

MINNESOTA STATE LOTTERY

Annual Comprehensive Financial Report

An Enterprise Fund of the State of Minnesota

For the Fiscal Years Ended June 30, 2025 and 2024

Prepared by
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Chief Financial Officer
Finance Department

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INTRODUCTORY SECTION

December 9, 2025

Mr. Adam Prock, MN Lottery Executive Director
Citizens of the State of Minnesota

INTRODUCTION

I am pleased to transmit the Annual Comprehensive Financial Report of the Minnesota State Lottery for the fiscal year ending June 30, 2025. The Finance Division of the Lottery prepared this report, which provides information about the Minnesota State Lottery, an agency of the State of Minnesota.

The Minnesota State Lottery was created in July 1989 pursuant to authority granted by the Minnesota Legislature. The Lottery is operated as a business enterprise within the framework of State laws and regulations. The Lottery's mission is to "offer fun, innovative and secure games that provide responsible and ethical entertainment." This mission is performed with the utmost integrity to ensure public confidence in the Lottery.

The Lottery is an enterprise fund of the State of Minnesota and is included in the State's Annual Comprehensive Financial Report. Lottery activity is reported using the enterprise fund type. The fund includes all activity for which the Minnesota State Lottery is financially accountable. No data related to any other State agency or fund is included.

The accuracy of the financial data and the completeness of the presentation, including all disclosures, is the responsibility of the Minnesota State Lottery. Additional summarized financial information can also be found in the Management Discussion and Analysis beginning on page 20. To the best of my knowledge and belief, the data is accurate and is reported in a manner designed to fairly present the financial position, results of operations and cash flows of the Minnesota State Lottery. Included are all disclosures necessary to gain an understanding of the Lottery's financial activities.

LOTTERY INDUSTRY

In 1964, New Hampshire established the first state-run lottery to raise money for education. New York followed in 1967. Since then, there have been significant advancements in lottery gaming. In 1971, Automated Wagering implemented the world's first lotto gaming system in New Jersey and Scientific Games developed the first secure scratch ticket in 1973. In 1988, the New York Lottery introduced Keno; then, South Dakota became the first state in the United States to license and regulate video lottery games in 1989. The Minnesota Lottery awarded the first Electronic Instant Ticket contract in February 2014. With the technology in place and lotteries becoming more accepted throughout the United States, there has been a rapid expansion of lotteries and available lottery games. As of June 30, 2025, forty-five states plus the District of Columbia, Puerto Rico and the US Virgin Islands operate a lottery.

LOTTERY PROFILE

Minnesota voted to amend the Minnesota Constitution in 1988 to authorize a state-run lottery. In 1989, the Minnesota Legislature approved lottery legislation establishing the 33rd lottery in the country. The Minnesota State Lottery launched its first scratch game on April 17, 1990. Currently, Lottery net proceeds and proceeds from the in-lieu-of-sales tax on lottery tickets sales are dedicated to the General Fund, which includes funds dedicated to the Department of Human Services for the treatment and prevention of problem gambling; the Environment and Natural Resources Trust Fund; the Game and Fish Fund and the Natural Resources Fund are used to enhance Minnesota's natural resources including fish and game, parks, trails and zoos as well as public education, local government assistance, public safety and other programs. Through fiscal year 2025, the Minnesota State Lottery has provided approximately over $4.2 billion to its beneficiaries.

ECONOMIC CONDITION AND OUTLOOK[1]

The economic outlook for Minnesota, projected in MMB's November 2025 Budget and Economic Forecast, has weakened since MMB's February 2025 Budget and Economic Forecast. Limited growth in employment is forecasted compared to the February forecast. The state's unemployment rate remains below the national rate, and it is anticipated that this will continue throughout the forecast period. Minnesota's job market remains favorable to job seekers, with more vacancies than unemployed workers.

Minnesota's economic outlook is informed by the Standard & Poors Global Market Intelligence (SPGMI) forecasts for both the U.S. and Minnesota, data from the Minnesota Department of Economic and Employment Development (DEED), the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW), Minnesota tax revenues, and additional data from the BLS and the Bureau of Economic Analysis (BEA). The November 2025 Budget and Economic Forecast has been prepared with substantial missing data due to the federal government shutdown, including federal and state labor and employment data for September and October.

Minnesota's payroll employment is estimated to decline by about 3,600 jobs (-0.1 percent) in fiscal year 2026, followed by an increase of 3,000 jobs (0.1 percent) in fiscal year 2027. In fiscal year 2028, an increase of 8,700 jobs (0.3 percent) and an increase of 10,000 jobs (0.3 percent) in fiscal year 2029 is projected.

The state's unemployment rate rose to 3.6 percent in August 2025, up 0.6 percentage points from February 2025, but still 0.7 percentage points below the U.S. unemployment rate. Additionally, broader labor-market indicators suggest the employment outlook is worsening, with the number of long-term unemployed (those unemployed for more than 27 weeks) nearly doubling year-over-year and an increasing number of part-time workers unable to find full-time employment. A lower forecast for international immigration, declining birth rates, and the continuing retirements of Baby Boomers is projected to limit the state's labor force and further constrain employment growth in the coming years. Without sustained worker inflows either from international immigration or domestic migration, Minnesota employers may struggle to fill jobs, potentially slowing the growth of total wage and salary disbursements and constraining the expansion of overall economic activity.

SPGMI projects U.S. real GDP growth will average 1.9 percent per year from fiscal year 2026 through fiscal year 2029, reflecting very low payroll employment growth, low growth in consumption and business

1 Provided by the Minnesota Department of Revenue

investment, and elevated inflation. Minnesota is closely tied to national economic trends, and the current state-level data aligns with that outlook.

With only moderate projected growth in Minnesota employment in the November 2025 Budget and Economic Forecast, average wage growth (growth in wage and salary income per worker) is expected to be the primary driver of growth in total nominal wage income through the forecast horizon. The growth rate in nominal wage and salary income per worker is forecast to increase 4.1 percent in fiscal year 2026, 3.7 percent in fiscal year 2027, 3.7 percent in fiscal year 2028, and 3.7 percent in fiscal year 2029.

The market for existing homes appears healthy. Despite high mortgage rates, new listings in Minnesota were up 3.3 percent in October 2025 compared to the same period last year, and available inventory remained steady at 3.1 months of supply. Home prices in Minnesota also remain at record highs despite high mortgage rates. In October 2025, the median sales price statewide reached $351,000, a 0.9 percent increase compared to the previous year. According to the Federal Housing Finance Agency (FHFA), Minnesota home prices were 4.1 percent higher in the second quarter of 2025 compared to the year prior. On average, Minnesota sellers received 96.9 percent of the original list price at closing.

FINANCIAL INFORMATION

Enterprise Operations: The Minnesota State Lottery operates only enterprise activities, namely sales of lottery tickets to the general public and the related supporting functions of administration, marketing, finance, security, licensing and data processing. No general government functions or operations are managed by the Lottery. Operating revenues in fiscal year 2025 were $708 million.

Budgetary Controls: Budgetary controls for the Minnesota State Lottery are addressed through state laws that provide specific limitations on operation and administrative expenses. For budgetary purposes, the Minnesota State Lottery is classified as an unappropriated special revenue fund. An estimate of expected expenditures is filed annually with Minnesota Management and Budget and is monitored throughout the year. In addition, Lottery financial management staff monitors compliance with Lottery statutes.

Debt Administration: The prize structure of certain scratch games operated solely by the Lottery includes prizes in the form of lifetime annuities. Since 1991, the Lottery has awarded forty-five scratch and lotto game annuity prizes of which twenty-seven are still active. Prior to fiscal year 2004, the Lottery had elected to fund payment of these annuities through the purchase of long-term investments consisting of zero-coupon government securities. The prize annuity obligations were recognized as liabilities equivalent to the estimated present value of the future prize payments discounted at interest rates for government securities. In fiscal year 2004, the Lottery sold the investments used to fund these prizes and purchased lifetime annuities in each winner's name to satisfy its obligation related to the lifetime annuity prizes.

Cash Management: Minnesota Statutes, Section 349A.10, Subdivision 7(a), requires the Lottery to transfer all excess funds to a Lottery cash flow account in the State Treasury. Funds in this account earn interest that is credited monthly to the Lottery's account. Treasury cash is invested by the State Board of Investment. Cash on deposit in the State Treasury and with financial institutions is insured. Cash on deposit with banks is covered up to $250,000 per institution by the Federal Depository Insurance Corporation (FDIC). At times, cash balances may be in excess of the FDIC insurance limit. As a result, the financial institutions are required to pledge collateral to the Lottery in an amount equal to the funds in excess of the FDIC insurance limit.

Risk Management: The Lottery participates in the State's Risk Management Fund for property, liability, crime and automobile insurance coverage. The Lottery pays annual premiums for this coverage. The State's Risk Management Fund covers all claims above the deductible; see note 10 in the financial section.

Internal Control Environment: Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that the accounting system allows compilation of accurate and timely financial information. Internal controls are subject to inherent limitations the most basic of which are the costs versus the benefits of each control. The structure is designed to provide reasonable rather than absolute assurance that the financial statements are free from any material misstatements.

To enhance controls over accounting procedures, the Lottery has segregated the following functions: human resources and payroll, purchasing, accounts payable and accounts receivable, and general ledger. Data input and processing are separate from system programming and management provides approval and oversight. In addition, external auditors review certain areas of operation in conjunction with their internal control and financial statement audit and report their findings to the Lottery's Executive Director.

Since the Lottery manages valuable ticket inventory, controls lotto gaming materials and monitors the disbursement of prizes, the following steps are taken to ensure the integrity and accountability of Lottery's operations:

- Hiring specialized security and law enforcement staff.
- Maintaining secure Lottery facilities and limiting access to them.
- Performing background checks on retailers, contractors and Lottery employees.
- Printing and approving Lottery tickets that have special inks, dyes and security codes.
- Providing detailed procedures for all games, including lotto games' drawings.
- Hiring an independent CPA firm to witness, audit and certify drawings.
- Providing and monitoring physical and logical access controls to the computer systems.

As of June 30, 2025, the Lottery had 144 permanent, full-time (equivalent) employees distributed among the Roseville headquarters and the three regional offices.

LOTTERY PRODUCTS

The Minnesota State Lottery has introduced 16 lotto games and numerous scratch games since its inception. In fiscal year 2025, the Lottery introduced a variety of 46 new scratch games and provided players the opportunity to participate in eight types of lotto games, including three types of Progressive Print-N-Play® games. Additionally, the Lottery offers various multiplier and instant win options that can be added to specific lotto game purchases.

Pick 3, formerly Daily 3 Minnesota's first and longest running game, is a lotto game introduced in August 1990. Players choose three numbers from 0 to 9, the type of play and the amount to wager. There are eight different ways to play and a player can win by matching one, two or all three numbers with wagers ranging from $.50 to $5. Depending on the type of play, prizes range from $5 to $500. Drawings are held seven days a week. Pick 3 sales were approximately 3.0 percent of total fiscal year 2025 sales.

The Minnesota Lottery developed and introduced Print-N-Play® games in 2004. The games combine the instant win aspect of scratch games with the look of a lotto game. Generated by the lotto terminal, the tickets are quick to produce and easy to redeem since players do not have to wait for a future drawing to see if they win. In fiscal year 2011 the Print-N-Play name was changed to Progressive Print-N-Play™. Three popular games are available (bingo, crossword and slots) in price points of $1, $3 and $5. Each game shares the progressive rolling jackpot in addition to instant cash prizes. The jackpot starts at $5,000 and progressively grows higher with each ticket sold. Progressive Print-N-Play sales were approximately 2.1 percent of total fiscal year 2025 sales.

Gopher 5® is a lotto game introduced in May 1991 and revised in October 2008, by increasing the weekly drawings from 2 to 3. Players select five numbers from 1 to 47 and win by matching two, three, four or all five of the numbers drawn. The prizes awarded for matching the five numbers selected and winning the grand prize, are determined on a pari-mutual basis starting at $100,000 in the grand prize pool. In addition, prizes of $500, $15 and $1 are awarded for matching 4 of 5 numbers, 3 of 5 numbers and 2 of 5 numbers, respectively. Each ticket costs $1 per play, per draw, and drawings are held on Monday, Wednesday and Friday each week. Gopher 5 sales were approximately 2.7 percent of total fiscal year 2025 sales.

North 5®, formerly Northstar Cash®, was introduced on October 7, 2003. For $1, players select five numbers from 1 to 34 for a chance to win the jackpot that starts at $25,000 and grows until won. The jackpot is paid in cash and if there is more than one winner, the jackpot is divided equally among all winning tickets. In addition, prizes of $50, $5 and $1 are awarded for matching 4 of 5 numbers, 3 of 5 numbers and 2 of 5 numbers, respectively. Drawings are held seven days a week immediately following the Pick 3 drawing. North 5 sales were approximately 1.7 percent of total fiscal year 2025 sales.

On January 9, 2025, EZ Match™ was introduced as an add-on feature to the North 5 game. For an additional $1 per play, players receive five additional numbers on their North 5® ticket. If a player matches any of their EZ Match™ numbers to any of the North 5® draw numbers on their ticket, they win the corresponding EZ Match™ prize. EZ Match™ prizes range from $2 to $500. There's no drawing associated with the EZ Match™ feature so prizes can be claimed instantly.

Introduced in 1992, Powerball® is a lotto game sold by 48 U.S. lotteries. Players pick five numbers from 1 to 69 and one number from 1 to 26 (the Powerball). Players win the jackpot by matching all five numbers plus the Powerball. Currently, starting jackpots are established based on game sales and interest rates, with no fixed minimum increase amount. The jackpots are paid either in a cash lump sum equal to the discounted present value of the annuitized jackpot amount or 30 annual payments (graduated) over 29 years. In addition, there are eight secondary fixed prizes ranging from $4 to $1 million.

Powerball has gone through several revisions in its lifetime and has reached record jackpot levels. In November 2022, the Powerball jackpot reached a record $2.0 billion. Drawings are held on Monday, Wednesday and Saturday each week. Powerball sales were approximately 6.3 percent of total fiscal year 2025 sales.

Introduced in March 2001, Power Play® is an enhancement to Powerball. For an additional $1 per play, players can multiply their non-jackpot prizes by 2 to 5, or 10 times. The 10X multiplier is in play only when the advertised jackpot annuity is $150 million or less. The Match 5 prize with Power Play is always $2 million. Power Play sales are approximately 0.5 percent of total fiscal year 2025 sales.

Introduced on January 31, 2010, Mega Millions® is sold in 47 U.S. lotteries under a joint selling agreement with the Mega Millions group. Starting jackpots were established based on game sales and interest rates, with no fixed minimum increase amount. There are eight secondary prizes of fixed amounts ranging from $2 to $1,000,000. The cost per ticket was $2 per play, per draw, and players had to pick five numbers from 1 to 70 and one Mega Ball number from 1 to 25. For an additional $1 per play, players could multiply their non-jackpot prizes by 2 to 5 times with the Megaplier® option. However, effective April 5, 2025, the Mega Millions® game was revised to $5 per play and players pick five numbers from 1 to 70 and one Mega Ball number from 1 to 24. Each line of play automatically includes a built-in randomly generated multiplier of 2X-5X or 10X. Every non-jackpot win multiplies its base prize by the multiplier number on the player's ticket. The starting jackpot is $50 million and there are eight addition ways to win ranging from $10 to $10 million. The payment of jackpots is either in a cash lump sum equal to the discounted present value of the annuitized jackpot amount or 30 annual payments (graduated) over 29 years. Drawings take place twice weekly on Tuesday and Friday. Mega Millions® sales were approximately 5.5 percent of total fiscal year 2025 sales.

Megaplier® was launched on January 31,2010, with Mega Millions® and was amended on October 22, 2013. For an additional $1 per play, players can multiply their non-jackpot prizes by 2 to 5 times. However, on April 5, 2025, Megaplier® ended when the Mega Millions® game was revised. Megaplier® sales were approximately .3 percent of total fiscal year 2025 sales.

The original Lotto America® game was launched in 1988 by the Multi-State Lottery Association and ended on April 18, 1992. Lotto America® relaunched on November 12, 2017. Currently, there are 16 participating states. Starting jackpots and roll amounts are determined by sales and interest rates. Lotto America® jackpots typically start at $2 million and grow in $50,000 increments until the guaranteed jackpot is fully funded and then grows, based on sales, until the jackpot is won. In addition, there are eight secondary prizes of fixed amounts ranging from $2 to $20,000. Each ticket costs $1 per play, per draw. Players must choose 5 numbers from a set of 52 numbers and 1 number from a set of 10 numbers for the Lotto America Star Ball®. Players win the jackpot by matching all five numbers plus the

Lotto America Star Ball®. Drawings take place each Monday, Wednesday and Saturday's, before the Powerball drawing. Lotto America® sales were approximately 2.4 percent of total fiscal year 2025 sales.

