of maximizing returns to the citizens of Mississippi while maintaining sound financial stewardship. Gross ticket sales increased by 12.4% to $499.5 million during fiscal year 2026, resulting in transfers of $126.6 million to the State compared with $113.0 million during fiscal year 2025. Since ticket sales began in November 2019, cumulative transfers exceed $818 million.



Fiscal Years 2026 and 2025 Financial Highlights (continued)

Gross ticket sales for the fiscal year 2026 were $499.5 million, and in fiscal year 2025 gross ticket sales were $444.4 million, bringing the total gross ticket sales since inception to more than $3.2 billion.



The Corporation continued its strong financial performance during fiscal year 2026, generating $499.5 million in gross ticket sales, an increase of $55.1 million (12.4%) over fiscal year 2025 gross ticket sales of $444.4 million. Since ticket sales began on November 25, 2019, the corporation has generated more than $3.2 billion in gross ticket sales, reflecting the continued success of its diverse game portfolio and the support of the Mississippi players and retailers.

Players received $302.2 million in prizes during fiscal year 2026, compared to $270.4 million in fiscal year 2025. Significant prizes awarded during the year included one $1 million and one $2 million Powerball winners, one $750,000 and two $700,000 Mississippi Match 5 winners, and one $40,000 Lotto American winner. The Corporation also introduced the first $30 instant ticket, Millionaire Maker, which awarded two $1 million top prizes, expanding the product portfolio with a new premium price point.

Mississippi Lottery retailers continued to play a vital role in the Corporation's success, earning nearly $30.0 million in commissions and incentives during the fiscal year 2026, compared to $26.7 million in fiscal year 2025. The increase reflects higher ticket sales and the continued growth of the Lottery's statewide retailer network.

The Corporation's operating results were driven by sustained growth in its in-state draw-style games, particularly Cash Pop, continued strength in Powerball sales, the successful launch of the Millionaire Maker $30 instant ticket, and the introduction of the new multi-jurisdictional draw game Millionaire for Life. These additions strengthened the Lottery's Game portfolio, attracted new player interest, and contributed to increased revenues and higher transfers to the State.

Management attributes the Corporation's continued success to its unwavering commitment to its mission of maximizing net proceeds for the benefit of the people of Mississippi while maintaining the highest standards of security, integrity, accountability, and responsible gaming. Through strategic product development, effective marketing, strong retailer partnerships, and disciplined financial management, the Corporation remains focused on delivering sustainable growth and maximizing returns to the State.

Overview of the Financial Statements

The Mississippi Lottery Corporation is reported as a business-type activity and a discretely presented component unit of the State of Mississippi. The accompanying financial statements have been prepared using the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid.

This Management's Discussion and Analysis (MD&A) is intended to provide readers with an overview of the Corporation's financial performance and position for fiscal years 2026 and 2025. It should be read in conjunction with the accompanying financial statements and notes, which provide additional detail and context for the financial information presented.

The financial statements include:

- Statement of Net Position – Presents the Corporation's financial position as of June 30, 2026 and 2025, including its assets, liabilities, and net position. (page 21)

- Statement of Revenues, Expenses, and Changes in Net Position – Reports the results of operations for the fiscal years ended June 30, 2026 and 2025, including operating revenues, expenses, nonoperating activities, and changes in net position. (page 22)

- Statement of Cash Flows – Summarizes cash receipts and disbursements from operating, investing, and noncapital and capital related financing activities, demonstrating how the Corporation generated and used cash during each fiscal year. (page 23-24)

The accompanying notes to the financial statements provide additional information regarding the Corporation's accounting policies, significant transactions, and other matters that are essential to understanding the financial statements as a whole. The notes to the financial statements begin on page 25 of the financial statements.

Overview of the Financial Statements (continued)

Financial Analysis

The Corporation's Net Position

June 30,	**2026**	Increase (Decrease)	2025	Increase (Decrease)	2024
Assets					
Current assets	**$ 64,429,419**	$ (3,931,090)	$ 68,360,509	$ 3,060,811	$ 65,299,698
Capital assets	**1,561,629**	(454,047)	2,015,676	(235,187)	2,250,863
Other noncurrent assets	**2,247,653**	(224,446)	2,472,099	37,270	2,434,829
Total assets	**$ 68,238,701**	$ (4,609,583)	$ 72,848,284	$ 2,862,894	$ 69,985,390
Liabilities					
Prizes payable	**$ 55,421,219**	$ (5,059,515)	$ 60,480,734	$ 3,361,553	$ 57,119,181
Other current liabilities	**3,309,029**	1,238,258	2,070,771	(380,098)	2,450,869
Due to State of Mississippi	**8,658,898**	(541,966)	9,200,864	97,919	9,102,945
Lease liability - current	**237,332**	7,711	229,621	13,142	216,479
Lease liability - noncurrent	**612,223**	(254,071)	866,294	(229,622)	1,095,916
Total liabilities	**68,238,701**	(4,609,583)	72,848,284	2,862,894	69,985,390
Net Position					
Net investment in capital assets	**712,074**	(207,687)	919,761	(18,707)	938,468
Restricted for prize reserve on deposits	**2,247,653**	(224,446)	2,472,099	37,270	2,434,829
Unrestricted deficit	**(2,959,727)**	432,133	(3,391,860)	(18,563)	(3,373,297)
Total net position	**-**	-	-	-	-
Total liabilities and net position	**$ 68,238,701**	$ (4,609,583)	$ 72,848,284	$ 2,862,894	$ 69,985,390

Financial Summary

Assets

Total assets decreased $4.6 million, from $72.8 million at June 30, 2025 to $68.2 million at June 30 2026. The decrease was primarily due to a $2.3 million reduction in retailer accounts receivable resulting from lower year-end amounts due from retailers, together with a $1.7 million decrease in cash. While the Lottery continued to generate strong operating cash flows, the decline in cash was primarily attributable to increased transfers to the State during fiscal year 2026. Capital assets also slightly declined as depreciation exceeded capital assets additions, and restricted noncurrent assets decreased as prize reserve balances were reduced.

Total assets increased by approximately $2.9 million, from $70.0 million at June 30, 2024, to $72.8 million at June 30, 2025. The increase was primarily driven by a $3.0 million increase in cash, reflecting strong operating cash flows generated during the fiscal year. Retailer accounts receivable also increased due to the timing of retailer settlements at year-end. These increases were partially offset by a slight decline in noncurrent assets as depreciation exceeded capital asset additions.

Overall, the Lottery maintained a strong asset position while continuing to generate sufficient cash to support operations and transfers to the State.

