

NORTH CAROLINA EDUCATION LOTTERY

POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR 2011



ABOUT THE POPULAR ANNUAL FINANCIAL REPORT

The North Carolina Education Lottery (NCEL) finance division is proud to present you its Popular Annual Financial Report (PAFR) for the fiscal year (FY) ended June 30, 2011. This report provides an overview of the NCEL's financial condition and a brief analysis of where the money comes from and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the NCEL's FY 2011 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principals (GAAP) and was audited by an independent accounting firm, receiving an unqualified (clean) opinion. The financial data in this report also conforms with GAAP. The CAFR, PAFR and the NCEL's Annual Report are available for viewing on the NCEL's website at:

<http://www.nc-educationlottery.org/about.aspx>

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COMMISSION CHAIR'S NOTE



More than five years ago, in September 2005, I accepted a call to serve on the Education Lottery Commission and went to work with other commissioners to create a new state lottery. This was new for my generation, but looking back in history both our state and local governments have used lotteries before to serve the public good. In the 18th and 19th centuries, lotteries were used to raise the money to build roads and bridges, clear waterways and build churches and schools, including the nation's first public university, the University of North Carolina.

This time, in the 21st Century, the mission of the lottery is to raise money for education programs in North Carolina. The lottery games we have launched not only provide much enjoyment, entertainment and additional compensation to our citizens but the money they raise comes without cost to North Carolina taxpayers. We have now passed \$2 billion and counting in revenues for the state, dollars that have paid for teacher salaries in grades K-3, the construction and repair of schools in each of the 100 counties in this state, early childhood education for at-risk four-year-olds, and college scholarships and financial aid to students based on need.

Your commissioners work without compensation. We come from different parts of the state and from different backgrounds, but we all serve as volunteers. Our goal is to ensure that your lottery accomplishes its mission of serving the public good. I would like to share with you a couple of the principles that have guided our lottery since Day One. Our business is built on integrity, with a view always to earn and deserve your trust. We employ a plethora of internal, external, announced and unannounced audits and have been blessed with unqualified, that is excellent results. Our organization has been repeatedly recognized for quality and transparency, here at home and nationally.

We strive to be good stewards of lottery dollars, always keeping in mind that we serve a public good – education in North Carolina. While we are allowed to spend up to 8 percent of lottery revenues on administrative expenses – from salaries and benefits to advertising and marketing – we have kept those expenses under 4.5 percent. In fact, as our revenues have grown, our administrative expenses, in comparison, have declined. We know every dollar we save in administrative expenses is another dollar that will go to the education programs that we serve.

The declining economic climate during the past few years makes our increase in revenues and payments to our “Beneficiaries” – the school children of North Carolina – simply astounding. If you have watched the lottery grow, as I have, you have witnessed slow and careful steps forward with steady growth both in sales and in the transfers of lottery proceeds to the state. In our first full year of operations, fiscal year 2007, we transferred \$315 million. In fiscal year 2011, that increased to \$447 million.

Finally, this record of growth could not have occurred without the hard work of our staff. Executive Director Alice Garland and her crew make the work we do as commissioners easier and, on your behalf, we thank them for the dedication they bring to their work providing fair, honest and fun lottery games. We pledge to continue to work to make the next five years of the Education Lottery as successful as the first five years.

Robert A. Farris, Jr.

EXECUTIVE DIRECTOR'S NOTE



If you like a come from behind to win story like I do, then you'll like the story of the Education Lottery during its fifth fiscal year. For the first five months, sales declined. We weren't meeting our budget projections. We were seeing sales drop in year-to-year comparisons. In December, we had no choice but to revise our budget due to lower than expected sales. It wasn't fun looking at daily sales reports.

Now fast forward three months to March. The Education Lottery recorded its best week of sales ever, its best month of sales ever and its best quarter ever. By the end of June, when we closed the books on FY11, we achieved our fifth consecutive year of growth in sales and return for education, setting a new record for annual sales - \$1.46 billion – and made the largest transfer ever to the state - \$446.9 million.