Lotto America All Star Bonus® also launched on November 12, 2017. For an additional $1 per play, players can multiply their non-jackpot prizes by 2 to 5 times (players can win $4 to $100,000). Drawings take place each Monday, Wednesday and Saturday's, after the Powerball drawing. Lotto America All Star Bonus® sales were approximately 0.4 percent of fiscal year 2025 sales.

The Lottery introduced its first raffle game in fiscal year 2007. The Minnesota Millionaire Raffle® is a lotto game that was established to sell 500,000 $10 tickets. Starting in fiscal year 2024, the number of tickets was increased from 700,000 to 800,000. Each ticket has a unique six-digit number between 000001 and 800000 and is issued via a retailer terminal. On the draw date, tickets matching the numbers drawn win a range of cash and non-cash prizes including two grand prizes of $1,000,000 each. Currently, the raffle game offers over 15,000 all-cash prizes that range from $50 to $1,000,000. During fiscal year 2026 Raffle will be changing. Minnesota Millionaire Raffle sales were approximately 1.0 percent of total sales in fiscal year 2025.

The Lottery launched its first scratch game on April 17, 1990. Players play by scratching off the latex covering the ticket play area. There are different ways to win a scratch game including matching three like dollar amounts, symbols or letters, or adding up numbers to a specified total. If the correct combination appears, the player wins the corresponding prize listed for the specific game. Scratch games offer a wide variety of game themes and were the first products offered to Minnesota Lottery players. Ticket costs range from $1 to $50. Scratch games provided approximately 74.0 percent of total fiscal year 2025 sales.

LOTTERY BENEFICIARIES

In fiscal year 2025, the Minnesota State Lottery transferred $161.6 million to the State of Minnesota. The State Legislature had determined that the money is to be distributed as follows:

General Fund: 60 percent of Lottery net proceeds, 100 percent of unclaimed prizes and 15.4 percent of in-lieu-of-sales taxes were transferred to the State General Fund in fiscal year 2025. Public education, local government assistance and public safety are just a few of the programs that receive funding from the General Fund. In fiscal year 2025, $82.3 million was transferred to the General Fund.

Environment and Natural Resources Trust Fund: 40 percent of Lottery net proceeds were dedicated to the Environment and Natural Resources Trust Fund, a permanent fund established in the Minnesota Constitution. The Constitution requires that the Trust Fund receive Lottery proceeds through December 2050. Lottery proceeds are the primary source of funds used to build the principal of the Trust Fund; the Minnesota Constitution provides up to 5.5 percent of the market value of the fund, which can be utilized for projects each year. The Trust Fund is used to fund projects of long-term benefit to Minnesota's environment and natural resources and is administered by the Legislative Citizen's Commission on Minnesota Resources (LCCMR). For the fiscal year 2026 and 2027 biennium, the Legislature made available $103 million for funding from the Environment and Natural Resources Trust Fund. In fiscal year 2025, 124 appropriations totaling $103.3 million were signed into law:

- Foundational Natural Resource Data and Information ($22.1 million)

- Water Resources ($11.8 million)
- Environmental Education ($11.9 million)
- Aquatic and Terrestrial Invasive Species ($6.7 million)
- Air Quality, Climate Change, and Renewable Energy ($11.7 million)
- Methods to Protect, Restore, and Enhance Land, Water, and Habitat ($12.2 million)
- Land Acquisition, Habitat, and Recreation ($19.6 million)
- Administrative and Emerging Issues ($7.3 million)

Since 1991, the Environment and Natural Resources Trust Fund has provided approximately $1.1 billion to over 1,700 projects around the State. In fiscal year 2025, $38.9 million was transferred to the Fund. Over the years the Lottery has contributed approximately $1.112 billion to the Fund that has grown in excess of $2.2 billion.

Game and Fish Fund: 38.8 percent of the Lottery's in-lieu-of-sales tax was dedicated to the Game and Fish Fund for activities that improve, enhance or protect fish and wildlife resources, including conservation, restoration and enhancement of land, water and other natural resources of the State. In fiscal year 2025, the Lottery transferred $17.8 million to the Game and Fish Fund.

Natural Resources Fund: 45.8 percent of the Lottery's in-lieu-of-sales tax was dedicated to the Natural Resources Fund for State and Twin Cities metropolitan area parks and trails, local trails and the Minnesota Zoological Garden, Como Zoo and Duluth Zoo. In fiscal year 2025, the Lottery transferred $21.1 million to the Natural Resources Fund.

ACCOMPLISHMENTS AND SIGNIFICANT EVENTS

In fiscal year 2025 the Minnesota State Lottery:

- Sales for the year of $708.4 million.
- Paid out prizes of $444.8 million, a 62.8 percent payout.
- Paid retailers $47.2 million in commissions and incentives
- Transferred $161.6 million to State of Minnesota beneficiaries. Funds were transferred as follows:
    - General Fund, $82.3 million
    - Environment and Natural Resources Trust Fund, $38.9 million
    - Game and Fish Fund, $17.8 million
    - Natural Resources Fund, $21.1 million
    - Problem Gambling Fund, $1.5 million
- Mega Millions Game Changes
- North 5 with EZ Match
- Conducted an RFP for Website Design
- Windows 11 Rollout
- GAVIA to Cloud Migration
- Conduct an RFP for a new Central Gaming System
- Implemented an agency-wide Business Continuity/COOP drill
- Implemented new FBI Background check process for retailers
- Conducted Small Package RFP

The Minnesota State Lottery has generated over $4.2 billion for the State of Minnesota since sales began on April 17, 1990, with proceeds enhancing Minnesotans' quality of life.

GFOA CERTIFICATE OF ACHIEVEMENT

For twenty-two years in a row, the Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Minnesota State Lottery for its Annual Comprehensive Financial Report (ACFR). In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

FUTURE LOTTERY PROJECTS

- New intranet launched for employees.
- Gopher 5 with EZ Match
- Progressive Print N Play rebranded to Fast Play.
- Develop and Complete a SCSU gambling study.
- Design a new website
- Implement Electronic Data Repository Management System
- Award RFP winner for Central Gaming System and start Design Implementation
- Human Resources to implement a Succession Planning Program
- Implementing an HR Action Request Tracking System
- Continue refining the process for retailers for FBI background checks
- Secure Printing
- Minnesota Millionaire Raffle games changes (20th anniversary)
- Development for Powerball NFL Game (due to launch in August 2026)

INDEPENDENT AUDIT

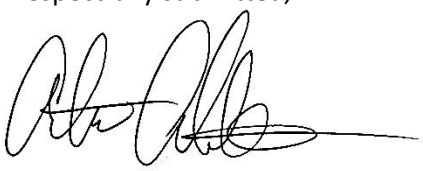
Minnesota statutes require an annual audit by an independent certified public accountant. The independent auditor's opinion on the Minnesota Lottery's financial statements for the year ending June 30, 2025, is included in the financial section of this report.

ACKNOWLEDGEMENTS

A special note of thanks to the Finance Department including: Jennifer Evangelista, Steffany Davis, Kerstin Harelson, Mario Ricci, Tatyana Stewart, John Rugroden, Jennifer Schelin and Timoth Skubic. Preparation of this report would not be possible without the efficiency and dedication of the entire Finance Department.

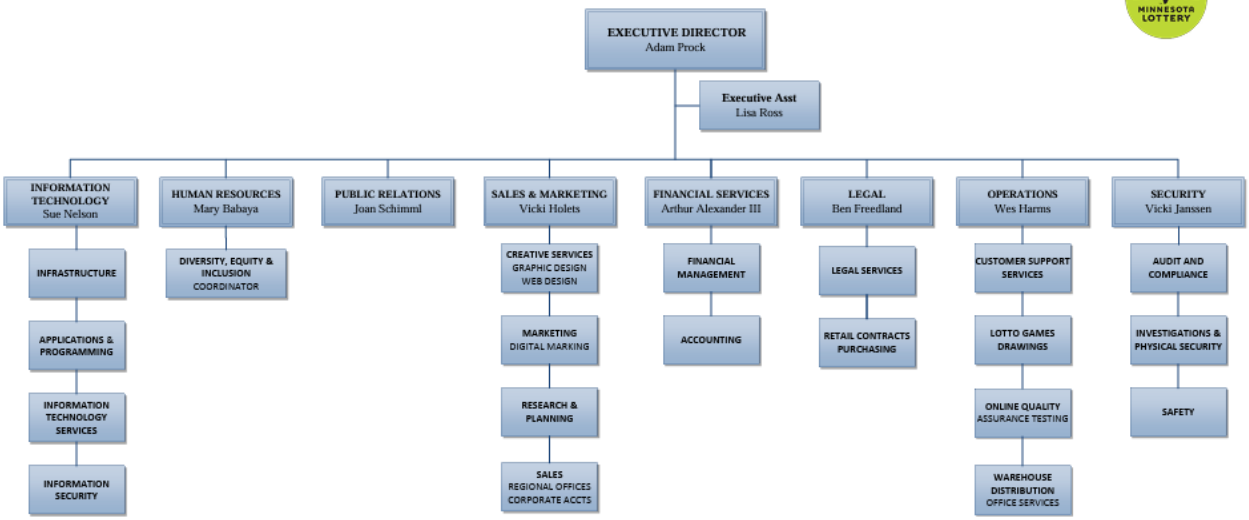
Publishing this Annual Comprehensive Financial Report reflects the Finance Department's commitment to maintaining the Minnesota State Lottery's financial statements and record-keeping systems in conformance with the highest standards of accountability.

Respectfully submitted,



Arthur Alexander, III
Chief Financial Officer

Minnesota Lottery Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota State Lottery

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO



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INDEPENDENT AUDITOR'S REPORT

The Director
Minnesota State Lottery
Roseville, Minnesota

Report on the Financial Statements

Opinion

We have audited the financial statements of the Minnesota State Lottery, an Enterprise Fund of the State of Minnesota, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Minnesota State Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Minnesota State Lottery, as of June 30, 2025 and 2024, and the changes in financial position and cash flows thereof 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 (GAAS) 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 Minnesota State Lottery 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.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Minnesota State Lottery, an Enterprise Fund of the State of Minnesota, and do not purport to, and do not present fairly the financial position of the State of Minnesota, as of June 30, 2025 and 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Notes 2 and 17 to the financial statements, the Lottery adopted new accounting guidance prescribed by Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences effective July 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Minnesota State Lottery's 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 Minnesota State Lottery's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAAS 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 GAAS 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 Minnesota State Lottery'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 Minnesota State Lottery's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 6 and Schedule of Minnesota State Lottery's Share of Net Pension Liability, Schedule of Minnesota State Lottery's Contributions and Schedule of Changes in the Minnesota State Lottery's Total OPEB Liability and Related Ratios on pages 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2025 on our consideration of the Minnesota State Lottery'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 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 Minnesota State Lottery'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 Minnesota State Lottery's internal control over financial reporting and compliance.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

October 2, 2025
Minneapolis, MN

Overview of the Financial Statements

This discussion and analysis include an overview of financial activities regarding the financial performance of the Minnesota State Lottery (the Lottery) for the fiscal year ended June 30, 2025 and comparison for the two previous fiscal years ended June 30, 2024 and June 30, 2023. The management discussion and analysis should be read in conjunction with the transmittal letter and supplementary information included in this report. This report consists of three parts: management's discussion and analysis, the basic financial statements and the notes to the financial statements. Included below and on the following pages are the financial highlights, summary of contributions to the State, summary results of operations and a condensed statement of net position for the years ended June 30, 2025, 2024 and 2023. GASB Statement No. 101 "Compensated Absences" was issued June 2022. This statement updates the recognition and measurement guidance for compensated absences. See footnotes 2, 7 and 17.

Financial Highlights

The Minnesota State Lottery had operating revenues of $708.4 million in fiscal year 2025 and contributed $161.6 million to the State. Contributions to the State were down compared to last year, due to decreasing operating revenues.

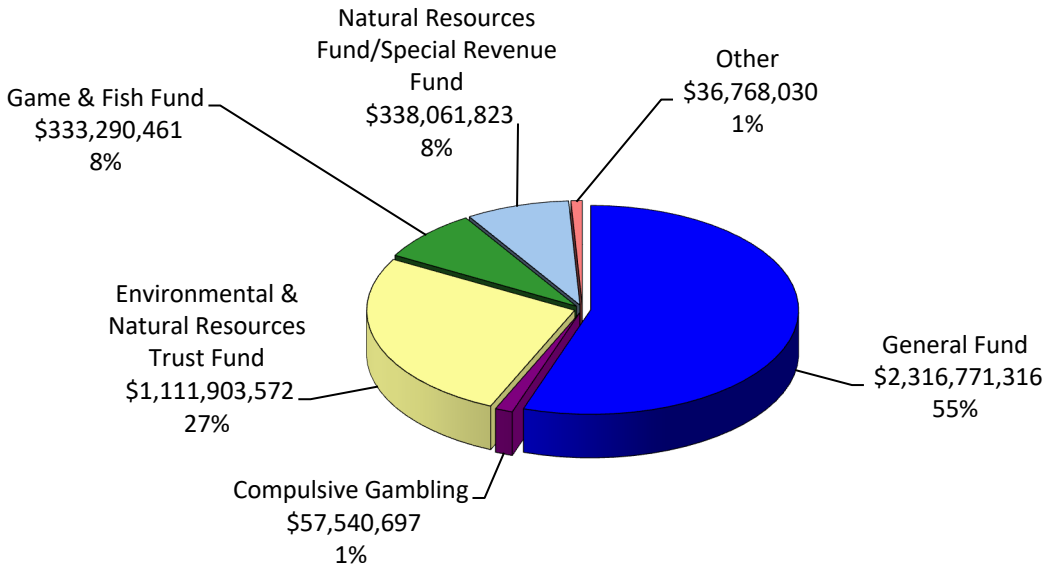
Summary of Contributions to the State

The Lottery contributed $161.6 million to the State in fiscal year 2025. This was a $34.9 million or a 17.7% decrease from 2024. The following table provides detail on the total amounts transferred to the State as well as the source of the transfers provided to the State.

Summary of Contributions to the State

	2025	2024	2023
Net proceeds to the State	**$97,327,129**	$126,801,973	$129,739,366
In-lieu-of-sales tax	**46,039,523**	50,422,811	51,165,544
Compulsive gambling contribution	**1,499,891**	1,513,205	1,459,580
Unclaimed prizes to the State	**16,783,025**	17,786,515	13,723,549
Total paid to the State	**$161,649,568**	$196,524,504	$196,088,039

The Lottery has contributed $4.2 billion to the State since inception.



Summary Results of Operations

	2025	2024	2023
Gross receipts	**$ 662,347,740**	$ 725,429,560	$ 736,137,171
Prizes, commissions and ticket costs	**510,788,736**	548,963,049	561,230,421
Gross profit	**151,559,004**	176,466,511	174,906,750
Operating expenses	**35,670,749**	33,258,620	30,125,372
Operating income	**115,888,255**	143,207,891	144,781,378
Non-operating revenues (expenses):			
Interest earned on investments	**2,188,790**	2,976,801	1,851,121
Unused compulsive gambling contribution	**736,109**	722,795	776,420
Payments to state (not including in lieu of sales tax)	**(116,346,154)**	(146,824,488)	(145,698,915)
Total non-operating expense	**(113,421,255)**	(143,124,892)	(143,071,374)
Change in net position	**2,467,000**	82,999	1,710,004
Net position at beginning of year	**(4,225,000)**	(4,307,999)	(6,018,003)
Net position at end of year	**$ (1,758,000)**	$ (4,225,000)	$ (4,307,999)

Operating Income:

Operating Income has decreased by $27.3 million in 2025 from 2024. Gross receipts decreased by $63.1 million or 8.7% due to decreased lotto sales by $67.0 million. Direct costs which include prizes, commissions and ticket costs as a percent of gross were 77.1% in 2025 as compared to 75.7% in 2024.

Operating Income has decreased by $1.6 million in 2024 from 2023. Gross receipts decreased by $10.7 million or 1.4% due to decreased scratch sales by $20.7 million. As a result of lower gross receipts operating income decreased by $1.6 million. Direct costs which include prizes, commissions and ticket costs as a percent of gross were 75.7% in 2024 compared to 76.2% in 2023.

Operating Expenses:

Operating Expenses increased by $2.4 million in 2025 from 2024. The increase is primarily due to additional amortization and depreciation expense associated with new headquarters lease at Roseville and the way it is accounted for through GASB 87., along with furniture other costs related to the remodel which were capitalized.

Operating Expenses increased by $3.1 million in 2024 from 2023. This primarily due to higher salaries and benefit costs due to cost-of-living adjustments and staffing closer to budgeted levels which resulted in a $3.1 million increase along with restating GASB 101 for Compensated Absences.