Additional information regarding the Corporation's capital assets is presented in Note 3 to the financial statements.

The Corporation's investment in capital assets remained relatively stable during fiscal year 2026. Capital assets, net of accumulated depreciation, totaled $819 thousand at June 30, 2026, compared to approximately $1.0 million at June 30, 2025. The decrease reflects normal depreciation exceeding capital asset additions during the fiscal year.

Similarly, right-to-use leased assets, net of accumulated amortization, decreased from $978 thousand at June 30, 2025 to $743 thousand at June 30, 2026, as existing lease assets continued to be amortized over their respective lease terms.

For comparison, capital assets, net of depreciation, totaled approximately $1.0 million at June 30, 2025, compared to $1.1 million at June 30, 2024, while right-to-use leased assets, net of amortization, declined from approximately $1.2 million at June 30, 2024, to $978 thousand at June 30, 2025.

Overall, the Lottery maintained a strong asset position while continuing to generate sufficient cash to support operations and transfers to the State. The Corporation continues to maintain modest investment in capital assets that supports statewide lottery operations while effectively managing capital expenditures and maximizing net proceeds returned to the State.

Liabilities

Total liabilities decreased by approximately $4.6 million during fiscal year 2026, closely mirroring the decline in total assets. The decrease was primarily attributable to lower prize liabilities for both instant and draw-style games at June 30, 2026, as fewer prizes remained outstanding at year-end. While gross ticket sales increased significantly during the fiscal year, prize liabilities represent the amounts unpaid as of June 30 and therefore fluctuate based on the timing of prize claims and payments rather than annual sales volume. The decrease in liabilities was also influenced by a slightly lower amount of net proceeds payable to the State, which totaled $8.7 million at June 30, 2026, compared to $9.2 million at June 30, 2025.

Financial Summary (continued)

Liabilities (continued)

In contrast, total liabilities increased approximately $2.9 million from fiscal year 2024 to fiscal year 2025. The increase was primarily the result of higher prize liabilities outstanding at year-end, reflecting the timing of prize claims associated with instant and draw-style games. The Corporation also reported $9.2 million in net proceeds payable to the State at June 30, 2025.

Overall, changes in the Corporation's liabilities are driven primarily by the timing of prize claim activity and the monthly distribution of net proceeds to the State. As a result, year-end liability balances may fluctuate independently of annual ticket sales but remain consistent with the Lottery's normal operating cycle and statutory distribution requirements.

Net Position

The Corporation's net position represents the difference between its assets and liabilities and provides an indicator of its overall financial position. As of June 30, 2026, net position continued to be reported in the following three categories:

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

- Restricted for prize reserve on deposit consists of funds maintained with the Multi-State Lottery Association (MUSL) to support prize reserve requirements for Powerball, Mega Millions, and Lotto America. These reserves help ensure the Corporation's ability to fund prize obligations in the event of multiple large jackpot winners.

- Unrestricted net position represents resources available to support the Corporation's day-to-day operations and other obligations not otherwise classified as invested in capital assets or legally restricted.

Financial Summary (continued)

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

For the years ended June 30,	**2026**	Increase (Decrease)	2025	Increase (Decrease)	2024
Operating Revenues					
Net ticket sales	**$ 495,766,380**	$ 55,306,567	$ 440,459,813	$ (33,190,061)	$ 473,649,874
Other operating revenues	**1,860,040**	4,950	1,855,090	(18,557)	1,873,647
Total operating revenues	**497,626,420**	55,311,517	442,314,903	(33,208,618)	475,523,521
Operating Expenses					
Prize expense, net	**316,081,475**	36,358,162	279,723,313	(18,938,220)	298,661,533
Other Operating Expenses					
Retailer commissions	**29,966,112**	3,291,412	26,674,700	(1,992,619)	28,667,319
Gaming vendor fees	**14,111,350**	1,233,190	12,878,160	(815,757)	13,693,917
Other administrative operating expenses	**12,892,358**	193,928	12,698,430	978,381	11,720,049
Total other operating expenses	**56,969,820**	4,718,530	52,251,290	(1,829,995)	54,081,285
Total operating expenses	**373,051,295**	41,076,692	331,974,603	(20,768,215)	352,742,818
Operating Income	**124,575,125**	14,234,825	110,340,300	(12,440,403)	122,780,703
Noncapital Subsidies					
Payments to State of Mississippi	**(126,598,431)**	(13,597,325)	(113,001,106)	12,101,269	(125,102,375)
Total noncapital subsidies	**(126,598,431)**	(13,597,325)	(113,001,106)	12,101,269	(125,102,375)
Operating income and noncapital subsidies	**(2,023,306)**	637,500	(2,660,806)	(339,134)	(2,321,672)
Nonoperating (Revenues) Expenses					
Interest income	**1,810,484**	(362,702)	2,173,186	(29,110)	2,202,296
Interest expense	**(42,990)**	9,506	(52,496)	8,326	(60,822)
Other revenue	**255,812**	(284,304)	540,116	359,918	180,198
Total nonoperating (revenues) expenses	**2,023,306**	(637,500)	2,660,806	339,134	2,321,672
Change in net position	**-**	-	-	-	-
Net position - beginning of year	**-**	-	-	-	-
Net position - ending	$ -	$ -	$ -	$ -	$ -

Financial Summary (continued)

Operating Revenues

Operating revenues are derived primarily from lottery ticket sales and retailer license fees. Gross ticket sales totaled $499.5 million, $444.4 million, and $477.6 million for the fiscal years ended June 30, 2026, 2025, and 2024, respectively. A breakdown of gross and net ticket sales for each of the past three fiscal years is presented below:

Ticket Sales	**2026**	2025	2024
$1 instant tickets	**$ 16,849,229**	$ 20,228,866	$ 17,319,676
$2 instant tickets	**25,488,672**	30,641,952	35,049,986
$3 instant tickets	**10,211,133**	8,813,907	10,862,766
$5 instant tickets	**70,039,930**	75,098,790	85,347,740
$10 instant tickets	**60,780,310**	65,160,300	60,601,570
$20 instant tickets	**85,588,520**	94,986,500	98,314,600
$30 instant tickets	**37,331,040**	-	-
Total instant tickets	**306,288,834**	294,930,315	307,496,338
Cash 3	**20,746,812**	16,865,894	16,619,486
Cash 4	**19,861,903**	17,434,099	16,988,686
Mississippi Match 5	**20,854,104**	22,311,015	20,291,051
Cash Pop	**51,640,063**	35,182,250	24,733,939
Lotto America with EZ-Match	**1,198,415**	1,784,951	384,379
Total in-state draw-style game sales	**114,301,297**	93,578,209	79,017,541
Lotto America	**4,411,976**	5,707,551	987,849
Mega Millions	**22,283,905**	23,463,958	34,434,969
Powerball	**44,701,471**	24,670,022	53,694,266
Powerball Doubleplay	**4,120,040**	2,028,193	1,950,343
Millionaire for Life	**3,387,385**	-	-
Total multi-jurisdictional draw-style sales	**78,904,777**	55,869,724	91,067,427
Gross ticket sales	**499,494,908**	444,378,248	477,581,306
Less tickets provided as prizes	**(3,728,528)**	(3,918,435)	(3,931,432)
Net ticket sales	**$ 495,766,380**	$ 440,459,813	$ 473,649,874