The turnaround came because we did what a lot of people do during challenging times. We returned to our core business and made it better. During those tough months in the fall, we put together a new plan for our instant ticket games – the mainstay of the lottery. A beautiful and elegant instant ticket, Carolina Black, went on sale in December. Then in January we launched \$200,000 a Year for Life, a game offering the highest top instant prize in NCEL history. We then turned to our draw games, and added afternoon drawings to Carolina Cash 4 and a Sunday afternoon Carolina Pick 3 drawing. The additions meant both games offered drawings twice a day, seven days a week. And in March, following a strategy to give more attention to \$5 instant games, we brought back the iconic Ric Flair ticket as WOOOOOII. The second WOOOO game sold better than the first one.

We not only had good products, but we were also slowly and steadily finding more places to sell them. Our sales team never gave up. During a tough economic year we grew our retail base to 6,611 locations, up 6 percent from the year before. Two major retail names in North Carolina – Harris Teeter grocery stores and Rite-Aid drug stores – became lottery retailers.

So by the time our fifth anniversary came around on March 30th, I knew it was going to be another good year for the lottery. I knew then that we had enough momentum going that we would not only meet our original budget goal, but surpass it.

The lottery has succeeded in North Carolina because, while a government agency, it strives as much as possible to work like an entrepreneurial sales organization. Our staff focuses relentlessly on sales so that we can raise as much money as possible for the good cause we serve – public education in North Carolina. I am proud of the staff and glad to be associated with such dedicated people.

The Education Lottery is proud of the success it has had in its first five years, the good luck of our winners, and the benefits the lottery has brought to education in North Carolina, from prekindergarten classes to state universities and community college scholarships. We'll keep working hard to provide fun and honest games to those who choose to play the lottery during our next five years.

Alice Garland



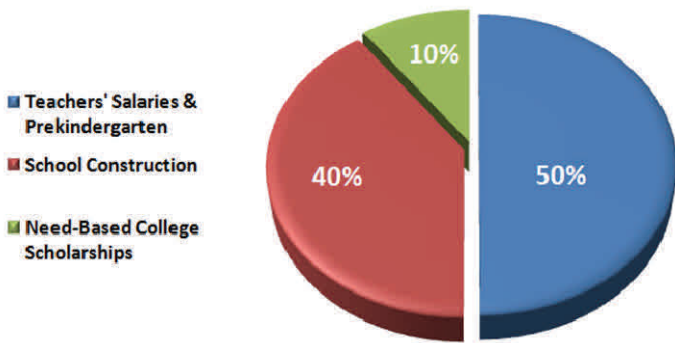
BENEFICIARIES

Education beneficiaries received unprecedented support from the North Carolina Education Lottery in Fiscal Year 2011. Thanks to lottery dollars, the salaries for 3,731 teachers in grades K-3 were completely funded, 32,750 North Carolina students received college scholarships, 30,767 additional four year olds were able to attend the nationally recognized More at Four prekindergarten program. Also, close to \$100 million was distributed to the 100 counties across the state to help fund school construction projects and pay down school bonds.

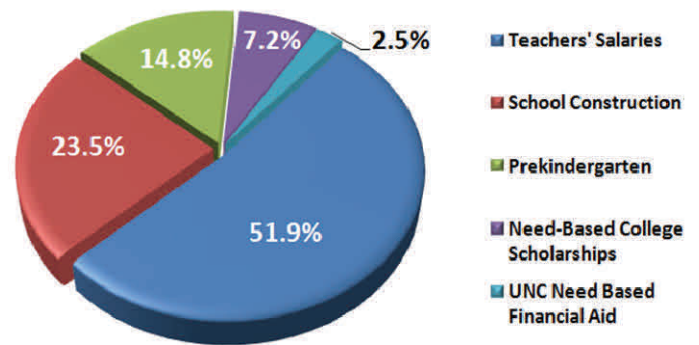
In the 2011 Fiscal Year, the lottery achieved \$1.46 billion in sales and transferred a total of \$446.9 million to the State of North Carolina, with \$419.47 million going to the lottery's education beneficiaries and \$26.6 million being reallocated to Medicaid funding by the NC General Assembly during last year's budget crisis. This transfer of funds from 2011 brought the NCEL's total contribution to education to just over \$2 billion since our inception in 2006. We are extremely proud of this accomplishment.