Gross Receipts by Game:

	2025	2024	2023
Scratch ticket sales	**$ 524,463,742**	$ 524,928,373	$ 545,670,840
Lotto ticket sales			
Pick 3®	**21,171,854**	21,539,047	20,829,926
Gopher 5®	**19,466,098**	22,824,352	18,612,995
Powerball®	**44,514,528**	104,042,194	89,002,098
Powerball® Power Play®	**3,545,530**	6,259,623	4,809,386
Mega Millions®	**38,758,960**	53,554,894	60,529,874
Mega Millions® Megaplier®	**2,313,261**	3,363,454	3,211,102
North 5®	**12,032,795**	9,618,093	10,726,284
Minnesota Millionaire Raffle®	**7,998,860**	7,999,380	6,999,050
Lotto America®	**16,807,096**	9,793,383	16,009,153
Lotto America® All Star Bonus®	**2,600,055**	1,628,910	2,278,671
Progressive Print-N-Play®	**14,627,576**	10,183,845	8,482,843
Total lotto ticket sales	**183,836,613**	250,807,175	241,491,382
Operating revenue	**708,300,355**	775,735,548	787,162,222
Other income	**86,908**	116,823	140,493
Total operating revenue	**708,387,263**	775,852,371	787,302,715
Less in-lieu-of-sales tax	**46,039,523**	50,422,811	51,165,544
Gross receipts	**$ 662,347,740**	$ 725,429,560	$ 736,137,171

Scratch Games:
Scratch games sales accounted for 74.0% of operating revenue in fiscal year 2025, up from 67.7% in 2024. Total scratch sales were flat compared to 2024.

Scratch game sales accounted for 67.7% of operating revenue in fiscal year 2024, down from 69.3% in 2023. Total scratch sales were down $20.7 million compared to 2023. The decrease in scratch sales was all in the first six months of the fiscal year. The last six months exceeded fiscal year 2022 by $8.8 million. The first three months of the fiscal year scratch sales were outperforming 2023 then sales dropped off. Most US Lottery's saw a reduction in scratch sales during fiscal year 2024.

Lotto Games:
Lotto sales saw a drastic decrease of $67.0 million in 2025 compared to 2024. This was attributed to five large jackpot runs in fiscal 24 and only one large jack pot run during fiscal year 25 between Powerball and Mega Millions.

Lotto sales saw a modest increase of $9.3 million in 2024 from 2023.

Summary

Condensed Statements of Net Position:

	2025	2024	2023
Assets:			
Cash and cash equivalents	**$ 33,451,368**	$ 42,323,363	$ 37,580,849
Receivables	**6,213,125**	4,924,193	8,676,284
Inventory and prepaid expenses	**2,236,188**	2,863,724	2,615,655
Capital assets	**4,268,617**	1,279,617	916,953
Right-to-use asset	**13,784,466**	14,876,259	3,105,784
Total Assets	**59,953,764**	66,267,156	52,895,525
Deferred outflows	**2,728,000**	3,382,000	4,573,000
Liabilities:			
Due to state and state agencies	**20,611,240**	24,295,169	21,090,907
Accounts payable and current accrued expenses	**8,625,736**	9,209,639	10,599,689
Prize liability	**13,745,667**	17,360,012	18,400,681
Lease and subscription liability	**14,896,164**	14,876,259	3,105,784
Long-term accrued expenses	**2,846,000**	5,442,592	6,598,805
	60,724,807	71,183,671	59,795,866
Deferred inflows	**3,714,957**	2,690,485	1,980,658
Net position:			
Unrestricted net position	**(4,914,918)**	(5,504,617)	(5,224,952)
Net investment in capital assets	**3,156,918**	1,279,617	916,953
Net position	**$ (1,758,000)**	$ (4,225,000)	$ (4,307,999)

Net Position

Minnesota State Lottery's net position at the end of fiscal year 2025 was $(1.8) million, 2024 was $(4.2) million and 2023 was $(4.3) million. All negative net position is attributable to the offset of the net pension liability and recognition of post-employment benefits liability.

Cash and Cash Equivalents and Receivables:

The total of cash and cash equivalents and receivables decreased by $7.6 million from 2025 to 2024. This decrease was all due to lower sales volume and operational activities.

The total of cash and cash equivalents and receivables increased by $990 thousand from 2024 to 2023. This was primarily due to operational activities.

Capital Assets and Other Assets:

Net Capital assets increased by $3.0 million. Purchase of capital assets totaled $3.8 million comprised of $529 thousand in office equipment, $2.1M in office furniture and equipment, $218 thousand in computer equipment, $1.1 million in vehicles and $377 thousand in leasehold improvements offset by $830 thousand in depreciation.

During fiscal year 2025 Net Right-to-Use Assets decreased by $1.0 million due to payments and amortization of those assets. For a more detailed explanation see Footnotes 2, 5, 9 and 16.

Net Capital assets increased by $363 thousand in 2024 versus 2023. Purchased of capital assets totaled $767 thousand comprised of $5 thousand in office equipment, $289 thousand in software, $434 thousand in computer equipment and $39 thousand in warehouse equipment.

During fiscal year 2024 Net Right to Use Assets increased by $11.8 million due to entering into a new long term building lease arrangement. For a more detailed explanation see Footnotes 2, 5, 9 and 16.

Due to State and State Agencies:

Payment due to state at the end of fiscal year 2025 was $3.6 lower than fiscal year 2024. This was primarily due to lower net proceeds due.

Payment due to state at the end of fiscal year 2024 was $3.1 million higher than fiscal year 2023. This was primarily due to higher unclaimed prizes.

Prize Liability:

Prize Liability decreased by $3.6 million from 2024 to 2025 due to mid and high tier scratch game prizes.

Prize Liability decreased by $1.0 million from 2023 to 2024 due to mid and high tier scratch game prizes.

Accounts Payable and Current Accrued Expenses:

During fiscal year 2025 accounts payable and accrued expenses decreased by $583 thousand from 2024 due to recognizing slight decreases in prizes payable and sales tax payable.

Accounts payable and current accrued expenses decreased slightly by $1.4 million from fiscal year 2024 to 2023.

MINNESOTA STATE LOTTERY

JUNE 30

	2025	2024
Assets:		
Current assets:		
Cash and cash equivalents (Note 3)	**$ 33,451,368**	$ 42,323,363
Accounts receivable, net (Note 4)	**6,039,897**	4,685,109
Interest receivable	**173,228**	239,084
Scratch ticket inventory	**1,684,645**	2,157,465
Prepaid expense	**551,543**	706,259
Total current assets	**41,900,681**	50,111,280
Non-current assets:		
Capital assets, net (Note 5)	**4,268,617**	1,279,617
Right-to-use assets, net (Note 5)	**13,784,466**	14,876,259
Total non-current assets	**18,053,083**	16,155,876
Total assets	**59,953,764**	66,267,156
DEFERRED OUTFLOWS (Notes 14 and 15)	**2,728,000**	3,382,000
Liabilities:		
Current liabilities:		
Net proceeds due to state (Note 8)	**$ 3,828,215**	$ 6,508,654
Unclaimed prizes due to state (Note 6)	**16,783,025**	17,786,515
Accounts payable	**2,304,501**	2,855,177
In-lieu-of-sales tax payable	**3,529,457**	3,637,604
Prize liability	**13,745,667**	17,360,012
Accrued salaries and benefits payable, current (Note 7)	**2,398,758**	2,201,634
Lease and subscription liability (Note 9)	**2,352,398**	1,822,104
Deferred revenue	**393,019**	515,224
Total current liabilities	**45,335,040**	52,686,924
Accrued benefits payable, net of current portion (Note 7)	**2,755,000**	2,788,592
Lease and subscription liability, net of current portion (Note 9)	**12,543,767**	13,054,155
Net pension liability (Note 14)	**91,000**	2,654,000
Total non-current liabilities	**15,389,767**	18,496,747
Total liabilities	**60,724,807**	71,183,671
DEFERRED INFLOWS (Notes 14, 15, and 16)	**3,714,957**	2,690,485
Net position:		
Net investments in capital assets (Note 8)	**3,156,918**	1,279,617
Unrestricted	**(4,914,918)**	(5,504,617)
Total net position	**$ (1,758,000)**	$ (4,225,000)

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION

MINNESOTA STATE LOTTERY

YEARS ENDED JUNE 30

	2025	2024
Operating revenues:		
Scratch ticket sales	**$ 524,463,742**	$ 524,928,373
Online ticket sales	**183,836,613**	250,807,175
Other income	**86,908**	116,823
Total operating revenues	**708,387,263**	775,852,371
Less: in-lieu-of-sales tax	**46,039,523**	50,422,811
Gross receipts	**662,347,740**	725,429,560
Direct costs:		
Scratch ticket prizes	**355,235,128**	352,737,038
Online ticket prizes	**89,550,265**	123,430,640
Online vendor expense	**10,770,703**	14,369,675
Ticket costs	**7,995,948**	7,448,072
Retailer commissions and incentives (Note 12)	**47,236,692**	50,977,624
Total direct costs	**510,788,736**	548,963,049
Gross profit	**151,559,004**	176,466,511
Operating expenses:		
Advertising (Note 13)	**7,765,822**	7,609,301
Salaries and benefits (Note 14)	**16,251,059**	16,100,887
Promotion	**1,244,954**	1,318,051
Purchased services	**2,512,620**	1,984,814
Communication	**549,258**	513,979
Occupancy costs	**348,722**	286,343
Supplies and materials	**1,379,461**	1,082,966
Computer and software maintenance	**907,601**	916,533
Depreciation/amortization	**4,167,603**	2,892,258
Other expense	**543,649**	553,488
Total operating expenses	**35,670,749**	33,258,620
Operating income	**115,888,255**	143,207,891
Nonoperating revenue (expense):		
Interest earned on investments	**2,188,790**	2,976,801
Compulsive gambling contribution from prize fund (Note 10)	**(1,499,891)**	(1,513,205)
Unclaimed prizes to state (Note 6)	**(16,783,025)**	(17,786,515)
Net proceeds to state (Note 8)	**(97,327,129)**	(126,801,973)
Total nonoperating revenue (expense)	**(113,421,255)**	(143,124,892)
Change in net position	**2,467,000**	82,999
Net position at beginning of year (Note 8)	**(4,225,000)**	(4,307,999)
Net position at end of year (Note 8)	**$ (1,758,000)**	$ (4,225,000)

See notes to financial statements

MINNESOTA STATE LOTTERY

YEARS ENDED JUNE 30

	2025	2024
Cash flows from operating activities:		
Cash received from:		
Customers	**$ 707,034,834**	$ 779,246,499
Other income	**86,908**	116,823
Payments to:		
State (in-lieu-of-sales tax)	**(46,147,670)**	(50,594,467)
Employees	**(17,183,527)**	(16,001,627)
Suppliers	**(33,993,583)**	(36,645,710)
Retailers	**(47,236,692)**	(50,977,624)
Prize winners	**(448,399,738)**	(477,208,347)
Net cash provided by operating activities	**114,160,532**	147,935,547
Cash flows from non-capital financing activities:		
Net proceeds paid to state	**(100,007,568)**	(127,660,677)
Compulsive gambling contribution transfer	**(1,499,891)**	(1,513,205)
Unclaimed prizes transfer	**(17,786,515)**	(13,723,549)
Net cash used in non-capital financing activities	**(119,293,974)**	(142,897,431)
Cash flows from capital and related financing activities:		
Payments on lease and subscription liabilities	**(2,225,183)**	(2,487,508)
Purchases of capital assets	**(3,825,584)**	(767,414)
Proceeds on sale of capital assets	**57,568**	6,670
Net cash used in capital financing activities	**(5,993,199)**	(3,248,252)
Cash flows provided by investing activities, investment income	**2,254,646**	2,952,650
Net (decrease) increase in cash and cash equivalents	**(8,871,995)**	4,742,514
Beginning of year cash and cash equivalents	**42,323,363**	37,580,849
End of year cash and cash equivalents	**$ 33,451,368**	$ 42,323,363
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 115,888,255**	$ 142,069,891
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	**4,167,603**	2,892,258
Gain on the disposal of capital assets	**(51,705)**	(6,670)
Change in retirement activity	**(1,121,000)**	1,159,000
Net change in assets and liabilities:		
Inventory	**472,820**	(190,205)
Accounts receivable	**(1,354,788)**	3,776,242
Prepaid expenses	**154,716**	(57,864)
Other current liabilities	**(592,496)**	(681,263)
Change in deferred - lease	**211,471**	14,826
Prize awards payable	**(3,614,344)**	(1,040,668)
Net cash provided by operating activities	**$ 114,160,532**	$ 147,935,547
Supplemental non-cash capital and related financing activities:		
Right-to-use assets acquired through lease / subscription liabilities	**$ 12,766,794**	$ 14,257,000
Right-to-use remeasurement deletions	**$ (10,820,452)**	
Right-to-use remeasurement additions	**$ 298,746**	
Lease receivable additions	**$ 258,183**	

1. ORGANIZATION OF THE MINNESOTA STATE LOTTERY

In 1988, Minnesotans voted to amend their Constitution to authorize a State-run lottery. In 1989, the Legislature approved and the Governor signed Minnesota Statutes Chapter 349A into law, officially creating the Minnesota State Lottery, the 33rd lottery in the country.

The Minnesota State Lottery (the Lottery), an Enterprise Fund of the State of Minnesota, is under the supervision and control of the Director of the Lottery, who is appointed by the Governor with the advice and consent of the Senate. The Lottery net proceeds and proceeds from the in-lieu-of-sales tax on ticket sales are dedicated to the General Fund, the Environmental and Natural Resources Trust Fund, the Game and Fish Fund, and the Natural Resources Fund. The funds are used to enhance the State's natural resources as well as public education, local government assistance, and public safety.

The financial statements present only the Minnesota State Lottery, an Enterprise Fund of the State of Minnesota and do not purport to, and do not present the financial statements of the State of Minnesota.

Lottery revenue is generated by sales of scratch games and lotto games that include: Pick 3®, North 5 ®, Progressive Print-N-Play®, Gopher 5®, Powerball®, Powerball® Power Play®, Mega Millions®, Mega Millions® Megaplier®, Lotto America®, Lotto America® All Star Bonus® and the Minnesota Millionaire Raffle® game.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lottery is an agency of the State of Minnesota using proprietary type enterprise accounting. The financial statements are prepared in accordance with generally accepted accounting principles as applicable to governmental units. Following are the significant accounting policies:

(a) Basis of accounting

The financial statements of the Lottery have been prepared on the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recognized as incurred.

(b) Budgetary data

The Lottery is not legally required to adopt a budget and therefore budgetary comparison schedules are not included as supplementary information.

(c) Measurement focus

A proprietary fund is accounted for using the "economic resources" measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of the Lottery are included in the statements of net position. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Operating revenues and expenses

Operating revenues and expenses for a proprietary fund such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues are derived from providing various types of games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses.

Packs of scratch tickets are consigned to retail sales outlets and revenue is recognized upon settlement of ticket packs by retailers and are recorded at the sale price to the consumer. Sales of lotto tickets are recognized as operating revenue on the date of the draw for which the tickets were purchased. Revenues from future lotto ticket draw sales are not recognized until the date of the draw for which the tickets were purchased.

(e) Nonoperating revenue and expense

Nonoperating revenues are derived primarily from interest earned on cash balances held in the State Treasury and reserves held at the Multi State Lottery Association. Nonoperating expenses consist of appropriations required by law or statute, including the net proceeds to the State.

(f) Cash and cash equivalents

Cash and cash equivalents include an amount in demand deposits as well as funds held in the State Treasury and invested by the State Board of Investment.

(g) Prizes and reserves

Scratch ticket prize expense is recognized in accordance with the predetermined prize structure for each game and is accrued when revenue is recognized. High tier prizes for certain scratch ticket games may also be structured and paid as an annuity.

Prize expense for Pick 3® is recorded based upon the actual winners on the date of the draw. Prize expense for Progressive Print-N-Play® games are based on actual winners and are recorded at the time of sale. The prize expense for North 5® is recorded at 55 percent of draw sales. The prize expense for Gopher 5® is recorded at 54 percent of draw sales.

Included in the Lottery Prize Liability at June 30, 2025 and 2024 is a prize reserve of $1,494,373 and $1,500,000, respectively, which reflects funds due to the State Treasury that have been set aside in the Lottery prize fund by the Director in accordance with Minnesota Statutes, Section 349A.10, subdivision 2(b) to assure proper funding for future lottery prizes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Prizes and reserves (continued)

Prize expenses for Powerball®, Powerball® Power Play®, Lotto America®, Lotto America® All Star Bonus® are recorded at 50 percent of draw sales. Mega Millions® and Mega Millions® Megaplier® are recorded at 50 percent of draw sales. All Multi-State Lottery Association (MUSL) games are recorded in accordance with the MUSL prize structure. The Powerball®, Powerball® Power Play®, Mega Millions®, Mega Millions® Megaplier®, Lotto America® and Lotto America® All Star Bonus® prizes are paid with funds held by MUSL. MUSL has established separate prize pool reserves for Powerball®, Powerball® Power Play®, Mega Millions®, Mega Millions® Megaplier® Lotto America®, Lotto America® All Star Bonus® to support payment of prizes in light of the remote possibility of claims greatly exceeding the expected amounts. In the event that the Lottery ceases to participate in one of these games, the Lottery may make claim to assets, if any, in the related prize pool reserve. The Lottery's share of these prize reserves as of June 30, 2025 and 2024 were as follows:

	2025	2024
Powerball®/Power Play®	**$ 2,874,033**	$ 3,047,177
Mega Millions®Megaplier®	**1,709,345**	1,831,257
Lotto America®/All Star Bonus®	**2,360,191**	1,742,997
	$ 6,943,569	$ 6,648,431

These reserves held by MUSL are not included in these financial statements.