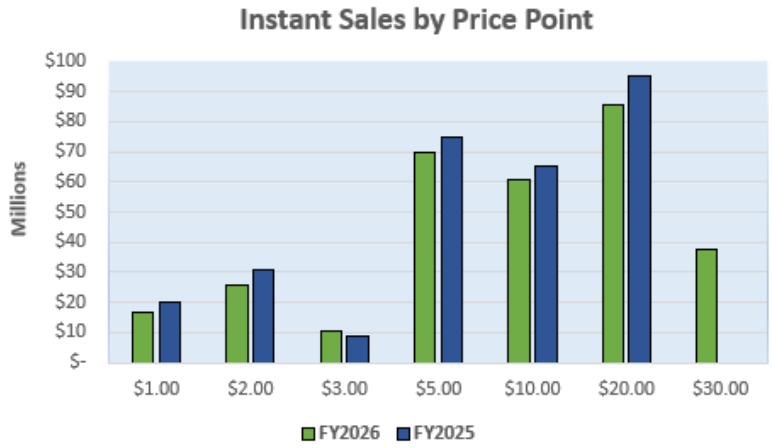
Financial Summary (Continued)

Instant Ticket Sales

Instant tickets continued to serve as the Corporation's largest source of revenue, generating $306.2 million in sales during the fiscal year 2026, an increase of $11.4 million (3.9%) over fiscal year 2025 sales of $294.9 million. Instant ticket sales accounted for 61.3% of total ticket sales during fiscal year 2026, compared to 66.4% in fiscal year 2025. While instant ticket sales increased, the percentage of overall instant ticket sales declined as draw-style games experienced stronger year-over-year growth.

To maintain player interest and support continued sales growth, the Corporation introduced 39 new instant ticket games during fiscal year 2026, including the successful launch of its first $30 instant ticket, Millionaire Maker. The premium-priced game quickly became a strong contributor to the instant product portfolio, generating 12.2% of total instant ticket sales during its inaugural year. Featuring ten $1 million top prizes, Millionaire Maker attracted strong player interest and demonstrated the continued demand for higher price-point instant games.

Growth in instant ticket sales was primarily driven by the introduction of the $30 price point and continued strength in the $3 product category. While sales at most other price points declined slightly from the prior year, the Corporation's product mix and strategic game offerings resulted in overall growth in instant ticket sales. The comparative chart below illustrates instant ticket sales by price point for fiscal years 2026 and 2025.



The Corporation's continued investment in strategic marketing, innovative product development, and effective management of its instant ticket portfolio has strengthened player engagement while maintaining a balanced product mix and sufficient inventory to meet player demand. These efforts continue to support stable sales performance and maximize returns to the State.

Financial Summary (Continued)

In-State Draw-Style Sales

The Corporation continued to experience strong growth and diversification within its in-state draw-style game portfolio during fiscal year 2026. Total sales reached $114.3 million, an increase of $20.7 million (22.1%) over fiscal year 2025 sales of $93.6 million. As a result, in-state draw-style games represented 22.9% of gross ticket sales in fiscal year 2026, compared to 21.2% in the prior year.

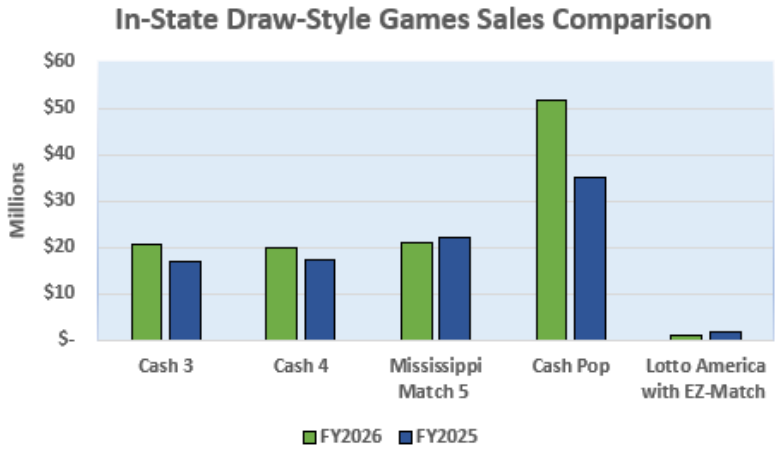
Growth was driven primarily by the continued success of Cash Pop, which generated $51.6 million in sales during the fiscal year 2026, an increase of $16.4 million over the prior year. Since its introduction in 2022, Cash Pop has become one of the Corporation's highest-performing draw-style products, demonstrating strong player acceptance and contributing significantly to the Lottery's revenue growth.

Cash 3 and Cash 4 delivered strong year-over-year growth, with sales increasing to $20.7 million and $19.9 million, respectively. These games continue to provide consistent daily sales and remain an important component of the Corporation's in-state game portfolio.

While Mississippi Match 5 experienced a modest decline in sales during fiscal year 2026, the game continues to be a significant contributor to the Corporation's draw-style portfolio. Similarly, Lotto America EZ Match feature generated $1.2 million in sales during the year. Although EZ Match sales declined from the prior year, the feature continues to provide players with an additional opportunity for instant cash prizes while enhancing the overall Lotto America product.

The continued expansion and diversification of the Corporation's in-state draw-style games have strengthened the overall product portfolio by reducing reliance on jackpot-driven sales while providing players with a broader range of games and prize opportunities. This balanced approach supports sustainable revenue growth and helps maximize net proceeds returned to the State.

The chart below provides a comparison of in-state draw-style game sales for fiscal years 2026 and 2025:



Financial Summary (continued)

Multi-Jurisdictional Draw-Style Games

Multi-Jurisdictional draw-style games experienced significant growth during fiscal year 2026, generating $78.9 million in sales compared to $55.9 million in fiscal year 2025, an increase of $23.0 million (41.1%). These games represented 15.8% of total gross ticket sales in fiscal year 2026, up from 12.6% in the prior year. As in previous years, sales of multi-jurisdictional games remained largely driven by jackpot activity, with larger and more frequent jackpots generating increased player participation.