As we move forward during these challenging economic times, the Legislature has the authority to adjust the allocation of lottery dollars each year in the state budget. A new distribution formula was created during the 2011 legislative session and went into effect July 1, 2011. Here is a comparison and breakdown of net proceeds as set by the legislature for fiscal year 2012 budget, as compared to what was originally set forth in the North Carolina State Lottery Act (H. 1023) and the 2005 Appropriations Act (S. 622).

Original Distribution of Funds



Distribution of Funds for 2012



Today, a larger amount of lottery funds pay teachers' salaries, more than half of what the lottery raised for education.

Statewide, through the end of fiscal year 2011, lottery funds have:

- Funded the salaries of 11,808 teachers in order to continue the goal of providing one teacher per 18 students in grades K-8.



- Paid for 100,913 four-year-olds, judged "at risk" of starting school behind their peers, in the award winning More at Four program.
- Provided \$711 million for 1,027 school construction projects across the state. In many counties, this money has helped to purchase land, build additions to schools, pay down school bonds and ultimately, keep property taxes lower for NC residents.
- Provided college financial aid, on a need basis, to 123,827 students at colleges, universities, and community colleges located here in NC. To receive an education lottery scholarship, the student must first qualify for the Pell Grant which is a federal grant available to students whose families cannot afford to pay for college.



COUNTY TOTALS

FY 2011

Alamance	\$6,439,896	Currituck	973,274	Lee	3,075,399	Rockingham	3,862,070
Alexander	1,578,144	Dare	1,470,593	Lenoir	2,738,820	Rowan	5,783,542
Alleghany	525,926	Davidson	7,020,528	Lincoln	3,166,394	Rutherford	2,952,450
Anson	1,224,214	Davie	2,060,369	Macon	1,432,051	Sampson	3,690,468
Ashe	1,193,650	Duplin	2,776,233	Madison	792,802	Scotland	2,188,329
Avery	764,225	Durham	8,817,923	Martin	1,174,310	Stanly	3,117,779
Beaufort	2,097,451	Edgecombe	2,711,756	Mcdowell	1,834,953	Stokes	2,116,857
Bertie	1,087,583	Forsyth	14,387,694	Mecklenburg	37,875,668	Surry	3,280,290
Bladen	1,830,971	Franklin	2,252,349	Mitchell	583,461	Swain	691,677
Brunswick	3,838,722	Gaston	9,600,744	Montgomery	1,479,457	Transylvania	964,081
Buncombe	7,760,331	Gates	506,075	Moore	2,927,542	Tyrrell	180,548
Burke	4,273,387	Graham	407,117	Nash	4,746,794	Union	10,657,029
Cabarrus	9,133,129	Granville	2,372,027	New Hanover	7,684,318	Vance	2,085,766
Caldwell	3,368,386	Greene	1,065,499	Northampton	962,418	Wake	37,828,625
Camden	510,919	Guilford	22,545,061	Onslow	7,586,297	Warren	795,548
Carteret	2,358,352	Halifax	2,494,287	Orange	4,952,666	Washington	625,002
Caswell	874,854	Harnett	5,206,478	Pamlico	462,302	Watauga	1,327,102
Catawba	6,680,574	Haywood	2,185,098	Pasquotank	1,768,125	Wayne	6,336,187
Chatham	2,489,975	Henderson	3,692,253	Pender	2,308,431	Wilkes	3,456,956
Cherokee	1,070,005	Hertford	1,174,356	Perquimans	558,385	Wilson	3,434,340
Chowan	712,139	Hoke	3,031,324	Person	1,559,965	Yadkin	1,775,166
Clay	426,657	Hyde	210,240	Pitt	7,152,631	Yancey	662,824
Cleveland	4,989,333	Iredell	6,952,127	Polk	829,870	Unknown	115,911
Columbus	3,092,237	Jackson	1,113,765	Randolph	6,249,780	DPI Admin	3,285,445
Craven	4,124,284	Johnston	8,784,866	Richmond	2,358,216	Total	419,171,852
Cumberland	16,951,659	Jones	477,773	Robeson	8,009,964		