The Lottery participates in joint marketing campaigns for various events in order to maximize its marketing dollar and the exposure to the Lottery. In doing so, other entities may donate various prizes which are given out or awarded by the Lottery to its players. The Lottery recognizes other income when the donated prize is received and records prize expense when the prize is awarded to the player. The Lottery didn't receive any donated prizes in fiscal years 2025 and 2024.

(h) Scratch ticket inventory

Scratch ticket inventories are carried at cost using the specific identification method. Tickets are charged to direct costs over the estimated life of each scratch game.

(j) In-lieu-of-sales tax

From every dollar in Lottery sales, the Lottery sets aside six and one-half cents as in-lieu-of-sales tax and remits that amount monthly to the Commissioner of Revenue as required by Minnesota Statutes, Section 297A.65. Minnesota Statutes, Section 297A.94(e), provides that 15.44% of the in-lieu-of-sales-tax is credited to the General Fund and the remaining 84.56% is credited equally between the Game and Fish Fund and the Environmental & Natural Resources Fund to be used for natural resources projects as specified by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes

The Lottery, as an agency of the State of Minnesota, is exempt from federal and State income taxes. Accordingly, the Lottery makes no provision for income taxes.

(l) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Leases, subscriptions and right-to-use assets

GASB 87 Accounting for Leases was adopted by the Lottery as of July 1, 2021. The Lottery leases the property for its headquarters, regional offices and office equipment. Operating leases are included in operating lease right-to-use assets, current portion of operating lease liabilities, and operating lease liabilities on its statement of net position. Right-to-use assets and operating lease liabilities are recognized on the present value of lease payments over the lease term at the commencement date. Because most leases do not provide an implicit rate of return, the Lottery uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Lease terms for the Lottery generally range from 5-10 years with one or more one to five-year renewal options. The Lottery elected the short-term lease exemption for certain qualifying leases with lease terms of twelve months or less and, accordingly, did not record right-to-use assets and lease liabilities. These leases with initial terms of less than 12 months are recorded directly to occupancy expense on a straight-line basis over the term of the lease. Rent expense is recognized on a straight-line basis for operating leases over the lease term.

GASB No. 96 Subscription Based Information Technology Arrangements was adopted by the Lottery as of July 1, 2022. The Lottery entered into a long-term lease arrangement with International Gaming Technology (IGT) to facilitate the IPS system for selling and tracking the scratch ticket process. The agreement for the Instant Processing System (IPS) was entered in April 10, 2015 which extends through November 2026 after the Lottery has exercised multiple extensions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and additions to/deductions from MSRS's fiduciary net position have been determined on the same basis as they are reported by MSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(o) Postemployment benefit plans

GASB No. 75 was first applicable for the Lottery as of June 30, 2018. The information provided herein was determined as of June 30, 2024 ("Measurement Date") to be used for the June 30, 2025, reporting date. The Total OPEB Liability, Net OPEB Liability (Total OPEB Liability minus Fiduciary Net Position) and OPEB expense and certain sensitivity information are based on actuarial valuations performed as of June 30, 2024 with additional adjustments to some economic and demographic assumptions.

The majority of the State of Minnesota employees are participants in the Minnesota State Retirement System (MSRS), or the Minnesota Public Employees' Retirement System (PERA). For this reason, the mortality, withdrawal and retirement assumptions are based on the assumptions used for the respective plans' Actuarial Valuation Reports as of June 30, 2023. The assumptions related to trend rate and per capita claim costs are developed based on the State of Minnesota plan experience.

(q) Compensated absences

GASB No. 101 Compensated Absences was adopted by the Lottery retrospectively to July 1, 2023. This statement updates the recognition and measurement guidance for compensated absences. State employees accrue vacation leave, sick leave and compensatory leave at various within limits specified in the collective bargaining agreements. Leave balances are paid in cash only when an employee uses leave upon termination from state employment. Leave balances are liquidated on a first-in, first -out basis. The current and noncurrent compensated absence liabilities for governmental funds are reported only in the government wide statement of net position. All other fund types report the liability for compensated absences as a liability of the specific fund. See footnote 7 and footnote 17 related to the restatement upon implementation.

(r) Risk disclosure

GASB No. 102 Certain Risk Disclosures was issued December 2023. This statement provides users with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement did not have a material impact to the Lottery.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

3. CASH AND CASH EQUIVALENTS

Minnesota Statutes, Section 349A.10, subdivision 7(a), requires the Lottery transfer all funds to a Lottery cash flow account in the State Treasury. Funds necessary to cover cash needs are transferred as needed from State Treasury to the Lottery fund. Funds in this account earn interest, which is credited monthly to the Lottery's account. Cash on deposit in the State Treasury and with financial institutions is insured. Cash on deposit is covered up to $250,000 per institution by the Federal Depository Insurance Corporation (FDIC). At times, cash balances may be in excess of the FDIC insurance limit. As a result, the financial institutions are required to pledge securities as collateral to the Lottery in an amount equal to the funds in excess of the FDIC insurance limit. The securities are held in the name of the Lottery. Cash on deposit in the State Treasury is secured by depository insurance or a combination of depository insurance and collateral securities. The following table summarizes the Lottery's cash and cash equivalents at June 30, 2025 and 2024:

	2025	2024
Cash (checks issued but not yet presented for payment)	**$ (1,098,248)**	$ (3,534,957)
Cash on deposit	**34,549,616**	45,858,320
Total cash and cash equivalents	**$ 33,451,368**	$ 42,323,363

Available cash in the State Treasury is invested by the State Board of Investment. In accordance with Minnesota Statutes, Section 11A.24, the State Board of Investment must invest in obligations and stocks of U.S. and Canadian governments, their agencies and their registered corporations, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds. Cash on deposit in the State Treasury cannot be tied to specific investment securities.

4. ACCOUNTS RECEIVABLE – ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following table summarizes the Lottery's accounts receivable at June 30, 2025 and 2024:

	2025	2024
Accounts receivable	**$ 6,393,558**	$ 4,987,727
Allowance for doubtful accounts	**(353,661)**	(302,618)
Accounts receivable, net	**$ 6,039,897**	$ 4,685,109

5. CAPITAL ASSETS AND RIGHT-TO-USE ASSETS

Summary of changes in capital assets and right-to-use assets for the years ended June 30, 2025 and 2024 are as follows:

	2025				
	July 1	Additions	Deletions	Transfers	June 30
Depreciable capital assets:					
Office equipment and furniture	**$ 4,206,757**	**$ 2,103,792**	**$ (825,617)**		**$5,484,932**
Software costs	**1,911,028**	**-**	**-**		**1,911,028**
Leasehold improvements	**1,759,253**	**377,434**	**(1,427,838)**		**708,849**
Vehicles	**1,380,076**	**1,126,343**	**(505,938)**		**2,000,481**
Computer equipment	**2,800,303**	**218,016**	**(503)**		**3,017,816**
Warehouse equipment	**289,462**	**-**	**-**		**289,462**
Total	**12,346,879**	**3,825,585**	**(2,759,896)**		**13,412,568**
Less accumulated depreciation:					
Office equipment and furniture	**(4,185,368)**	**(62,288)**	**820,948**		**(3,426,708)**
Software costs	**(1,283,029)**	**(228,250)**	**-**		**(1,511,279)**
Leasehold improvements	**(1,733,254)**	**(39,103)**	**1,427,838**		**(344,519)**
Vehicles	**(1,219,575)**	**(270,938)**	**504,744**		**(985,769)**
Computer equipment	**(2,396,050)**	**(221,645)**	**503**		**(2,617,191)**
Warehouse equipment	**(249,986)**	**(8,498)**	**-**		**(258,485)**
Total accumulated depreciation	**(11,067,262)**	**(830,722)**	**2,754,033**		**(9,143,951)**
Net capital assets	**$ 1,279,617**	**$ 2,994,864**	**$ (5,863)**		**$ 4,268,617**
Right-to-use assets amortized:					
Buildings	**$ 17,810,908**	**$12,157,799**	**$(10,820,452)**		**$ 19,148,255**
Software	**6,550,047**	**907,741**	**-**		**7,457,788**
Total right-to-use assets amortized	**24,360,955**	**13,065,540**	**(10,820,452)**		**26,606,043**
Accumulated amortization for:					
Buildings	**(5,693,387)**	**(2,121,437)**	**-**		**(7,814,824)**
Software	**(3,791,309)**	**(1,215,444)**	**-**		**(5,006,753)**
Total accumulated amortization	**(9,484,696)**	**(3,336,881)**	**-**		**(12,821,577)**
Total right-to-use assets amortized, net	**$ 14,876,259**	**$ 9,728,659**	**$(10,820,452)**		**$ 13,784,466**
Capital and right-to-use assets, net	**$ 16,155,876**	**$12,723,522**	**$(10,826,315)**		**$ 18,053,083**

5. CAPITAL ASSETS AND RIGHT-TO-USE ASSETS (CONTINUED)

	2024				
	July 1	Additions	Deletions	Transfers	June 30
Depreciable capital assets:					
Office equipment and furniture	$ 4,201,285	$ 5,472	$ -	$ -	4,206,757
Software costs	1,226,278	289,250	-	395,500	1,911,028
Leasehold improvements	1,759,253	-	-		1,759,253
Vehicles	1,404,384	-	(24,308)		1,380,076
Computer equipment	2,366,323	433,980	-		2,800,303
Warehouse equipment	250,750	38,712	-		289,462
Capital assets not yet in service	395,500	-	-	(395,500)	-
Total	11,603,773	767,414	(24,308)	-	12,346,879
Less accumulated depreciation:					
Office equipment and furniture	(4,141,712)	(43,656)	-		(4,185,368)
Software costs	(1,226,278)	(56,751)	-		(1,283,029)
Leasehold improvements	(1,692,290)	(40,964)	-		(1,733,254)
Vehicles	(1,114,076)	(129,807)	24,308		(1,219,575)
Computer equipment	(2,268,895)	(127,155)	-		(2,396,050)
Warehouse equipment	(243,569)	(6,417)	-		(249,986)
Total accumulated depreciation	(10,686,820)	(404,750)	24,308		(11,067,262)
Net capital assets	$ 916,953	$ 362,664	$ -		$ 1,279,617
Right-to-use assets amortized:					
Buildings	$ 5,119,799	$12,691,109	$ -		$ 17,810,908
Software	4,983,173	1,566,874	-		6,550,047
Total right-to-use assets amortized	10,102,972	14,257,983	-		24,360,955
Accumulated amortization for:					
Buildings	(4,235,556)	(1,457,831)	-		(5,693,387)
Software	(2,761,632)	(1,029,677)	-		(3,791,309)
Total accumulated amortization	(6,997,188)	(2,487,508)	-		(9,484,696)
Total right-to-use assets amortized, net	$ 3,105,784	$11,770,475	$ -		$ 14,876,259
Capital and right-to-use assets, net	$ 4,022,737	$12,133,139	$ -		$ 16,155,876

6. UNCLAIMED PRIZES

Effective July 1, 2003, pursuant to Minnesota Statutes 349A.08, subdivision 5, all unclaimed prizes will be transferred to the General Fund at the end of the fiscal year. The unclaimed prizes due to the State as of June 30, 2025 and 2024 was $16,783,025 and $17,786,515, respectively.

7. ACCRUED SALARIES AND BENEFITS PAYABLE

A liability is recognized for accrued salaries, net OPEB liability, unpaid vacation, compensatory hours, vested severance and anticipated severance pay when earned. Non-vested severance pay is estimated based upon historical trends and current demographics. A schedule of the accrued salaries and benefits are as follows:

	2025	2024
Current accrued salaries and benefits payable:		
Salaries payable	**$ 716,758**	$ 616,226
Compensated absences	**1,618,000**	1,514,408
Net OPEB liability	**64,000**	71,000
Total current accrued salaries and benefits payable	**$ 2,398,758**	$ 2,201,634
Non-current benefits payable:		
Compensated absences	**$ 1,689,000**	$ 1,704,592
Net OPEB liability	**1,066,000**	1,084,000
Total non-current accrued benefits payable	**$ 2,755,000**	$ 2,788,592

Compensated Absences Payable:

	Beginning	Additions	Retirements	Ending
2025	**$ 3,219,000**	**$ 612,234**	**$ (524,234)**	**$ 3,307,000**
2024	$ 3,178,000	$ 1,556,000	$ (1,515,000)	$ 3,219,000

8. NET POSITION

Within 30 days after the end of each month, the Lottery is required by Minnesota Statutes, Section 349A.10, and subdivision 5 to deposit the net proceeds in the State Treasury. Net Proceeds Due to State on the accompanying statement of net position for the month ended June 30, 2025 and June 30, 2024 was $3,828,215 and $6,508,654 respectively. Net investment in capital assets, which is capital assets net of accumulated depreciation plus right-to-use assets minus right-to-use liabilities, for the years ended June 30, 2025 and 2024 was $3,156,918 and $1,279,617, respectively.

The ending net position of the Minnesota State Lottery of $(1.8) million at June 30, 2025 and $(4.2) million at June 30, 2024 relates solely to accounting for GASB Statements No. 68 – Pensions and 75 – Postemployment Benefits Other Than Pensions.

9. LEASE AND SUBSCRIPTION LIABILITY

The Lottery leases the property for its headquarters and regional offices under non-cancelable right-to-use leases with remaining minimum terms ranging from one to ten years. The Lottery has $2,121,430 and $1,457,831 of amortization expense related to the property leases in 2025 and 2024, respectively. The Lottery also uses a vendor's software system to facilitate its scratch ticket processing. The Lottery has $1,215,444 and $1,029,677 in 2025 and 2024, respectively for amortization expense related to the software subscription. The Lottery also pays the same software vendor a variable amount based on the percentage of Lotto Sales at 5.4565%. The amount paid related to the variable amounts, for the years ended June 30, 2025 and 2024 was $9,952,184 and $13,615,607, respectively.

Future maturities of lease and subscription liabilities, are as follows:

Long-Term Liabilities
Year Ended June 30

2025

	Beginning Balances	**Increases**	**Decreases**	**Ending balances**	**Amounts due within one year**
Lease liability, buildings	**$ 12,117,521**	**$ 12,157,799**	**$ (11,906,394)**	**$ 12,368,926**	**$ 1,157,250**
Subscription liability, software	**2,758,738**	**907,741**	**(1,139,240)**	**2,527,239**	**1,195,148**
	$ 14,876,259	**$ 13,065,540**	**$ (13,045,634)**	**$ 14,896,165**	**$ 2,352,398**

2024

	Beginning Balances	Increases	Decreases	Ending balances	Amounts due within one year
Lease liability, buildings	$ 884,242	$ 12,691,110	$ (1,457,831)	$ 12,117,521	$ 818,790
Subscription liability, software	2,221,542	1,566,873	(1,029,677)	2,758,738	1,003,314
	$ 3,105,784	$ 14,257,983	$ (2,487,508)	$ 14,876,259	$ 1,822,104

9. LEASE AND SUBSCRIPTION LIABILITY (CONTINUED)

Future Principal and Interest Payments
June 30

	2025					
	Lease liability, buildings		Subscription liability, software		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,157,250	$ 453,075	$ 1,195,148	$ 100,620	$ 2,352,398	$ 553,695
2027	1,029,099	415,489	1,072,972	37,145	2,102,071	452,634
2028	1,044,636	380,660	126,802	8,363	1,171,438	389,023
2029	1,116,430	343,373	132,318	2,847	1,248,748	346,220
2030	1,193,008	301,949	-	-	1,193,008	301,949
2031-2035	6,828,502	739,083	-	-	6,828,502	739,083
Total	$12,368,925	$ 2,633,629	$ 2,527,240	$ 148,975	$14,896,165	$ 2,782,604

10. COMMITMENTS AND CONTINGENCIES

(a) Risk management

The Lottery is exposed to various risks of loss related to torts, checking, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The Lottery participates in the State's Risk Management Fund for property, liability, crime and automobile insurance coverage. The Lottery pays annual premiums for this coverage. The State's Risk Management Fund covers all claims above the deductible. The Lottery has not experienced any settlements in excess of coverage in the past six years.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The areas of insurance coverage, limits and deductibles as of June 30, 2025 are as follows:

Coverage	Limits	Deductible
Property	$ 10,947,669	$ 1,000
Auto:		
Bodily injury & property damage	$ 500,000/$1,500,000	$ 1,000
Primary crime:		
Employee dishonesty, money & securities	$ 50,000	$ 1,000
General liability	$ 500,000/$1,500,000	None
Excess crime:		
Employee theft	$ 2,000,000	$ 50,000
Forgery or alteration	$ 2,000,000	$ 50,000
Theft of money & securities	$ 2,000,000	$ 50,000
Robbery, safe burglary-other prop.	$ 2,000,000	$ 50,000
Outside premises	$ 2,000,000	$ 50,000
Computer fraud	$ 2,000,000	$ 50,000
Funds transfer	$ 2,000,000	$ 50,000
Money orders & counterfeit paper currency	$ 2,000,000	$ 50,000

The Lottery participates in the State's workers' compensation program. The Workers' Compensation Alternative Cost Allocation Account (WCACAA) funds approximately 15% of the total workers' compensation costs annually. Funds are collected up-front through a premium based on each agency's unique exposure and experience. The Lottery paid a premium of $101,920 in fiscal year 2025 and $112,501 in fiscal year 2024.