The strongest contributor to this growth was Powerball, which generated $44.7 million in sales during fiscal year 2026, an increase of $20.0 million over fiscal year 2025. The increase was primarily attributable to two jackpots exceeding $1 billion during the fiscal year, which significantly increased player participation. In addition, Powerball Double Play continued to gain popularity, with sales increasing to $4.1 million, compared to $2.0 million in fiscal year 2025. Since its introduction in November 2023, the Double Play feature has provided players with an additional opportunity to win prizes of up to $10 million while enhancing the overall Powerball product.

Mega Millions generated $22.3 million in sales during fiscal year 2026, a slight decrease of $1.1 million from the prior year. In April 2025, the game underwent a significant product enhancement that included a $50 million starting jackpot, automatic prize multipliers, and an expanded prize structure. The price change to Mega Millions may have influenced player purchasing patterns, although the long-term impact of the game enhancements will continue to be evaluated. The Corporation will continue to monitor player response as these enhancements mature and their long-term impact on sales becomes more evident.

Lotto America generated $4.4 million in sales during fiscal year 2026, compared to $5.7 million in fiscal year 2025. While sales declined slightly, the game continues to provide players with an additional multi-state jackpot option featuring a $2 million starting jackpot.

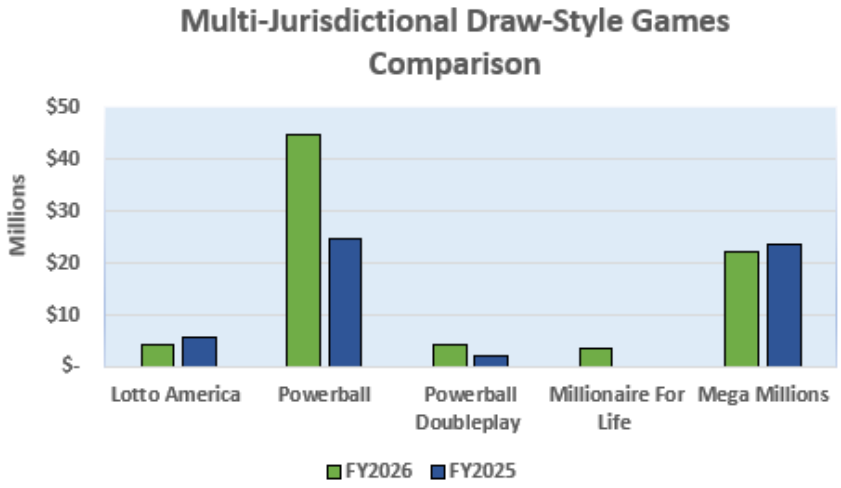
The Corporation also expanded its draw-style portfolio with the introduction of Millionaire for Life on February 22, 2026. The game offers players the opportunity to win $1 million annually for life and generated $3.4 million in sales during its initial months of operation. Management believes the addition of Millionaire for Life further strengthens the Corporation's product portfolio by providing players with another unique prize structure and supporting long-term sales diversification.

Overall, the continued growth of the Corporation's multi-jurisdictional game portfolio reflects a balanced strategy of leveraging strong national jackpot games while expanding product offerings that appeal to a broad range of players. This diversified approach enhances revenue opportunities and supports the Corporation's mission of maximizing net proceeds returned to the State.

Financial Summary (continued)

Multi-Jurisdictional Draw-Style Games (continued)

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.



The Corporation generated $499.5 million in gross ticket sales during fiscal year 2026, an increase of $55.1 million (12.4%) over fiscal year 2025. Growth was driven by strong performance across the Corporation's product portfolio, including continued expansion of Cash Pop, increase Powerball sales resulting from two jackpots exceeding $1 billion, the successful introduction of the Millionaire for Life draw game, and the launch of the Lottery's first $30 instant ticket, Millionaire Maker. These factors contributed to increased player participation and strengthened the Corporation's overall sales performance.

Total Operating Expenses

In accordance with Section 26(c-d) of the Alyce G. Clarke Mississippi Lottery Law, the Corporation is required to return at least 50% of gross revenues to players in the form of prizes, while operating and administrative expenses are limited to no more than 15% of gross revenue. After satisfying these statutory requirements and paying all operating expenses, the remaining net proceeds are transferred to the Mississippi Lottery Proceeds Fund to support infrastructure and education initiatives throughout the State.

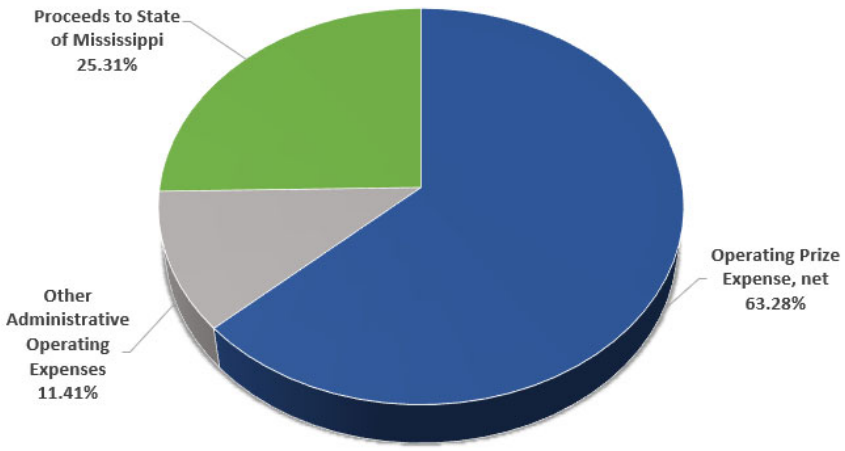
Financial Summary (continued)

Total Operating Expenses (continued)

The Corporation continues to operate well within these statutory requirements through disciplined financial management and careful oversight of operating expenses. Maintaining an appropriate balance between prize payouts, operating cost, and net proceeds enables the Lottery to offer an attractive and diverse portfolio of games while maximizing the financial benefit returned to the State of Mississippi.

The chart below illustrates the allocation of fiscal year 2026 gross revenues amount prize expense, operating and administrative expenses and net proceeds to the State

Fiscal Year 2026 Expense Breakdown



Financial Summary (continued)

Total Operating Expenses (continued)

Total operating expenses, including net prize expenses, increased to $373.1 million in fiscal year 2026 from $331.9 in fiscal year 2025. Net prize expense totaled $316.1 million in fiscal year 2026, compared to $279.7 million in fiscal year 2025. Other operating and administrative expenses increased to $57.0 million in fiscal year 2026 from $52.3 million in fiscal year 2025.