Total to Date

Alamance	\$26,190,412	Currituck	4,046,458	Lee	13,987,278	Rockingham	18,272,170
Alexander	6,660,714	Dare	5,729,954	Lenoir	13,219,662	Rowan	26,249,867
Alleghany	2,370,957	Davidson	29,479,505	Lincoln	13,678,446	Rutherford	13,295,565
Anson	6,263,103	Davie	9,032,225	Macon	6,068,884	Sampson	16,841,906
Ashe	5,377,981	Duplin	12,464,119	Madison	3,126,462	Scotland	10,687,033
Avery	3,536,481	Durham	40,147,987	Martin	5,417,415	Stanly	14,280,497
Beaufort	8,988,872	Edgecombe	12,677,662	Mcdowell	8,014,594	Stokes	10,333,912
Bertie	5,044,601	Forsyth	63,761,564	Mecklenburg	167,341,835	Surry	15,852,671
Bladen	9,217,216	Franklin	9,866,498	Mitchell	2,669,995	Swain	2,889,541
Brunswick	15,881,367	Gaston	44,873,501	Montgomery	7,134,157	Transylvania	4,200,021
Buncombe	31,712,876	Gates	2,574,831	Moore	11,757,889	Tyrrell	881,431
Burke	19,806,145	Graham	1,824,018	Nash	21,305,892	Union	43,926,154
Cabarrus	39,654,455	Granville	10,839,685	New Hanover	32,680,232	Vance	9,845,384
Caldwell	14,146,165	Greene	4,988,319	Northampton	4,712,525	Wake	145,850,782
Camden	2,389,619	Guilford	102,110,958	Onslow	29,465,668	Warren	3,613,886
Carteret	9,940,406	Halifax	11,957,211	Orange	21,918,724	Washington	3,277,351
Caswell	4,133,728	Harnett	23,053,742	Pamlico	2,186,282	Watauga	5,910,822
Catawba	27,800,571	Haywood	8,859,152	Pasquotank	7,420,820	Wayne	29,638,293
Chatham	11,039,086	Henderson	14,890,955	Pender	9,628,549	Wilkes	16,163,116
Cherokee	4,835,610	Hertford	5,532,841	Perquimans	2,434,351	Wilson	15,622,124
Chowan	3,100,602	Hoke	12,757,296	Person	7,467,763	Yadkin	8,434,167
Clay	1,897,257	Hyde	954,429	Pitt	31,719,608	Yancey	2,978,862
Cleveland	24,346,121	Iredell	28,549,060	Polk	3,722,302	Unknown	464,093
Columbus	15,294,025	Jackson	4,833,087	Randolph	25,816,769	DPI Admin	28,436,827
Craven	16,663,208	Johnston	38,088,217	Richmond	11,800,187	Total	1,853,192,130
Cumberland	79,412,740	Jones	2,460,199	Robeson	38,491,576		



MEGA MILLIONS AND POWERBALL

The first full fiscal year of the cross-selling of Mega Millions was well received by players and retailers alike. Before the introduction of Mega Millions, Powerball had been the sole jackpot game available in the Tar Heel State.

The Mega Millions game has proven to be a winner for beneficiaries, players, and retailers alike. Sales for FY11 totaled more than \$72 million, which led to more than \$29 million returned to the education programs that the lottery supports. Players received more than \$32 million in prizes and retailer commissions exceeded \$5 million.

Powerball sales remained strong, but were down from the previous year due to the introduction of Mega Millions. Sales for FY11 totaled more than \$138 million, which led to more than \$55 million returned to education. Powerball players received more than \$32 million in prizes and retailer commissions exceeded \$9 million.