As of June 30, 2025, the Lottery has purchased twenty-seven lifetime annuities from various insurance companies. If these insurance companies were to default on those obligations these policies would be covered under a "Guaranty Fund Law" which is administered by the State of Minnesota. The amount guaranteed per annuity is $300,000. The Lottery may be ultimately responsible for the lifetime annuities; however, management feels that the possibility of these insurance companies defaulting on its obligations in a material sum in excess of the $300,000 guaranteed by the State is remote.

11. COMPULSIVE GAMBLING TREATMENT CONTRIBUTION PROVIDED FROM PRIZE FUND

Minnesota Laws 1998, Chapter 407, Article 8, Section 11 directed the Lottery to pay $340,000 annually from the prize fund to a special Indian Gaming account in the State Treasury. Funds in this account are transferred to the Department of Human Services for compulsive gambling treatment programs.

Minnesota Laws 2017, Chapter 6, Article 18, section 2, subdivision 2 appropriated $1,896,000 for fiscal year 2025 from the Lottery Prize Fund of the Department of Human Services for statewide compulsive gambling treatment programs. The Department of Human Services utilized $1,499,891 in 2025 and $1,513,205 in 2024 for compulsive gambling programs of the allowable appropriated amount of $2,236,000 for each year. The programs' services are designed to increase public awareness of the problems gamblers and their families face, and research relating to problem gambling.

12. RETAILER COMMISSIONS AND INCENTIVES

Retailer commissions are set by Minnesota Rule 7856.4030, subpart 1 as 5.5% of the price of each lottery ticket sold, 6% of the price of each scratch ticket sold and 1.5% of the amount of each winning lottery ticket cashed by a retailer. Lottery retailers were paid $47,236,692 and $50,977,624 in 2025 and 2024, respectively.

13. STATUTORY LIMITATION ON OPERATING AND ADVERTISING EXPENSES

Gross revenue is defined in law as ticket sales and all other income less in-lieu-of-sales tax. Direct costs are expenses that are a direct function of lottery sales, which include all prize payouts, retailer commissions and incentives, amounts paid to produce and deliver scratch lottery tickets, and amounts paid to an outside vendor to operate and maintain an on-line gaming system. Operating costs include all other expenses of the Lottery. Minnesota Statutes, Section 349A.10, subdivision 6, states operating expenses shall not include expenses related solely to the noncash year-end adjustment required for government agencies to adjust the net actuarially determined pension liability and post-employment benefit obligations which includes deferred inflow, deferred outflows, noncash pension expense, unrestricted net deficit, and net pension liability, in accordance with Statements 68 and 75 of the Governmental Accounting Standards Board. Minnesota State Lottery Operating expenses excluding non-cash end-of-year pension and post-employment adjustments for fiscal year 2025 was $38,137,749 and $33,341,619 in fiscal year 2024.

Minnesota Statutes, Section 349A.10, subdivision 3 limits the Lottery's advertising costs to 2.75 percent and operating costs to 9 percent of gross revenue. Minnesota Laws 2013, Chapter 142, Article 1, section 17 provides that notwithstanding Minnesota Statues, section 349A.10, subdivision 3, the operating costs must not exceed $40,000,000 in fiscal year 2025 and $40,000,000 in fiscal year 2024.

The Lottery is in compliance with the statutory limits on advertising and operating costs. Advertising costs as a percentage of gross revenue were 1.1 percent for fiscal year 2025 and 1.0 percent for 2024. Operating costs as a percentage of gross revenue was 5.8 percent in fiscal year 2025 and 4.6 percent in fiscal year 2024.

14. RETIREMENT PLANS

(a) Plan description

The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS) and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans: the Military Affairs Plan, the Transportation Pilots Plan and the Fire Marshalls Plan. Only certain employees of the Department of Military Affairs, the Department of Transportation, and the State Fire Marshal's Division are eligible to be members of those plans, but all State of Minnesota employees who are not members of another plan are covered by the General Plan. The Transportation Pilots Plan has been closed to new entrants since July 1, 2008.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.msrs.state.mn.us/financial-information; by writing to MSRS at 60 Empire Drive, #300, St. Paul, Minnesota, 55103; or by calling (651) 296-2761 or 1-800-657-5757.

(b) Benefits provided

MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by State statute and can only be modified by the State legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided at 1.0% through December 31, 2024 and 1.5% thereafter. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors).

For employees hired prior to July 1, 1989 retirement benefits is the greater of: (a) 1.20% of Average Salary for each of the first ten years of Allowable Service and 1.70% of Average Salary for each subsequent year with reduction of .25% for each month the member is under age 65 at time of retirement or under age 62 if 30 or more years of Allowable Service. No reduction if age plus years of Allowable Service totals 90. (b) 1.70% of Average salary for each year of Allowable Service assuming augmentation to age 65 at 3.00% per year and actuarial reduction for each month the member is under age 65. Augmentation adjustment is phased out over a five-year period starting July 1, 2019, resulting in no augmentation after June 30, 2024. For employees hired after June 30, 1989 retirement benefits are 1.70% of Average Salary for each year of Allowable Service assuming augmentation to the age eligible for full Social Security retirement (but not higher than age 66) at 3.00% (2.50% if hired after June 30, 2006) per year and actuarial reduction for each month the member is under the normal retirement age. Augmentation adjustment is phased out over a five-year period starting July 1, 2019, resulting in no augmentation adjustment after June 30, 2024.

14. RETIREMENT PLANS (CONTINUED)

(c) Contributions

Minnesota Statutes Chapter 352.04 sets the rates for employer and employee contributions. Eligible General Plan members were required to contribute 5.50% of their annual covered salary and participating employers were required to contribute 6.25% of their annual covered salary for June 30, 2025. The Lottery's contributions to MSRS for the year ended June 30, 2025, 2024, and 2023 were as follows:

	2025	2024	2023
Classified Plan			
MSRS	**$ 773,000**	$ 699,000	$ 657,000
Unclassified Plan			
MSRS	**$ 28,590**	$ 30,365	$ 33,503

These contributions were equal to the contractually required contributions for each year as set by State statute.

(d) Actuarial assumptions

The Minnesota State Lottery's net pension liability was measured as of June 30, 2024. Actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2023. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent per year
Active Member Payroll Growth	3.00 percent per year
Investment Rate of Return	7.00 percent

Salary increases were based on a service-related table. Mortality rates for active members, survivors, and debilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan. Cost of living benefits increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

The resulting single discount rate as of June 30, 2024 is 7.00%.

14. RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method. Estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectation from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio. For each major asset class that is included in the pension fund's target asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	SBI's Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%

(e) Discount rate

A Single Discount Rate of 7.00% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.00%.

The projection of cash flow used to determine this Single Discount Rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Pension liability sensitivity

The following presents the Lottery's proportionate share of the net pension liability for the general employees plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Lottery's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

With 1% Decrease		Current Discount Rate		With 1% Increase	
Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability/(Asset)
6.00%	$6,261,554	7.00%	$91,000	8.00%	$(5,034,377)

14. RETIREMENT PLANS (CONTINUED)

(g) Net Pension Liability

At June 30, 2025, the Minnesota State Lottery reported a liability of $91,000 for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Minnesota State Lottery's proportion of the net pension liability was based on the Minnesota State Lottery's contributions received by MSRS during the measurement period July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2024, the Minnesota State Lottery's proportion was 0.27375 percent.

(h) Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the MSRS Annual Comprehensive Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

(i) Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2025, the Minnesota State Lottery recognized a pension adjustment of $1,061,000. This adjustment is reflected in salaries and benefits expense which decreased Lottery operating expense in fiscal year 2025. This amount is not subject to the State's statutory operating expense maximum of $40 million.

At June 30, 2025, the Minnesota State Lottery reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$667,000	$7,000
Changes of assumptions	$1,025,000	$1,663,000
Net difference between projected and actual earnings on investments	$-0-	$1,692,000
Changes in proportion and differences between actual contributions and proportionate share of contributions	$58,000	$4,000
Contributions paid to MSRS subsequent to the measurement date	$773,000	$-0-
Total	$2,523,000	$3,366,000

14. RETIREMENT PLANS (CONTINUED)

Amounts reported as deferred outflows of resources related to pensions resulting from Minnesota State Lottery contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

(i) Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Deferred outflows of resources of $773,000 resulting from payments subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Pension expense (income) amount
2026	$ (490,000)
2027	105,000
2028	(806,000)
2029	(425,000)
2030	0

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan description

The State of Minnesota provides post-retirement medical coverage to retired participants and their spouses as allowed by Minnesota Statute §43A.27 subdivision 3 and §471.61 subdivision 2a and as required under the terms of selected employment contracts. The MN state's OPEB plan operates on a pay-as-you-go basis and the state is the only participating employer in the plan. The plan is classified as a Non-Trust Single Employer Defined Benefit Plan in GASB 75 and as allowed by MN statutes 43A.27, Subdivision 3, and MN Statutes 471.61, Subdivision 2A.

(b) Benefits provided

Plan participants are covered by the Minnesota Advantage Health Plan. The monthly costs for the plan as of July 1, 2024 are as follows:

Single	$	836.76
Family	$	2,460.66

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

(b) Benefits provided (continued)

Coverage ends at the retiree's attainment of age 65 or Medicare eligibility.

Retirees not eligible for an explicit employer subsidy must pay 100% of the premiums listed in the "Medical Benefits" section above to continue receiving health coverage.

All pre-65 retirees are subsidized by contributions made for the active participants, resulting in an implicit "hidden" subsidy that is reflected in the valuation for those eligible and not eligible for an explicit employer subsidy.

If the employee retires prior to age 55 the employer contribution is frozen at retirement at a rate of 120 times the contribution in effect for active employees at that time divided by the number of months until the employee's 65th birthday. If the employee retires at age 55 or later the employer contribution will be consistent with the contributions for active employees each year (currently 100% of the single medical premium, 85% of the dependent medical premium, 90% of the single dental premium, 50% of the dependent dental premium).

(c) Contributions

Employer contributions for the year ended June 30, 2025 and 2024 were $66,000 and $62,000, respectively.

(d) Actuarial assumptions

The majority of the State of Minnesota employees are participants in the Minnesota State Retirement System (MSRS), Minnesota Teacher's Retirement Association (TRA), or the Minnesota Public Employees' Retirement System (PERA). For this reason, the aggregate payroll growth, individual salary increase, mortality, withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the respective plans' Actuarial Valuation Reports as of July 1, 2024.

The State of Minnesota elected to change its discount rate methodology to be consistent with the requirements of GASB 75 which became effective for the fiscal year ended June 30, 2018. Since the State's retiree health benefits are not funded by assets in a separate trust the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date, as prescribed by GASB No. 75. The State of Minnesota elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index.

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Effective with the July 1, 2024 actuarial valuation, the following assumption changes were made:

- The mortality assumption was updated to use the specific pension assumptions with the exception of the projected mortality improvement scale;
- The mortality, withdrawal, retirement, salary increase, and spouse age difference assumptions were updated to use the specific pension assumptions for MSRS, PERA, or TRA, as applicable;
- Annual medical and dental claims costs and premiums were updated based on recent experience;
- Discount rate was raised from 3.65% to 3.93%
- Payroll growth rate remained the same at 3.00%
- Inflation rate remained the same at 2.25%

(e) Discount rate

A single discount rate of 3.93% was used to measure the Total OPEB Liability as of June 30, 2024. The single discount rate was based on a municipal bond rate of 3.93% (based on the 20-year Bond Buyer GO Index as of the end of June 2024). The State of Minnesota's post-retirement medical plan will not be funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all periods of the projected benefit payments to determine the Total OPEB Liability.

(f) OPEB Liability sensitivity

The following tables represent the Lottery's proportionate share of the OPEB liability calculated using the corresponding discount rate and healthcare trend rate as well as what the Total OPEB liability would be if the rates were one percentage point higher or lower.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

With 1% Decrease		Current Discount Rate		With 1% Increase	
Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
2.93%	$1,221,000	3.93%	$1,130,000	4.93%	$1,046,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

With 1% Decrease		Current Discount Rate		With 1% Increase	
Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
2.68%	$1,023,000	3.68%	$1,130,000	4.68%	$1,255,000

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

(g) Net OPEB liability

At June 30, 2025, the Minnesota State Lottery reported a net OPEB liability of $1,130,000 for its proportionate share of MSRS' net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Minnesota State Lottery's proportion of the net pension liability was based on the Minnesota State Lottery's contributions received by MSRS during the measurement period July 1, 2024.

(h) OPEB plan fiduciary net position

Detailed information about the OPEB plan fiduciary net position is available in the MSRS Annual Comprehensive Financial Report, available on the MSRS website (www.msrs.state.mn.us/financial-information).

(i) OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2025, the Minnesota State Lottery recognized a OPEB adjustment of $60,000. This adjustment is reflected in salaries and benefits expense which decreased Lottery operating expense in fiscal year 2025. This amount is not subject to the State's statutory operating expense maximum of $40.0 million.

At June 30, 2025, the Minnesota State Lottery reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$105,000	$26,000
Changes of assumptions	$38,000	$75,000
Net difference between projected and actual earnings on investments	$0	$0
Changes in proportion and differences between actual contributions and proportionate share of contributions	$0	$0
Contributions paid to MSRS subsequent to the measurement date	$62,000	$-0-
Total	$205,000	$101,000

15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Deferred outflows of resources of $62,000 resulting from payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPEB expense amount
2026	$ 8,000
2027	10,000
2028	6,000
2029	6,000
2030	9,000
Thereafter	3,000

16. LEASE DEFERRED INFLOW AND LEASE RECEIVABLE

The Lottery implemented GASB Statement No. 87 "Leases" in fiscal year 2022. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Lottery has entered into a sublease arrangement where the Lottery is the lessor in the lease agreement for building space. This lease term was renegotiated commencing June 1, 2025 through May 17, 2027. The lease receivable was calculated based upon the future payment to be received discounted using the Lottery's incremental borrowing rate.

Deferred Outflows and Inflows of Resources
June 30, 2025

	Deferred outflows	Deferred inflows
Lease	$ -	$ 247,957
Pension	2,523,000	3,366,000
OPEB	205,000	101,000
Total	$ 2,728,000	$ 3,714,957

Leases Receivable and Revenue
Year Ended June 30, 2025

	Lease receivable	Lease revenue
Gaming Vendor	$ 247,957	$ 78,775

16. LEASE DEFERRED INFLOW AND LEASE RECEIVABLE (CONTINUED)

Deferred Outflows and Inflows of Resources
June 30, 2024

	Deferred outflows	Deferred inflows
Lease	$ -	$ 36,485
Pension	3,184,000	2,525,000
OPEB	198,000	129,000
Total	$ 3,382,000	$ 2,690,485

Leases Receivable and Revenue
Year Ended June 30, 2024

	Lease receivable	Lease revenue
Gaming Vendor	$ 30,405	$ 115,422

17. RESTATEMENT DUE TO ADOPTION OF GASB 101 COMPENSATED ABSENCES

The statement of net position and statement of revenues, expenses and changes in net position as of and for the year ending 2024 have been restated to conform with recently implemented reporting standard GASB 101 regarding compensated absences. Below is a summary of restated amounts.