Total operating expenses, including net prize expenses, decreased to $331.9 million in fiscal year 2025 from $352.7 in fiscal year 2024. Net prize expense totaled $279.7 million in fiscal year 2025, compared to $298.6 million in fiscal year 2024. Other operating and administrative expenses decreased to $52.3 million in fiscal year 2025 from $54.1 million in fiscal year 2024.

		FY 2026	**%**		FY 2025	%		FY 2024	%
Operating Revenues									
Gross ticket sales	**$**	**499,494,908**	**100.00%**	$	444,378,248	100.00%	$	477,581,306	100.00%
Operating Prize Expense									
Prize expense	**$**	**316,081,475**	**63.28%**	$	279,723,313	62.95%	$	298,661,533	62.54%
Other Administrative Operating Expenses									
Total other administrative operating expenses	**$**	**56,969,820**	**11.41%**	$	52,251,290	11.76%	$	54,081,285	11.32%

% shown as a percentage of gross ticket sales

Operating Prize Expense

Prize expense is the Corporation's largest operating expense and varies directly with the mix and volume of instant and draw-style game sales. During fiscal year 2026, gross prize expense totaled $316.7 million, consisting of $208.2 million related to instant ticket games and $108.5 million related to draw-style games. After recognizing $616 thousand in unclaimed prizes, net prize expense totaled $316.1 million for the fiscal year.

For instant ticket games, prize expense is determined using a pre-determined prize structure that is approved before tickets are printed. Prize expense is recognized in proportion to ticket sales throughout the life of each game, ensuring that expense is recognized consistently and as revenue is earned.

For draw-style games, prize expense is recognized in accordance with each game's approved prize structure and drawing results. Because these games are funded from current sales, prize expense fluctuates with sales activity and the specific prize obligations generated by each drawing.

Prize expense is reduced by unclaimed prizes, which are recognized after the applicable claim period expires – 90 days following the closure of an instant game and 180 days after the drawing for draw-style games. During fiscal year 2026, unclaimed prizes totaled $616 thousand, all of which is related to instant ticket games.

Financial Summary (continued)

Operating Prize Expense (continued)

Overall, the Corporation's prize structure is designed to provide attractive prize opportunities while maintaining compliance with statutory prize payout requirements and maximizing net proceeds returned to the State.

Other Administrative Operating Expenses

Other operating and administrative expenses represent the costs necessary to administer and support the Corporation's statewide lottery operation. These expenses include retailer commissions, gaming vendor fees, salaries and benefits, marketing and advertising, depreciation and amortization, and other general administrative costs.

Many of these expenses fluctuate in proportion to ticket sales. For example, retailer commissions and gaming vendor fees increase as sales volume grows, while marketing and advertising expenditures support product launches, player engagement, and retailer promotions. Salaries, depreciation, and general administrative expenses provide the infrastructure necessary to operate the Lottery efficiently and securely.

The Corporation continues to carefully manage these operating costs while maintaining compliance with the Mississippi Lottery Law, which limits administrative expenses to no more than 15% of gross revenues. This disciplined approach allows the Corporation to effectively support its statewide operations, responsibly manage resources, and maximize net proceeds returned to the State.

Noncapital Subsidies

In accordance with the Alyce G. Clarke Mississippi Lottery Law, the Corporation transfers net proceeds to the Lottery Proceeds Fund in the State Treasury on a monthly basis. These transfers represent the Lottery's primary public benefit and reflect the Corporation's mission of generating financial support for the State of Mississippi. During fiscal year 2026, the Corporation transferred $126.6 million, an increase of $13.6 million (12.0%) over the $113.0 million transferred during fiscal year 2025. The increase reflects the Corporation's strong financial performance, driven by higher ticket sales and continued wise management of operating expenses.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses primarily consist of interest income and interest expense.

Net Position

Consistent with the Alyce G. Clark Mississippi Lottery Law, the Corporation's financial objective is to maximize the amount of net proceeds transferred to the State while maintaining sufficient resources to support ongoing operations and prize payment obligations. Accordingly, the Corporation's year-end net position remains relatively consistent from year to year, reflecting its practice of transferring available net proceeds to the State.

Financial Summary (continued)

Detailed Analysis

The Corporation's financial statements continue to reflect a stable and consistent operating environment. There were no significant changes during the fiscal year 2026 affecting the Corporation's reporting entity or accounting policies. The Corporation's financial statements have been updated in accordance with the presentation and disclosure requirements prescribed under GASB Statement 103, *Financial Reporting Model Improvements*. The financial statements remain prepared in accordance with generally accepted accounting principles applicable to governmental entities and continue to present the Corporation's financial position and operating results on a basis consistent with prior years.

Significant Capital Assets

The following sections provide additional information regarding the Corporation's capital assets and factors expected to influence future operations.

At June 30, 2026, the Corporation reported $1.5 million in net capital assets, compared to $2.0 million at June 30, 2025. Capital assets consist primarily of building and leasehold improvements, equipment, vehicles, and right-to-use leased assets that support the Corporation's statewide operations.

At June 30, 2025, the Corporation reported $2.0 million in net capital assets, compared to $2.3 million at June 30, 2024. Capital assets consist primarily of building and leasehold improvements, equipment, vehicles, and right-to-use leased assets that support the Corporation's statewide operations.

The year-over-year decrease in net capital assets reflects normal depreciation and amortization exceeding capital asset additions during the fiscal year. The Corporation continues to strategically manage its capital investments, replacing and acquiring assets as needed to support operational requirements while maintaining a prudent approach to capital expenditures.

Additional information regarding capital assets and lease activity is presented in Note 3 to the financial statements.

	2026	% Change	2025	% Change	2024
Building and Leasehold improvements	**$ 912,598**	0.00%	$ 912,598	11.41%	$ 808,443
Equipment	**1,046,428**	5.65%	987,336	0.00%	987,336
Vehicles	**955,872**	4.24%	915,388	11.57%	809,505
Right-to-Use Assets	**2,084,403**	0.00%	2,084,403	0.00%	2,084,403
Total Capital Assets	**4,999,301**	1.99%	4,899,725	4.29%	4,689,687
Less: Accumulated Depreciation & Amortization	**(3,437,672)**	16.10%	(2,884,049)	15.44%	(2,438,824)
Net Capital Assets	**$ 1,561,629**	-29.08%	$ 2,015,676	-11.67%	$ 2,250,863

Economic Outlook

The Corporation remains committed to maximizing net proceeds returned to the State through responsible financial management, strategic product development, and continued operational excellence. Management will continue to evaluate opportunities to strengthen the Lottery's product portfolio while responding to changing player preferences and market conditions.