JACKPOT WINNERS

Since startup, the NCEL has four players who claimed multi-million prizes in Powerball and Mega Millions.

King's Mountain resident Jeff Wilson, who won \$88.1 million in the June 20, 2009 Powerball drawing, gladly stepped back into the spotlight in May 2011 to help celebrate the NCEL's fifth anniversary. Wilson and his father attended the NCEL 200 truck race at Charlotte Motor Speedway. Wilson helped judge a competition to choose the race's honorary starter and grand marshal alongside wrestling superstar Ric Flair and the speedway's mascot "Lugnut." He later granted interviews and fielded questions about how his life changed following his windfall.

The Wilson Family Foundation, the family's pipeline for charitable giving, established a grant to fund a monitoring program for individuals convicted of alcohol-related crimes and donated to St. Jude Children's Hospital, among other charities.

Native North Carolinians Faye and Mike Manheim are the sole jackpot winners in the Mega Millions game through June 31, 2011. The couple claimed their \$12 million prize on July 7, 2010.

Jackie Alston was the first jackpot winner in NCEL history. Alston, then a corrections officer, claimed her \$74.5 million Powerball prize in Feb. 2007.



INSTANT GAMES

Instant scratch-off games continued to measure up as the NCEL's largest revenue stream with 59 percent of total ticket sales in FY11. Sales in the category surpassed FY10 by more than \$6.5 million to top \$862 million.

A blend of fresh and familiar titles among \$5 and \$10 games combined for close to half of all scratch-off sales, with 26.3 percent and 23.7 percent respectively. "Mega Bucks" continued its popularity, eclipsed at the \$5 price point only by newcomer "Carolina Black" which registered more than \$26.3 million in sales. A new addition to the "Bucks Family" of games, "Jumbo Bucks," landed in second place among \$10 titles behind mainstay "Cash Spectacular," which produced more than \$60.3 million in sales.

The biggest prizes and the best odds made \$20 instant tickets a big hit again in FY11 with 17.8 percent of sales. On Jan. 25, 2011 the "\$200,000 a Year for Life" game began, launching with three chances to win \$200,000 a year for life – the largest instant prize ever offered in North Carolina – and seven prizes of \$50,000 a year for life. As popular as the chance to win "the prize of a lifetime" was, "\$200 Million Extravaganza" remained the top-selling \$20 ticket for a second straight year with \$92.7 million in sales.

The "Harley Davidson" ticket led the pack of \$3 games with \$11.4 million in sales. Other scratch-offs at the price point – such as "Lucky Cash Crossword" and "Bingo!" – offered unique play styles to drive 7.13 percent of scratch-off sales.

At \$2 per play, "Junior Big Ol' Bucks" contributed \$26.6 million and the \$1 ticket "Quick Bucks" pitched in \$7.3 million to FY11 totals. Altogether, the "Bucks Family" of games accounted for more than \$110.9 million in instant ticket purchases.





CAROLINA PICK 3

Ticket sales for the Carolina Pick 3 game jumped 16 percent in fiscal year 2011, making it the second most popular game based on sales. In the game, players either pick three numbers on their own or do a Quick Pick. If a player's three numbers match the winning numbers they win the game's top prize of \$500. Pick 3 sales were \$258,443,414, up from \$222,777,592 in fiscal year 2010. One factor behind the increased sales was the addition of a Sunday afternoon Pick 3 drawing on Feb. 27. The additional drawing meant that Pick 3 players had the opportunity to enter drawings twice a day, seven days a week. In fiscal year 2011, Pick 3 sales represented almost 18 percent of all ticket sales.

The game saw a new record payout on Sept. 6, 2010 when the 2-2-2 combination of triple numbers in the evening drawing led to \$2.8 million in prizes.