	Originally reported	As restated	Change
As of June 30, 2024:			
Compensated absences payable	$ 1,873,000	$ 3,219,000	$ 1,346,000
Net position	(2,879,000)	(4,225,000)	(1,346,000)
For the year ended June 30, 2024:			
Salaries and benefits	15,996,887	16,100,887	104,000
Increase (decrease) in net position	186,999	82,999	(104,000)
Net position at beginning of year	(3,065,999)	(4,307,999)	(1,242,000)



REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information

Schedule of the Minnesota State Lottery's Share of Net Pension Liability
State Employees Retirement Fund
Last 10 years

Plan year	Employer's portion (percentage) of the net pension liability	Employer's proportionate share of the net pension liability (a)	Employer's covered payroll (b) (b)*	Employer's proportionate share of the net pension liability as a percentage of its covered payroll (a/b)	Plan fiduciary net position as a percentage of the total pension liability
2024	0.27375%	$ 2,563,000	$ 11,720,510	21.87%	99.82%
2023	0.27623%	2,654,008	10,681,746	24.85%	95.54%
2022	0.29112%	4,784,000	10,339,027	46.27%	76.67%
2021	0.31523%	257,000	10,588,027	2.43%	87.00%
2020	0.30877%	4,101,000	10,411,321	39.39%	91.25%
2019	0.31318%	4,406,000	10,218,235	43.12%	90.73%
2018	0.31095%	4,310,000	9,782,133	44.06%	90.56%
2017	0.32358%	24,003,000	9,746,217	246.28%	79.60%
2016	0.32116%	39,820,000	9,353,603	425.71%	47.51%
2015	0.32832%	5,054,000	9,336,162	54.13%	88.32%

Schedule of the Minnesota State Lottery's Contributions
State Employee Retirement Fund

Fiscal year	Contractually required employer contributions	Actual employer contributions made	Contribution deficiency	Minnesota State Lottery covered payroll	Contributions as a percentage of covered payroll
2025	$ 748,835	$ 748,835	$ 0	$ 12,530,934	5.976%
2024	686,786	686,876	0	11,720,510	5.860%
2023	623,309	623,309	0	10,681,746	5.835%
2022	614,758	614,758	0	10,339,027	5.946%
2021	644,361	644,361	0	10,588,027	6.086%
2020	637,718	637,718	0	10,411,321	6.125%
2019	568,990	568,990	0	10,218,235	5.568%
2018	535,953	535,953	0	9,782,132	5.480%
2017	505,072	505,072	0	9,746,218	5.182%
2016	517,686	517,686	0	9,353,603	5.535%

*For purposes of this schedule, covered payroll is defined pensionable wages.

Notes to Minnesota State Lottery's Pension Required Supplementary Information
State Employee Retirement Fund

2024 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates remained the same at 7.0%.

Schedule of Required Supplementary Information

Schedule of Changes in the Minnesota State Lottery's Total OPEB Liability and Related Ratios

For the Plan Year ended June 30, 2024

OPEB liability:	
Service cost	$ 59,000
Interest	36,000
Changes on benefit terms	(4,000)
Difference between expected and actual experience	25,000
Changes of assumptions or other inputs	(75,000)
Benefit payments	(66,000)
Net change in total OPEB liability	(25,000)
Total OPEB liability, beginning	1,155,000
Total OPEB liability, ending	$ 1,130,000
Covered-employee payroll	$ 12,530,964
Total OPEB liability as a percentage of covered-employee payroll	9.02%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the Lottery is showing one year's presentation.

NOTE: The postretirement medical plan is not pre-funded by assets in a separate irrevocable trust.



STATISTICAL SECTION

MINNESOTA STATE LOTTERY
STATISTICAL SECTION INTRODUCTION

This section of the Minnesota State Lottery's Annual Comprehensive Financial Report presents detailed information as a supplement to the information presented in the financial statements and is disclosed in the notes. The following is a summary of the information contained in this statistical section.

NET POSITION

The schedules on pages 57-58 present Schedule of Net Position and Changes in Net Position for fiscal year 2016 through the current year. Lottery statutes require that net proceeds are deposited in the State Treasury each month. Net position consists of the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. The Minnesota Lottery's net position for fiscal year 2025 is $(1,758,000). This is made up of net investment of capital assets of $3,156,918 and unrestricted of $(4,914,918). The unrestricted amount of $(4,914,918) represents the cumulative effect of actuarial changes from pension and OPEB.

FINANCIAL DATA AND TRENDS

These schedules contain financial information from inception (1990) to date. This information gives the reader an understanding of how the Lottery's financial performance has changed over the years. Trend and chart schedules can be found on pages 59-65 and include the following information:

- Revenue Distribution by game. Revenue includes sales, interest income, increases or decreases in fair value of investments, unused compulsive gambling contribution and other income.
- Sales by Game.
- Expenses and Payments Distribution displayed in 2 separate charts.
  - Prizes represent the accrued expenses for scratch and lotto winners based on established prize structures.
  - Retailer Commission & Incentives: Retailer commissions are 6 percent of scratch sales and 5.5 percent of lotto sales, cashing commissions of 1.5 percent and retailer incentives vary.
  - Operating & Other Expenses which includes administrative expenses and direct costs such as lotto vendor and ticket expenses.
  - State General and Special Funds: Payments to the state include in-lieu-of sales tax, compulsive gambling contribution, unclaimed prizes and net proceeds.
- Full Time Employees.
- Capital Assets.
- Total Outstanding Debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules can be found on pages 66-67 and contain Player Demographics and Minnesota Top Employers to help the reader understand the environment in which the Lottery operates.

OPERATING INFORMATION

The schedule on page 68 contains information about the Lottery's structure and financial performance indicators compared to other state lotteries. Additional operating information can be found on pages 62-64; these schedules include information about operational expenses and trends.

MINNESOTA STATE LOTTERY
Schedule of Net Position and Changes in Net Position
Last Ten Fiscal Years

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
REVENUES										
Operating Revenues										
Scratch Ticket Sales	$394,761,644	$398,311,141	$411,165,885	$435,268,778	$519,348,731	$615,569,031	$561,636,704	$545,670,840	$524,928,373	$524,463,742
Lotto Ticket Sales:										
Pick 3™	16,690,792	17,401,351	17,686,855	18,444,086	18,928,387	22,153,895	22,406,621	20,829,926	21,539,047	21,171,854
Gopher 5®	15,051,190	15,045,596	18,033,176	20,679,695	16,602,835	22,533,322	17,002,602	18,612,995	22,824,352	19,466,098
Powerball®	95,690,466	62,387,312	72,736,847	65,311,853	41,827,546	55,513,954	68,928,118	89,002,098	104,042,194	44,514,528
Powerball® Power Play®	2,800,853	2,373,937	2,653,052	2,646,918	2,157,398	2,839,036	3,875,694	4,809,386	6,259,623	3,545,530
Daily Millions®										
Hot Lotto®	8,642,473	9,938,710	5,678,088							
Hot Lotto® Sizzler	928,570	1,018,693	523,087							
Cash for Life™										
Rolldown™										
North 5™	10,096,816	9,249,570	10,338,153	8,857,293	9,705,109	10,480,827	9,700,106	10,726,284	9,618,093	12,032,795
Slots Plus										
Minnesota Millionaire Raffle	6,998,850	6,998,580	6,998,440	6,998,880	6,999,330	6,999,390	6,999,460	6,999,050	7,999,380	7,998,860
Mega Millions®	17,186,930	15,901,351	24,769,479	47,123,174	23,608,472	39,029,262	23,837,710	60,529,874	53,554,894	38,758,960
Mega Millions® Megaplier®	1,296,041	1,234,891	1,267,557	1,783,335	1,401,071	2,047,185	1,603,213	3,211,102	3,363,454	2,313,261
All or Nothing™	3,238,329	3,144,011								
Monopoly Millionaires' Club™										
Lucky for Life™	7,989,328	7,743,223	6,629,815	6,940,632	7,104,346	7,862,160				
Lotto America®			5,683,847	10,633,684	7,849,114	7,670,045	9,605,978	16,009,153	9,793,383	16,807,096
Lotto America® All Star Bonus®			616,120	1,126,562	934,244	1,021,076	1,345,669	2,278,671	1,628,910	2,600,055
Progressive Print-N-Play®	11,480,526	12,754,636	11,697,167	10,995,363	12,101,625	9,921,507	13,218,036	8,482,843	10,183,845	13,146,194
EZ Match										1,481,382
Total Lotto Ticket Sales	198,091,164	165,191,861	185,311,683	201,541,475	149,219,477	188,071,659	178,523,207	241,491,382	250,807,175	183,836,613
Total Sales	592,852,808	563,503,002	596,477,568	636,810,253	668,568,208	803,640,690	740,159,911	787,162,222	775,735,548	708,300,355
Other Operating Revenues										
Other Income	14,784	16,771	19,071	18,288	5,093	1,113	1,916	140,493	116,823	86,908
Total Operating Revenues	592,867,592	563,519,773	596,496,639	636,828,541	668,573,301	803,641,802	740,161,827	787,302,715	775,852,371	708,387,263
Nonoperating Revenues										
Interest Earned on Investments	253,532	390,486	439,504	709,518	670,071	184,388	181,462	1,851,121	2,976,800	2,188,790
Net Increase (Decrease) in the Fair Value of Investments	0	0	0	0	0	0	0	0	0	0
Unused Compulsive Gambling Contribution	0	0	0	0	0	0	0	0	0	0
Total Nonoperating Revenues	253,532	390,486	439,504	709,518	670,071	184,388	181,462	1,851,121	2,976,800	2,188,790
Total Revenues	593,121,124	563,910,259	596,936,142	637,538,059	669,243,372	803,826,190	740,343,289	789,153,837	778,829,171	710,576,053

(Continued next page)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
OPERATING EXPENSES										
Direct Costs										
Scratch Ticket Prizes	$264,542,148	$264,056,915	$276,305,776	$292,093,287	$349,480,448	$416,551,644	$379,065,468	$367,294,797	$352,737,039	$355,235,128
Lotto Ticket Prizes	101,358,068	84,325,743	94,318,750	103,498,719	74,158,058	97,121,545	90,707,672	120,703,500	123,430,640	89,550,265
Lotto Vendor Expenses	13,951,066	9,116,855	10,367,972	11,584,111	10,056,216	12,035,372	11,730,201	13,955,929	14,369,676	10,770,703
Ticket Costs	5,977,756	5,689,330	6,036,350	6,024,340	6,535,965	7,484,384	7,257,393	7,374,730	7,448,072	7,995,948
Retailer Commissions and Incentives	35,636,934	33,891,445	35,933,645	41,848,657	44,841,255	53,740,221	49,667,150	51,901,460	50,977,625	47,236,692
Total Direct Costs	421,465,972	397,080,288	422,962,491	455,049,115	485,071,942	586,933,167	538,427,884	561,230,416	548,963,052	510,788,736
Administrative Expenses	25,394,157	32,763,677	32,410,470	22,925,039	28,486,380	28,185,410	22,152,863	28,883,377	33,154,615	35,670,749
Total Operating Expenses	446,860,129	429,843,965	455,372,961	477,974,154	513,558,321	615,118,576	560,580,747	590,113,793	582,117,667	546,459,485
NONOPERATING EXPENSES										
Payments to State:										
In-Lieu-of-Sales Tax	38,535,433	36,627,696	38,771,042	41,392,666	43,456,934	52,236,645	48,110,394	51,165,544	50,422,811	46,039,523
Compulsive Gambling Contribution	1,617,462	1,774,794	1,803,623	1,774,544	1,752,021	1,606,471	1,519,142	1,459,580	1,513,205	1,499,891
Unclaimed Prizes	8,769,064	12,439,978	9,027,091	10,466,308	10,727,425	10,968,007	12,256,846	13,723,549	17,786,515	16,783,025
Net Proceeds	95,758,036	88,315,826	95,497,425	99,561,387	100,041,671	124,018,491	110,742,164	129,739,366	126,801,973	97,327,129
Total Payments to State	144,679,995	139,158,294	145,099,181	153,194,905	155,978,051	188,829,614	172,628,545	196,088,040	196,524,505	161,649,568
Total Nonoperating Expenses	144,679,995	139,158,294	145,099,181	153,194,905	155,978,051	188,829,614	172,628,545	196,088,040	196,524,505	161,649,568
Total Expenses	591,540,124	569,002,259	600,472,142	631,169,059	669,536,372	803,948,190	733,209,292	786,201,832	778,642,172	708,109,053
Changes in Net Position	$1,581,000	($5,092,000)	($3,536,000)	$6,369,000	($293,000)	($122,000)	$7,133,997	$2,952,004	$186,999	$2,467,000
Net Position at Beginning of Year	(11,332,000)	(9,751,000)	(14,843,000)	(19,106,000)	(12,737,000)	(13,030,000)	(13,152,000)	(6,018,003)	(4,307,999)	(4,225,000)
Prior Period Adjustment			(727,000)					(1,242,000)	(104,000)	
Net Position at End of Year	(9,751,000)	(14,843,000)	(19,106,000)	(12,737,000)	(13,030,000)	(13,152,000)	(6,018,003)	(4,307,999)	(4,225,000)	(1,758,000)
NET POSITION										
Net Investments in Capital Assets	$1,285,402	$1,376,418	$1,393,029	$1,256,310	$1,168,419	$1,122,333	$731,716	$916,953	$1,279,617	$3,156,918
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	(11,036,402)	(16,219,418)	(20,499,029)	(13,993,310)	(14,198,419)	(14,274,333)	(6,749,719)	(5,224,952)	(5,504,617)	(4,914,918)
Total Net Position	($9,751,000)	($14,843,000)	($19,106,000)	($12,737,000)	($13,030,000)	($13,152,000)	($6,018,003)	($4,307,999)	($4,225,000)	($1,758,000)

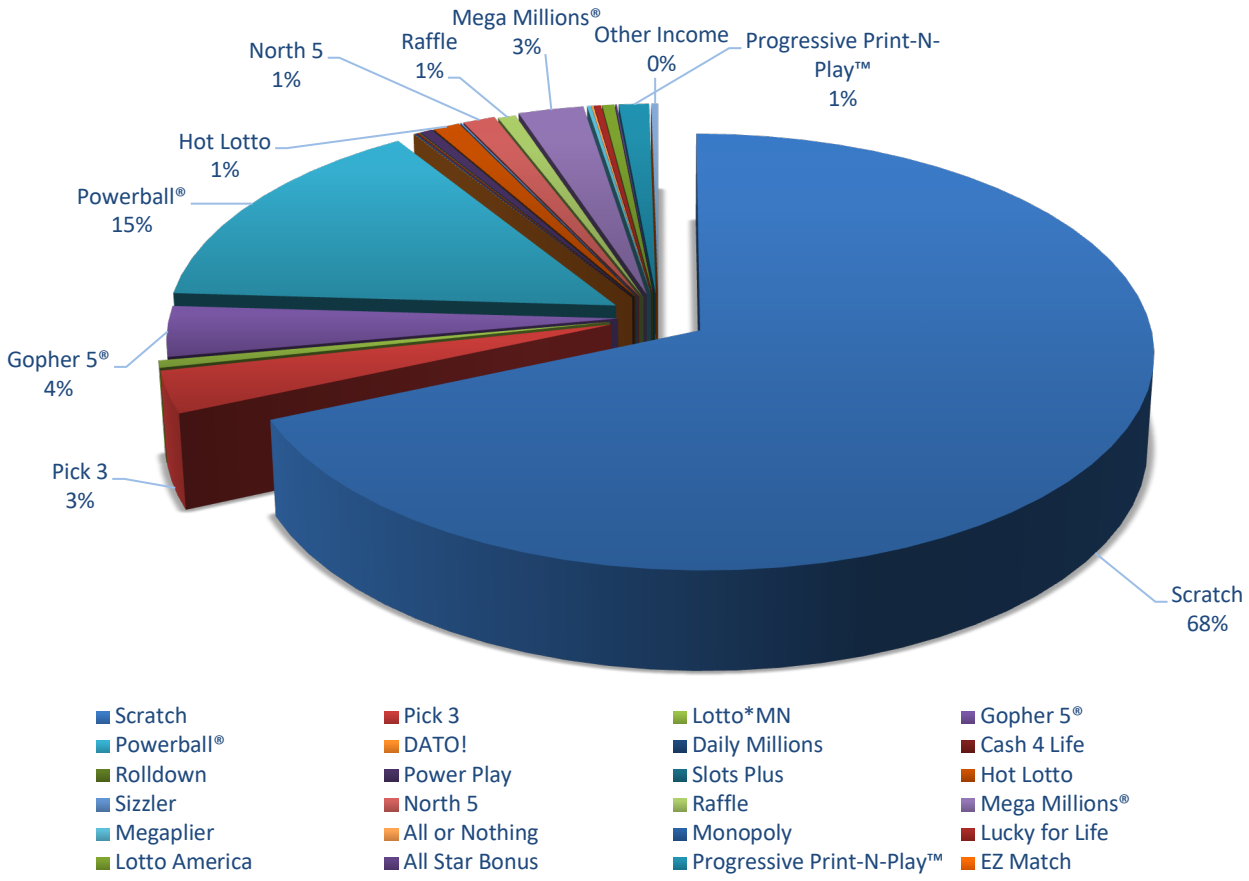
NOTES:

FY2018 prior period adjustment due to adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

FY2023 and FY2024 prior period adjustment due to adoption of GASB Statement No. 101, Compensated Absences.