Key strategic initiatives include:

- Expanding the instant ticket portfolio through the introduction of innovative games across a variety of price points to maintain engagement and support long-term sales growth.
- Evaluating opportunities to enhance the draw-style game portfolio by introducing new games and features that provide players with additional entertainment options while diversifying revenue sources.
- Optimizing prize structures and payout percentages to maintain an attractive balance between player value and maximizing net proceeds returned to the State.
- Maintaining disciplined financial management by controlling operating cost, investing strategically in technology and operations, and continuing to operate within the statutory requirements established by the Mississippi Lottery Law.
- Monitoring external economic conditions, including inflationary pressures, consumer spending habits, and other market factors that could influence discretionary spending and future lottery sales.

While economic conditions may present challenges, the Corporation remains well positioned to adapt to changing market conditions through prudent financial management, a diversified game portfolio, and a continued focus on delivering value to players and the citizens of Mississippi.

The Corporation remains committed to its mission of operating with integrity, accountability, and financial responsibility while maximizing the proceeds returned to the State to support Mississippi's infrastructure and educational initiatives.

Contact Information

This financial report is intended to provide stakeholders with a comprehensive overview of the Mississippi Lottery Corporation's financial position, operating results, and cash flows for the fiscal years presented. Management is committed to maintaining transparency, accountability, and sound financial stewardship through accurate and timely financial reporting.

Questions regarding the information contained in this report or request for additional financial information may 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

June 30,	**2026**	2025
Assets		
Current Assets		
Cash	**$ 52,791,895**	$ 54,508,214
Retailer accounts receivable, net of allowance for doubtful accounts of $835 and $3,631 in 2026 and 2025, respectively	**10,991,608**	13,285,726
Other receivables	**151,694**	75,161
Prepaid expenses	**272,948**	312,117
Other current assets	**221,273**	179,291
Total current assets	**64,429,419**	68,360,509
Noncurrent Assets		
Restricted prize reserve on deposit	**2,247,653**	2,472,099
Capital assets		
Depreciable assets, net	**818,806**	1,038,036
Right-to-use lease asset, net	**742,823**	977,640
Total noncurrent assets	**3,809,282**	4,487,775
Total assets	**$ 68,238,701**	$ 72,848,284
Liabilities and Net Position		
Current Liabilities		
Prizes payable	**$ 55,421,219**	$ 60,480,734
Accounts payable	**2,009,699**	551,574
Accrued payroll and related liabilities	**300,500**	401,090
Accrued compensated absences	**388,647**	327,302
Due to Multi-State Lottery Association	**156,420**	347,804
Unearned revenue	**453,764**	443,001
Due to State of Mississippi	**8,658,898**	9,200,864
Current portion of lease liability	**237,332**	229,621
Total current liabilities	**67,626,478**	71,981,990
Noncurrent Liabilities		
Lease liability	**612,223**	866,294
Total noncurrent liabilities	**612,223**	866,294
Total liabilities	**68,238,701**	72,848,284
Net Position		
Net investment in capital assets	**712,074**	919,761
Restricted for prize reserve on deposit	**2,247,653**	2,472,099
Unrestricted deficit	**(2,959,727)**	(3,391,860)
Total net position	**-**	-
Total liabilities and net position	**$ 68,238,701**	$ 72,848,284

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

For the years ended June 30,		**2026**		2025
Operating Revenues				
Instant ticket sales	**$**	**306,288,834**	$	294,930,315
Draw-style game sales		**193,206,074**		149,447,933
Gross ticket sales		**499,494,908**		444,378,248
Less tickets provided as prizes		**(3,728,528)**		(3,918,435)
Net ticket sales		**495,766,380**		440,459,813
Other Operating Revenues				
Other operating revenues		**1,860,040**		1,855,090
Total other operating revenues		**1,860,040**		1,855,090
Total operating revenues		**497,626,420**		442,314,903
Operating Expenses				
Prize expense, net		**316,081,475**		279,723,313
Other Administrative Operating Expenses				
Retailer commissions		**29,966,112**		26,674,700
Gaming vendor fees		**14,111,350**		12,878,160
Salaries and wages		**7,029,454**		6,560,096
Advertising		**2,815,233**		2,924,763
Professional fees and services		**689,727**		545,002
General and administrative expenses		**1,118,128**		1,015,787
Contractor fees		**46,983**		46,629
Other gaming costs		**312,125**		454,330
Deprecation and amortization		**641,009**		672,836
Retailer merchandising and marketing		**109,274**		344,076
Rent, utilities, and maintenance		**130,426**		134,911
Total other administrative operating expenses		**56,969,820**		52,251,290
Total operating expenses		**373,051,295**		331,974,603
Operating Income		**124,575,125**		110,340,300
Noncapital Subsidies				
Payments to the State of Mississippi Highway Fund		**(80,000,000)**		(80,000,000)
Payments to the Education Enhancement Fund		**(46,598,431)**		(33,001,106)
Total noncapital subsidies		**(126,598,431)**		(113,001,106)
Operating income and noncapital subsidies		**(2,023,306)**		(2,660,806)
Nonoperating Revenues (Expenses)				
Interest income		**1,810,484**		2,173,186
Interest expense		**(42,990)**		(52,496)
Other revenue		**255,812**		540,116
Total nonoperating revenues (expenses)		**2,023,306**		2,660,806
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

For the years ended June 30,	**2026**	2025
Cash Flows From Operating Activities		
Receipts from and on behalf of retailers	**$ 499,930,655**	$ 442,036,289
Payments to winners	**(320,696,653)**	(276,244,887)
Payments to suppliers	**(48,393,379)**	(45,424,980)
Payments to employees	**(7,025,749)**	(6,434,509)
Net cash provided by operating activities	**123,814,874**	113,931,913
Cash Flows From Noncapital Financing Activities		
Payments to State of Mississippi Highway Fund	**(80,000,000)**	(80,000,000)
Payments to Education Enhancement Fund	**(47,140,397)**	(32,903,187)
Net cash used in non capital and related financing activities	**(127,140,397)**	(112,903,187)
Cash Flows From Capital and Related Financing Activities		
Purchase of property and equipment	**(197,663)**	(527,119)
Sale of property and equipment	**29,921**	89,469
Principal payment on lease liability	**(246,360)**	(216,480)
Interest paid on lease liability	**(42,990)**	(52,496)
Net cash used in capital and related financing activities	**(457,092)**	(706,626)
Cash Flows From Investing Activities		
Interest income	**1,810,484**	2,173,186
Other	**255,812**	540,116
Net cash provided by investing activities	**2,066,296**	2,713,302
Net increase (decrease) in cash	**(1,716,319)**	3,035,402
Cash at beginning of year	**54,508,214**	51,472,812
Cash at end of year	**$ 52,791,895**	$ 54,508,214