PLAY A	PLAY B	PLAY C	PLAY D	PLAY E
<input type="checkbox"/> \$0.50 <input type="checkbox"/> \$1.00 <input type="checkbox"/> \$2.00 <input type="checkbox"/> \$3.00 <input type="checkbox"/> \$4.00 <input type="checkbox"/> \$5.00 <input type="checkbox"/> \$6.00 <input type="checkbox"/> \$7.00 <input type="checkbox"/> \$8.00 <input type="checkbox"/> \$9.00 <input type="checkbox"/> COMBO	<input type="checkbox"/> \$0.50 <input type="checkbox"/> \$1.00 <input type="checkbox"/> \$2.00 <input type="checkbox"/> \$3.00 <input type="checkbox"/> \$4.00 <input type="checkbox"/> \$5.00 <input type="checkbox"/> \$6.00 <input type="checkbox"/> \$7.00 <input type="checkbox"/> \$8.00 <input type="checkbox"/> \$9.00 <input type="checkbox"/> COMBO	<input type="checkbox"/> \$0.50 <input type="checkbox"/> \$1.00 <input type="checkbox"/> \$2.00 <input type="checkbox"/> \$3.00 <input type="checkbox"/> \$4.00 <input type="checkbox"/> \$5.00 <input type="checkbox"/> \$6.00 <input type="checkbox"/> \$7.00 <input type="checkbox"/> \$8.00 <input type="checkbox"/> \$9.00 <input type="checkbox"/> COMBO	<input type="checkbox"/> \$0.50 <input type="checkbox"/> \$1.00 <input type="checkbox"/> \$2.00 <input type="checkbox"/> \$3.00 <input type="checkbox"/> \$4.00 <input type="checkbox"/> \$5.00 <input type="checkbox"/> \$6.00 <input type="checkbox"/> \$7.00 <input type="checkbox"/> \$8.00 <input type="checkbox"/> \$9.00 <input type="checkbox"/> COMBO	<input type="checkbox"/> \$0.50 <input type="checkbox"/> \$1.00 <input type="checkbox"/> \$2.00 <input type="checkbox"/> \$3.00 <input type="checkbox"/> \$4.00 <input type="checkbox"/> \$5.00 <input type="checkbox"/> \$6.00 <input type="checkbox"/> \$7.00 <input type="checkbox"/> \$8.00 <input type="checkbox"/> \$9.00 <input type="checkbox"/> COMBO
<input type="checkbox"/> EXACT <input type="checkbox"/> ANY <input type="checkbox"/> COMBO	<input type="checkbox"/> EXACT <input type="checkbox"/> ANY <input type="checkbox"/> COMBO	<input type="checkbox"/> EXACT <input type="checkbox"/> ANY <input type="checkbox"/> COMBO	<input type="checkbox"/> EXACT <input type="checkbox"/> ANY <input type="checkbox"/> COMBO	<input type="checkbox"/> EXACT <input type="checkbox"/> ANY <input type="checkbox"/> COMBO
<input type="checkbox"/> QUICK PICK <input type="checkbox"/> VOID	<input type="checkbox"/> QUICK PICK <input type="checkbox"/> VOID	<input type="checkbox"/> QUICK PICK <input type="checkbox"/> VOID	<input type="checkbox"/> QUICK PICK <input type="checkbox"/> VOID	<input type="checkbox"/> QUICK PICK <input type="checkbox"/> VOID

Exact: Exact Order Any: Any Order \$0/\$0: \$0s Exact/\$0s Any Combo: Provides all combinations of the chosen three numbers for an Exact Order win

SELECT ONE
 DAY DRAW
 EVENING DRAW
 BOTH DRAWS

ADVANCE PLAY MULTI-DRAW
 2
 3
 4
 5
 6
 7
 VOID





CAROLINA PICK 4

The Carolina Pick 4 game saw a big change on Feb. 27, 2011 as afternoon drawings were added seven days a week. The additional drawings gave Pick 4 players two chances every day to try their luck at winning the top prize of \$5,000. The change proved popular with players as tickets sales increased almost 14 percent even though the extra afternoon drawings were only in place for four months of the fiscal year. Pick 4 became the NCEL's 5th most popular game, earning \$65,309,804 in ticket sales, up from \$57,370,252 in fiscal year 2010.