MINNESOTA STATE LOTTERY
REVENUE DISTRIBUTION
FISCAL YEARS 1990 (Inception) THROUGH 2025

Total Revenues $17.4 billion

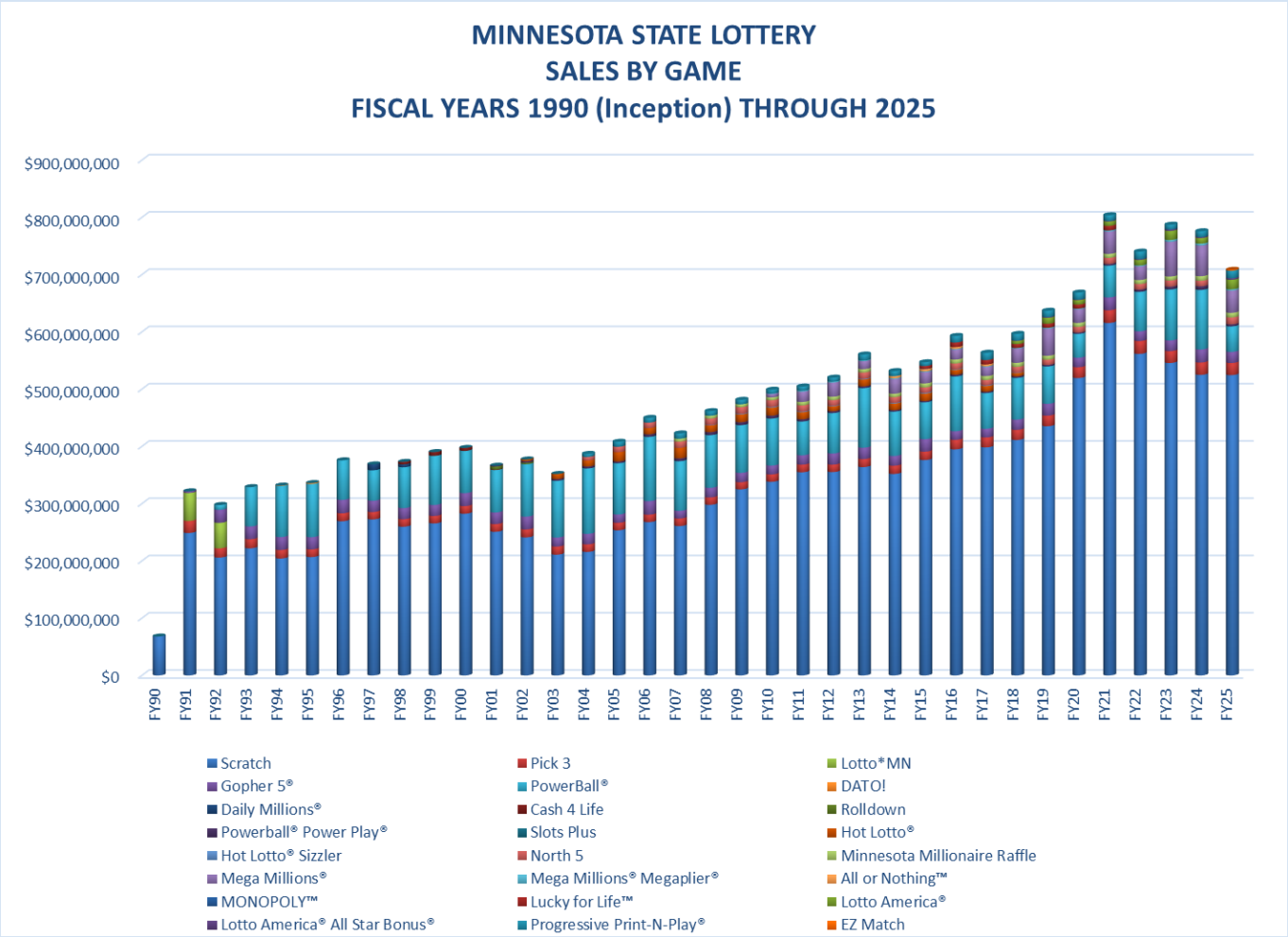


In Minnesota, lottery players prefer scratch games over lotto games two to one.

Scratch games sales are generated more from impulse buys versus lotto games sales, which are jackpot driven.

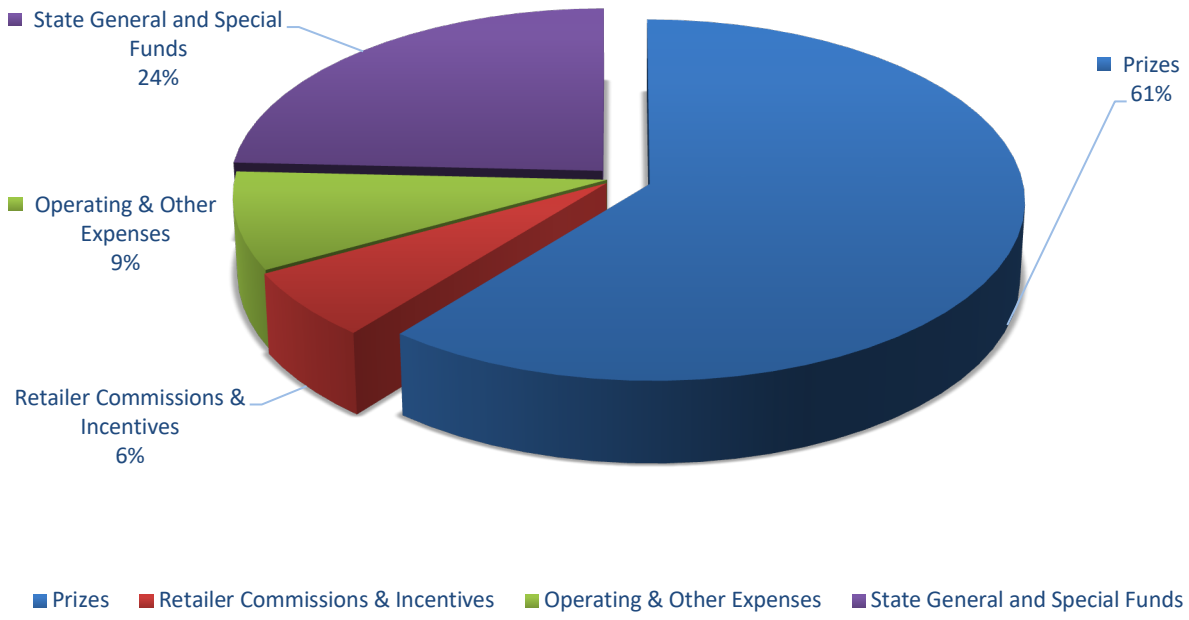
Scratch games have higher prize percentage versus lotto games. In fiscal year 2025, scratch game prizes were approximately 67.7 percent of scratch sales, lotto game prizes were 48.7 percent of lotto sales.

At the end of fiscal year 2025, there were 41 active scratch games, nine active Progressive Print-N-Play games and seven types of lotto games (Pick 3, Gopher 5, PowerBall/Power Play, North 5, North 5 EZ Match, Mega Millions and Lotto America/All Star Bonus).


MINNESOTA STATE LOTTERY
SALES BY GAME
FISCAL YEARS 1990 (Inception) THROUGH 2025
$900,000,000
$800,000,000
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
FY90 FY91 FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25
Scratch
Pick 3
Lotto*MN
Gopher 5®
PowerBall®
DATO!
Daily Millions®
Cash 4 Life
Rolldown
Powerball® Power Play®
Slots Plus
Hot Lotto®
Hot Lotto® Sizzler
North 5
Minnesota Millionaire Raffle
Mega Millions®
Mega Millions® Megaplier®
All or Nothing™
MONOPOLY™
Lucky for Life™
Lotto America®
Lotto America® All Star Bonus®
Progressive Print-N-Play®
EZ Match

MINNESOTA STATE LOTTERY
EXPENSES AND PAYMENTS DISTRIBUTION
FISCAL YEARS 1990 (Inception) THROUGH 2025
(in billions)

Total Expenses and Payments $17.4 billion

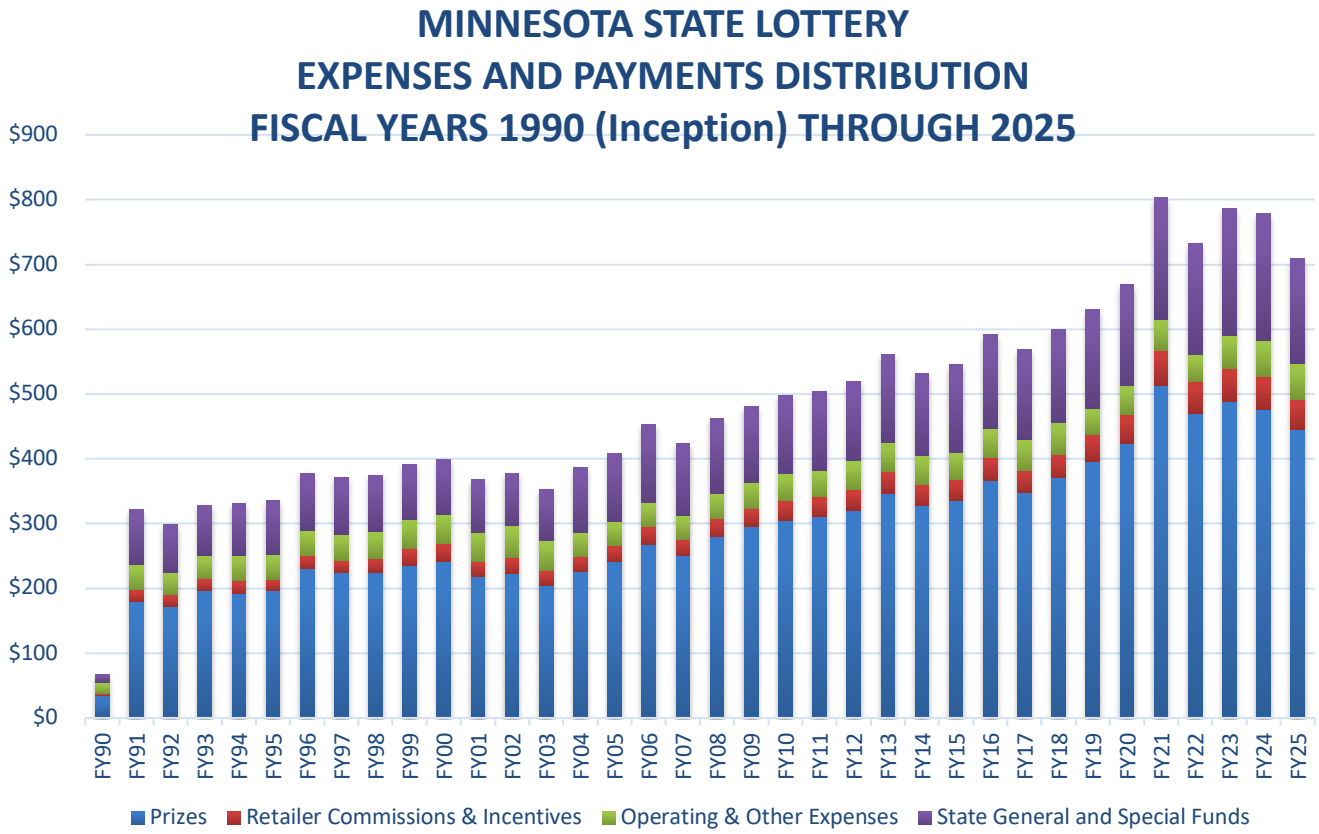


Prizes: Minnesota State Lottery statute states lotto prizes must be at least 45 percent of lotto games sales and scratch prizes must be at least 60 percent of scratch games sales. For fiscal year 2025, lotto prizes and scratch prizes were approximately 48.7 percent and 67.7 percent, respectively.

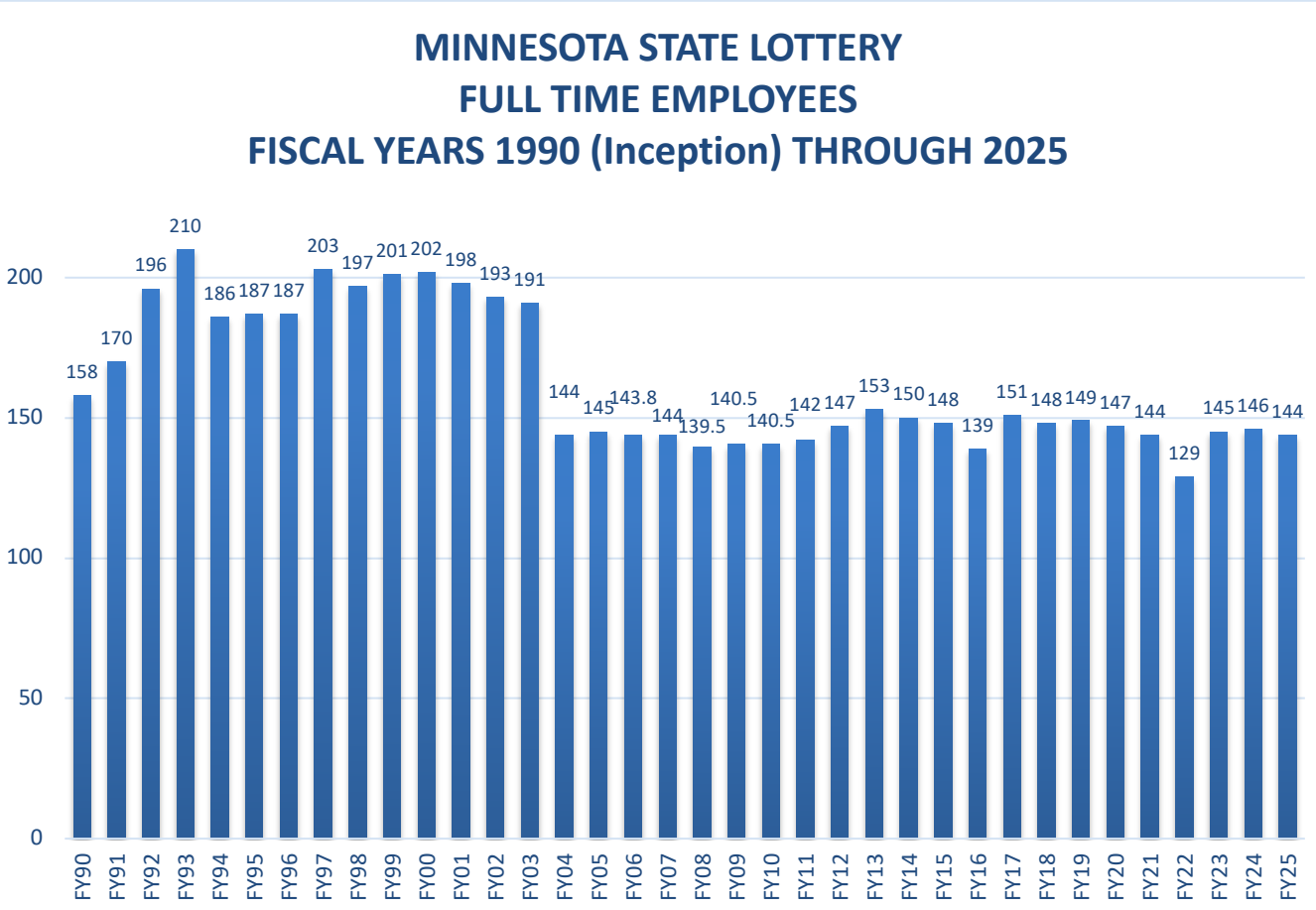
State General & Special Funds: The Minnesota State Lottery is required by state to transfer Net Proceeds (Net Profits), In-Lieu-of-Sales Tax and Unclaimed Prizes to the State's General and Special Funds. The Minnesota State Lottery is also required to transfer a specified amount to the state for Problem Gambling.

Operating Expense: By law, Minnesota State Lottery's operating expenses are restricted. In fiscal year 2024, operating expenses, excluding pension adjustments, were restricted to no more than 9 percent of Gross Revenue with a spending limit of $40,000,000. Operating Expenses in fiscal year 2025 were $38,137,749 or 5.74 percent of Gross Revenue, not including pension adjustments.

Retailer Commissions & Incentives: Retailers are paid commissions on sales and cashing of winning tickets. The director may also establish lottery retailer incentive programs. At the end of fiscal year 2025, retailers were paid scratch sales commissions of 6 percent and lotto sales commission of 5.5%, cashing commissions of 1.5 percent and earned incentives of $215 thousand.