(Continued)

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

For the years ended June 30,	**2026**	2025
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	**$ 124,575,125**	$ 110,340,300
Depreciation and amortization	**641,009**	672,836
Changes in operating assets and liabilities		
Retailer accounts receivable, net	**2,294,118**	(195,955)
Prepaid expenses	**39,169**	(64,069)
Other current assets and noncurrent assets	**105,931**	197,345
Prizes payable	**(5,059,515)**	3,361,554
Accounts payable, accrued expenses, and due to MUSL	**1,208,274**	(292,164)
Unearned revenue	**10,763**	(87,935)
Net cash provided by operating activities	**$ 123,814,874**	$ 113,931,912

The accompanying notes are an integral part of these 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 Comparisons

The Corporation’s management prepares an annual budget that is reviewed and approved by its Board of Directors. The budget reflects management’s expectation for results of operations based upon market trends and business strategies employed by the Corporation to maximize the payments to the State of Mississippi Lottery Proceeds Fund.

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, 2026 and 2025, the Corporation held no cash equivalents.

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 records 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 2026 and 2025, 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.

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, 2026 and 2025, a total of ($115,459) and $14,412, respectively, was transferred (from) to the Corporation from (to) MUSL to cover *Mega Millions* set prize reserves. At June 30, 2026 and 2025, the balance held by MUSL for *Mega Millions* set-aside prize reserve for the Corporation was $965,675 and $1,081,134, 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, 2026 and 2025, a total of $(11,633) and $63,481 was transferred, repaid, or owed related to the *Powerball* prize reserve. At June 30, 2026 and 2025, the balance held by MUSL for *Powerball* set-aside prize reserve for the Corporation was $866,919 and $878,552, respectively. During the year ended June 30, 2026 and 2025, a total of $(187,237) and $15,074 was transferred, repaid, or owed related to the *Powerball* set prize reserve. At June 30, 2026 and 2025, the balance held by MUSL for the *Powerball* set prize reserve was $194,939 and $382,176.

Restricted assets of $220,120 and $130,237 at June 30, 2026 and 2025, respectively, were also held on deposit by MUSL for the Lotto America prize reserve.

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

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 expenses for PTO as earned and does allow PTO not used in its entirety in the year earned 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.

The 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, 2026 and 2025, the Corporation had unclaimed prizes in the amount of $25,001,740 and $22,267,841, 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, which is 25 years. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Net Position (continued)

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, 2026 and 2025, the Corporation had a deficit of $2,959,727 and $3,391,859, respectively, in this category.

Proprietary funds distinguish *operating* revenues and expenses from *noncapital subsidies*, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A *subsidy* represents (1) resources received from another party or fund for which the proprietary fund does not provide goods and services to the other party or fund and 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 for which the other party or fund does not provide goods or services to the proprietary fund and that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers. All revenues and expenses not meeting the definition of nonoperating revenues and expenses are reported as operating 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, Millionaire for Life,* and *Mega Millions* prize expense is recognized as a percentage of ticket.

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 instant and draw-style retailer ticket terminals and vending machines of 304 and 310 at June 30, 2026 and 2025, 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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gaming Vendor Fees (continued)

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 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 22, 2026, 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Noncapital subsidies have been presented in the accompanying Statements of Revenues, Expenses, and Changes in Net Position as a separate section above nonoperating revenues and expenses.

Recently Issued and Implemented Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that became effective on July 1, 2025, as follows:

GASB Statement No. 103*, Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting blueprint to enhance its effectiveness in providing essential information and to address certain application issues. The Statement requires changes to management's discussion and analysis to make it easier to read and understand and to focus on explaining the reasons why balances and results of operation have changed. The Statement also provides more explicit definitions of operating and nonoperating revenues and expenses and changes the presentation of nonoperating revenues and expenses in the proprietary funds statement of revenues, expenses, and changes in fund net position. The statement also combines extraordinary items and special items into a single category, unusual or infrequent items, and clarify how they should be reported. There were no significant impacts of implementing this statement other than the presentation of noncapital subsidies in the statements of revenues, expenses, and changes in net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 104*, Disclosure of Certain Capital Assets.* The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In addition to existing requirements regarding the level of detail with which notes to financial statements should disclose intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets, the Statement requires that (1) intangible right-to-use assets recognized by government operators in a public-public partnership should be disclosed by major class of underlying asset; (2) other types of intangible assets should be disclosed by major class; and (3) right-to-use assets should be disclosed separately from owned assets of the same type. The Statement also establishes that capital assets held for sale are those a government has decided to sell and whose sale within a year of the financial statement date is probable. Capital assets held for sale should be disclosed together with other capital assets of the same class. Governments also should disclose in notes the historical cost and accumulated depreciation (or amortization) of capital assets held for sale, as well as the carrying amount of debt for which they are pledged as collateral, by major class of asset for governmental and business-type activities. There were no significant impacts of implementing this Statement.

Recently Issued Accounting Pronouncements Not Yet Implemented

GASB Statement No. 105*, Subsequent Events.* The objective of this Statement is to enhance the consistency with which the standards for reporting subsequent events are applied, thereby better meeting the information needs of financial statement users. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued (that is, when the financial statements are complete in a form and format that complies with generally accepted accounting principles and approvals necessary for issuance have been obtained), rather than the date the financial statements are issued. The date through which subsequent events have been evaluated should be disclosed. A recognized subsequent event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date and should be reflected in those estimates. A nonrecognized subsequent event results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following: a debt-related transaction; government combination or a disposal of government operations; a change to the legally separate entities that compose the financial reporting entity; or a transaction or other event that is of such a nature that disclosure is essential to a user's analysis for making decisions or assessing accountability. Governments will be required to disclose a description of the nonrecognized event and its effect and an estimate of the amount of the effect (or the reason why an estimate cannot be made). The Corporation is evaluating the requirements of this 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).

Note 2: DEPOSITS (Continued)

Deposits (continued)

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, 2026 and 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.