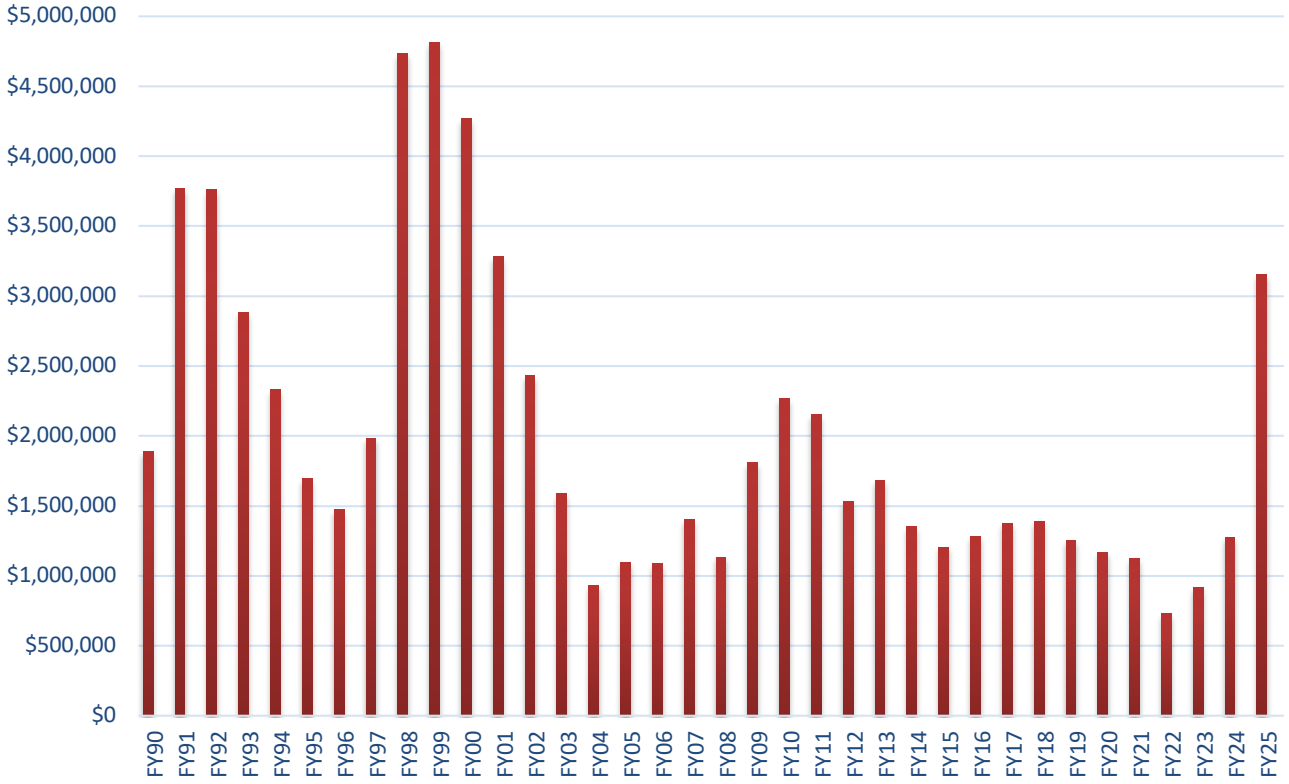


In FY04, the Minnesota State Lottery implemented cost cutting measures that decreased operating expenses resulting in increased payments to State General & Special Funds.



In FY04, the Minnesota State Lottery implemented cost cutting measures that included downsizing of employees.

MINNESOTA STATE LOTTERY
CAPITAL ASSETS
FISCAL YEARS 1990 (Inception) THROUGH 2025



Capital Asset is defined as tangible asset owned and used by the Lottery that is relatively fixed or permanent in nature with an expected useful life of more than one year and costing equal to or greater than $5,000. Before fiscal year 2004, cost threshold was equal to or greater than $1,000.

Major capital increases in fiscal year 1991 included:
- $1 million in computer equipment. This was mostly for back-up computer equipment which was purchased and installed off-site at the Eagan regional office.
- $700,000 for office furniture. New furniture purchased to replace old used furniture borrowed from state.

Major capital increases in fiscal year 1998 included:
- $2 million for Omnipoint Equipment. Purchase and installation of new retailer ticket terminals.
- $700,000 for vehicles. Decision made to purchase fleet of vehicles vs. leasing.

Major capital increases in fiscal year 2025 included:
- $2 million in office equipment and furniture. Roseville office was remodeled and all furniture was replaced.
- $1 million in vehicles. 25 vehicles were added while 23 vehicles were disposed in FY2025

Minnesota State Lottery
Total Outstanding Debt
Last Ten Fiscal Years

	BUSINESS-TYPE ACTIVITIES		PRIMARY GOVERNMENT				
FISCAL YEAR	LEASES[1]	SUBSCRIPTION[2]	TOTAL OUTSTANDING DEBT	POPULATION[3,4]	PER CAPITA DEBT	PER CAPITA INCOME[3,4]	PER CAPITA DEBT AS % OF PER CAPITA INCOME
2016			-	5,557,028	$0.00	$51,982	0.00%
2017			-	5,606,013	$0.00	$53,826	0.00%
2018			-	5,650,556	$0.00	$56,201	0.00%
2019			-	5,686,910	$0.00	$57,903	0.00%
2020			-	5,710,735	$0.00	$61,370	0.00%
2021			-	5,718,660	$0.00	$67,676	0.00%
2022	1,654,217		1,654,217	5,721,621	$0.29	$69,539	0.00%
2023	884,242	2,221,542	3,105,784	5,753,048	$0.54	$72,673	0.00%
2024	12,117,521	2,758,738	14,876,259	5,793,151	$2.57	$75,603	0.00%
2025	12,368,926	2,527,239	14,896,165	Unavailable	Unavailable	Unavailable	Unavailable

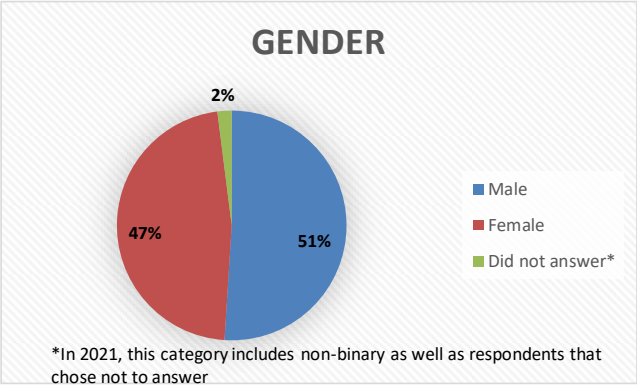
[1]Beginning with the 2022 fiscal year, the Minnesota State Lottery implemented GASB Statement No. 87. Note 9 in the notes to the financial statement in the June 30, 2022 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2022 fiscal year, additional lease related liabilities are reported within this table. The changes were not made retroactively.

[2]Beginning with the 2023 fiscal year, the Minnesota State Lottery implemented GASB Statement No. 96. Note 9 in the notes to the financial statement provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements related to liabilities are reported within this table. The changes were note made retroactively.

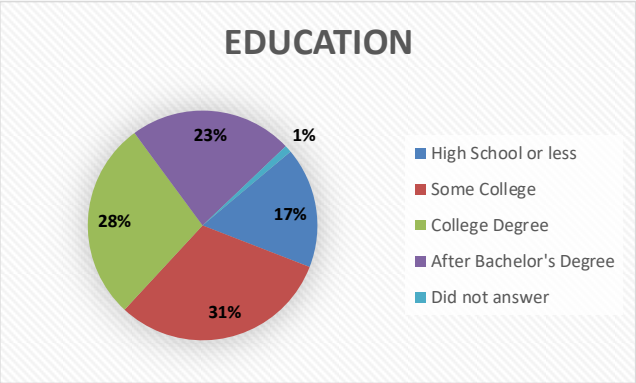
[3]Per capita personal income and population is provided by the Bureau of Economic Analysis, US Department of Commerce (www.bea.gov)

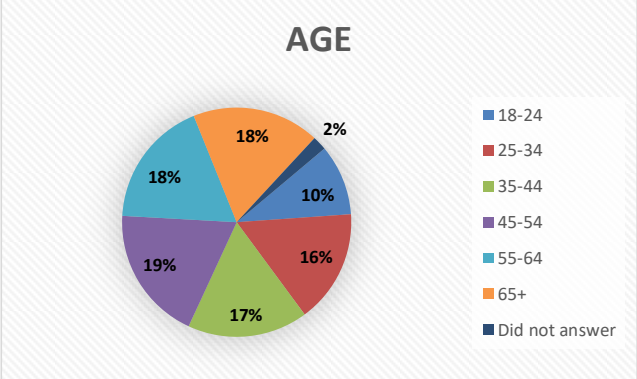
[4]Debt ratios use total outstanding debt which is presented by fiscal year ended June 30, while the per capita income and population data used in the calculations are presented by calendar year.

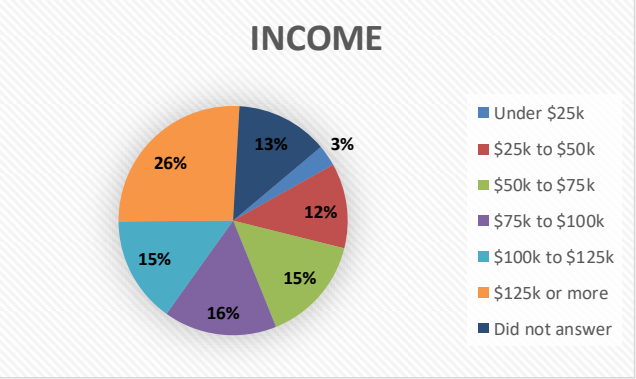
MINNESOTA STATE LOTTERY
PLAYER DEMOGRAPHICS



*In 2021, this category includes non-binary as well as respondents that chose not to answer







Player demographics have basically remained the same over the years.

Source: St. Cloud State University
2021



Source: Minneapolis-St. Paul Buisness Journal, October 16, 2025

Fiscal 2024 Consolidated Revenues, Prizes & Government Income by GDP*

		($M)										
Lottery	2024 Pop[1] (M)	2024 Gross Domestic Product[2]	Consolidated Lottery and Gaming Revenues[3]	Prizes[4]	Total GGR	Gov't Income[5]	PC Revenue	PC Gov't	Consolidated Revenue as a % of GDP	Gov't Income as a % of GDP	Prizes as a % of Revenue	Gov't Income as a % of Revenue
Arizona	7.6	555,614	1,528.2	1,027.9	500.3	314.9	$201	$41	0.275%	0.057%	67.3%	20.6%
Arkansas	3.1	190,230	613.0	420.0	193.0	129.4	$198	$42	0.322%	0.068%	68.5%	21.1%
California	39.4	4,132,221	9,275.1	6,031.6	3,243.6	2,220.8	$235	$56	0.224%	0.054%	65.0%	23.9%
Colorado	6.0	557,308	900.8	577.8	323.1	196.4	$150	$33	0.162%	0.035%	64.1%	21.8%
Connecticut	3.7	368,321	1,680.8	1,136.5	544.3	394.2	$454	$107	0.456%	0.107%	67.6%	23.5%
Delaware[4,5]	1.1	103,996	779.0	145.5	633.5	297.4	$708	$270	0.749%	0.286%		38.2%
D.C.	0.7	187,351	218.3	131.2	87.1	39.4	$312	$56	0.117%	0.021%	60.1%	18.0%
Florida	23.4	1,717,871	9,417.5	6,254.7	3,162.8	2,387.6	$402	$102	0.548%	0.139%	66.4%	25.4%
Georgia	11.2	887,924	5,666.5	3,798.6	1,868.0	1,490.7	$506	$133	0.638%	0.168%	67.0%	26.3%
Idaho	2.0	129,644	421.7	286.2	135.5	86.2	$211	$43	0.325%	0.066%	67.9%	20.4%
Illinois[6]	12.7	1,143,081	3,857.7	2,579.5	1,278.2	883.8	$304	$70	0.337%	0.077%	66.9%	22.9%
Indiana	6.9	530,661	1,744.2	1,141.7	602.6	364.0	$253	$53	0.329%	0.069%	65.5%	20.9%
Iowa	3.2	257,575	489.9	312.6	177.3	106.6	$153	$33	0.190%	0.041%	63.8%	21.8%
Kansas[4,5]	3.0	236,123	863.1	202.4	660.7	210.2	$288	$70	0.366%	0.089%		24.4%
Kentucky	4.6	295,140	2,097.9	1,516.8	581.1	405.4	$456	$88	0.711%	0.137%	72.3%	19.3%
Louisiana	4.6	328,961	639.6	370.1	269.5	204.8	$139	$45	0.194%	0.062%	57.9%	32.0%
Maine	1.4	99,238	430.2	288.8	141.4	90.1	$307	$64	0.434%	0.091%	67.1%	20.9%
Maryland[4,5]	6.3	546,362	5,110.0	1,715.5	3,394.5	1,588.9	$811	$252	0.935%	0.291%		31.1%
Massachusetts	7.1	785,141	6,145.1	4,634.0	1,511.1	1,159.7	$866	$163	0.783%	0.148%	75.4%	18.9%
Michigan[4,7]	10.1	711,481	4,764.6	2,976.3	1,788.3	1,257.0	$472	$124	0.670%	0.177%	62.5%	26.4%
Minnesota	**5.8**	**502,946**	**775.7**	**476.2**	**299.5**	**196.5**	**$134**	**$34**	**0.154%**	**0.039%**	**61.4%**	**25.3%**
Mississippi	2.9	158,548	473.6	298.7	174.9	125.1	$163	$43	0.299%	0.079%	63.1%	26.4%
Missouri	6.2	454,580	1,742.8	1,218.5	524.3	378.7	$281	$61	0.383%	0.083%	69.9%	21.7%
Montana[6]	1.1	76,195	154.1	109.2	44.9	21.6	$140	$20	0.202%	0.028%	70.9%	14.0%
Nebraska	2.0	185,967	221.5	129.1	92.4	55.3	$111	$28	0.119%	0.030%	58.3%	25.0%
New Hampshire[4]	1.4	122,086	600.2	345.0	255.2	207.9	$429	$149	0.492%	0.170%	57.5%	34.6%
New Jersey	9.5	851,863	3,632.1	2,157.6	1,474.5	1,172.0	$382	$123	0.426%	0.138%	59.4%	32.3%
New Mexico	2.1	141,302	170.2	93.6	76.6	51.1	$81	$24	0.120%	0.036%	55.0%	30.0%
New York[4,5]	19.9	2,310,968	10,549.8	4,917.9	5,631.9	3,635.4	$530	$183	0.457%	0.157%		34.5%
N. Carolina	11.0	845,143	5,375.5	3,802.7	1,572.8	1,100.0	$489	$100	0.636%	0.130%	70.7%	20.5%
N. Dakota	0.8	75,221	40.1	20.8	19.3	9.9	$50	$12	0.053%	0.013%	51.9%	24.7%
Ohio[4,5]	11.9	933,044	5,911.8	3,012.0	2,899.8	1,514.0	$497	$127	0.634%	0.162%		25.6%
Oklahoma	4.1	267,321	354.7	219.9	134.8	88.4	$87	$22	0.133%	0.033%	62.0%	24.9%
Oregon[4,5]	4.3	333,467	1,726.3	285.9	1,440.4	950.2	$401	$221	0.518%	0.285%		55.0%
Pennsylvania[4,7]	13.1	1,032,270	4,973.9	3,215.4	1,758.6	1,220.5	$380	$93	0.482%	0.118%	64.6%	24.5%
R. Island[4,5]	1.1	83,128	1,021.0	205.2	815.9	426.4	$928	$388	1.228%	0.513%		41.8%
S. Carolina	5.5	352,048	2,384.7	1,571.7	813.0	590.5	$434	$107	0.677%	0.168%	65.9%	24.8%
S. Dakota[4,5]	0.9	75,433	252.0	51.5	200.6	183.7	$280	$204	0.334%	0.244%		72.9%
Tennessee	7.2	553,471	1,887.7	1,208.1	679.6	501.3	$261	$69	0.341%	0.091%	64.0%	26.6%
Texas	31.3	2,727,002	8,389.8	5,655.5	2,734.4	2,007.3	$268	$64	0.308%	0.074%	67.4%	23.9%
Vermont	0.6	46,119	168.6	111.6	57.0	35.1	$281	$59	0.366%	0.076%	66.2%	20.8%
Virginia	8.8	769,660	5,521.0	4,245.7	1,275.4	934.1	$627	$106	0.717%	0.121%	76.9%	16.9%
Washington	8.0	859,887	1,029.0	636.3	392.8	255.5	$129	$32	0.120%	0.030%	61.8%	24.8%
W. Virginia[4,5]	1.8	108,366	1,295.9	159.2	1,136.7	590.9	$712	$325	1.196%	0.545%		45.6%
Wisconsin[6]	6.0	455,591	954.8	589.0	365.8	278.1	$159	$46	0.210%	0.061%	61.7%	29.1%
Wyoming	0.6	53,154	40.9	22.0	18.9	6.1	$68	$10	0.077%	0.011%	53.8%	14.9%
Total	326.0	28,139,023	116,291.1	70,305.5	45,985.6	30,363.1	$357	$93	0.413%	0.108%		26.1%

*Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30)

[1]Source: US Census Bureau; [2]Source: US Bureau of Economic Analysis [3]Revenue from games, excludes fees, reimbursements, & nonoperating revenue
[4]Net prizes (VLT, gaming); [5]Includes consolidated government transfers for traditionl, iLottery, sports, VLT, and gaming; [6]Unaudited; [7]eInstant GGR; [8]eInstant NGR
Note: If a Lottery's operating statement did not include government transfers, then net income is reported
Source: La Fleur's 2025 World Lottery Almanac
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