Note 3: CAPITAL ASSETS

The following is a summary of changes in capital assets during the years ended June 30, 2026 and 2025:

	2026				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings and leasehold improvements	$ 912,598	$ -	$ -	$ -	$ 912,598
Equipment	987,336	59,092	-	-	1,046,428
Vehicles	915,388	172,235	(131,751)	-	955,872
Capital assets, being depreciated	2,815,322	231,327	(131,751)	-	2,914,898
Less accumulated depreciation					
Buildings and leasehold improvements	(401,369)	(117,263)	-	-	(518,632)
Equipment	(791,528)	(79,423)	-	-	(870,951)
Vehicles	(584,389)	(209,506)	87,386	-	(706,509)
Total accumulated depreciation	(1,777,286)	(406,192)	87,386	-	(2,096,092)
Total capital assets being depreciated, net	1,038,036	(174,865)	(44,365)	-	818,806
Right-to-use leased building	2,084,403	-	-	-	2,084,403
Accumulated amortization	(1,106,763)	(234,817)	-	-	(1,341,580)
Total capital assets being amortized, net	977,640	(234,817)	-	-	742,823
Capital assets, net	$ 2,015,676	$ (409,682)	$ (44,365)	$ -	$ 1,561,629

Note 3: CAPITAL ASSETS (Continued)

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	2,084,403	-	-	-	2,084,403
Accumulated amortization	(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

Depreciation and amortization expense for fiscal years ended June 30, 2026 and 2025 totaled $641,009 and $672,836.

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, 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.

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

Net proceeds for the years ended June 30, 2026 and 2025 are summarized as follows:

For the years ended June 30,	**2026**	2025
Operating Revenues		
Ticket sales	**$ 499,494,908**	$ 444,378,248
Less tickets provided as prizes	**(3,728,528)**	(3,918,435)
Net ticket sales	**495,766,380**	440,459,813
Other operating revenues	**1,860,040**	1,855,090
Operating Expenses		
Gaming	**316,081,475**	279,723,313
Operating	**56,969,820**	52,251,290
Total operating expenses, as defined	**373,051,295**	331,974,603
Operating Income	**124,575,125**	110,340,300
Nonoperating Revenues (Expenses)		
Interest income	**1,810,484**	2,173,186
Interest expense	**(42,990)**	(52,496)
Other revenue	**255,812**	540,116
Total nonoperating revenues (expenses)	**2,023,306**	2,660,806
Net proceeds	**$ 126,598,431**	$ 113,001,106

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, 2026 was $268,174. 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.

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, 2026:

Year ending June 30,	Principal Payments	Interest Expense	Total
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
	$ 849,555	$ 77,435	$ 926,990

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2026:

	2026			
Beginning Balance	**Additions**	**Deductions**	**Ending Balance**	**Current Portion**
$ 1,095,915	**$ -**	**$ (246,360)**	**$ 849,555**	**$ 237,332**

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

	2025			
Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
$ 1,312,395	$ -	$ (216,480)	$ 1,095,915	$ 229,621

Note 6: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

June 30,	**2026**	2025
Capital assets (net)	**$ 1,561,629**	$ 2,015,676
Outstanding debt related to capital assets	**(849,555)**	(1,095,915)
Net investment in capital assets	**$ 712,074**	$ 919,761

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 $139,835 and $147,107 during the years ended June 30, 2026 and 2025, 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 2026 and 2025.

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.

SUPPLEMENTARY INFORMATION

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

For the year ended June 30, 2026	Actual	Budget	Variance	%
Operating Revenues				
Instant ticket sales	$ 306,288,834	$ 295,000,000	$ 11,288,834	3.8%
Draw style game sales	193,206,074	138,000,000	55,206,074	40.0%
Gross ticket sales	499,494,908	433,000,000	66,494,908	15.4%
Less tickets provided as prizes	(3,728,528)	(3,000,000)	(728,528)	24.3%
Net ticket sales	495,766,380	430,000,000	65,766,380	15.3%
Other operating revenues	1,860,040	1,954,000	(93,960)	-4.8%
Total operating revenues	497,626,420	431,954,000	65,672,420	15.2%
Operating Prize Expense				
Prize expense, net	316,081,475	271,653,000	44,428,475	16.4%
Other Administrative Operating Expenses				
Retailer commissions	29,966,112	25,980,000	3,986,112	15.3%
Other administrative operating expenses	27,003,708	27,273,000	(269,292)	-1.0%
Total other operating expenses	56,969,820	53,253,000	3,716,820	7.0%
Total operating expenses (inclusive of prize expense, net)	373,051,295	324,906,000	48,145,295	14.8%
Operating Income	124,575,125	107,048,000	17,527,125	16.4%
Noncapital Subsidies				
Proceeds to State of Mississippi	(126,598,431)	(109,020,000)	(17,578,431)	16.1%
Operating loss and noncapital subsidies	(2,023,306)	(1,972,000)	(51,306)	2.6%
Nonoperating Revenues (Expenses)				
Other revenue	255,812	16,000	239,812	1498.8%
Interest income	1,810,484	2,000,000	(189,516)	-9.5%
Interest expense	(42,990)	(44,000)	1,010	-2.3%
Total nonoperating revenues (expenses)	$ 2,023,306	$ 1,972,000	$ 51,306	2.6%
Change in net position	-	-	-	0.0%
Net position - beginning of year	-	-	-	0.0%
Net position - ending	-	-	-	0.0%

The Corporation budgeted total operating revenues of $432 million for fiscal year 2026 while actual operating revenues were $497.6 million for the year. These revenue results surpassed the budget by $65.7 million, or 15.2%. Total instant ticket sales for the year were up $11.3 million, or 3.8%, from budget. Total draw-style game sales reached levels above what was anticipated when the fiscal year 2026 budget was approved. The draw-style games that led to revenue surpassing budget were Cash Pop sales up by $21.6 million, or 72.1%, Match 5 up by $2.9 million, or 15.9%, and Powerball up by $19.7 million, or 78.8%, compared to budget.

The Corporation's total operating expenses inclusive of net prize expense were $48.1 million, or 14.8%, more than budget and net prize expenses were $44.4 million, or 16.4% more than budget which is directly related to total operating revenue. Total other administrative operating expenses were up $3.7 million, or 7.0%, and of that retailer commissions expense were up $4.0 million, or 15.3% more than budget which is also directly related to total operating revenue.

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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, 2026, 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 22, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

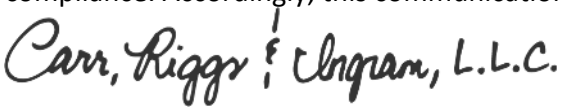
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



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

Ridgeland, Mississippi
September 22, 2026