The game also saw a record prize payout when a combination of the same four numbers was drawn for the first time in the game's history. Players who had those winning numbers (2-2-2-2) won \$645,000.



CAROLINA PICK 4

ADVANCE PLAY

MULTIDRAW

MON TUE WED THU FRI SAT SUN WOD

SELECT ONE

1x Draw 2x Draw 3x Draw 4x Draw

MULTIDRAW

2 3 4 5

6 7 8 9

PLAY A **PLAY B** **PLAY C** **PLAY D** **PLAY E** **PLAY F**

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4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4

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6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6

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DRAW **PLAY TYPE** **DRAW** **PLAY TYPE** **DRAW** **PLAY TYPE** **DRAW** **PLAY TYPE** **DRAW** **PLAY TYPE** **DRAW** **PLAY TYPE**

Exact: Exact Order Any: Any Order 50/50: 50% Exact/50% Any Combo: Provides all combinations of the chosen four numbers for an Exact Order win



CAROLINA CASH 5

Ticket sales for Carolina Cash 5 amounted to \$57,757,944, down 5 percent from fiscal year 2010. The game represented about 4 percent of total sales for the year. The Cash 5 jackpot was won 79 times in fiscal year 11. Since some jackpots are shared, ninety players had tickets for winning jackpots and of those 50 claimed wins of \$100,000 or more. John Grabski of Charlotte won the largest jackpot during the fiscal year, winning \$773,609 in the April 21, 2011 drawing. The average top prize won in fiscal year 2011 was \$205,057. Cash 5 drawings occur nightly in concurrence with the Carolina Pick 4 and Carolina Pick 3 drawings.



CASH SPLASH MILLIONAIRE RRAFFLE

The NCEL offered its third raffle game in its history during fiscal year 2011. The raffle was designed to create three new millionaires in North Carolina. The NCEL paid initial taxes on the top prize so that the three top winners would take home \$1 million. The raffle also offered eight prizes of \$50,000, 30 prizes of \$5,000 and 560 prizes of \$500. Only 500,000 tickets were available to be sold. Tickets went on sale July 2, 2010 and the raffle drawing was held on Sept. 20, 2010. Not all tickets sold. Raffle ticket sales were \$5,986,380.

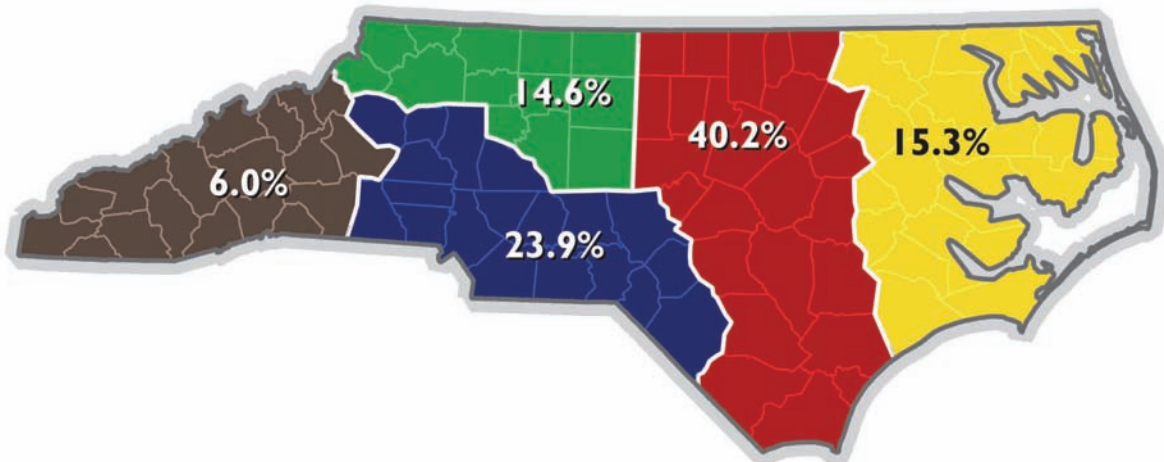
SALES

SALES BY REGION AND GAME

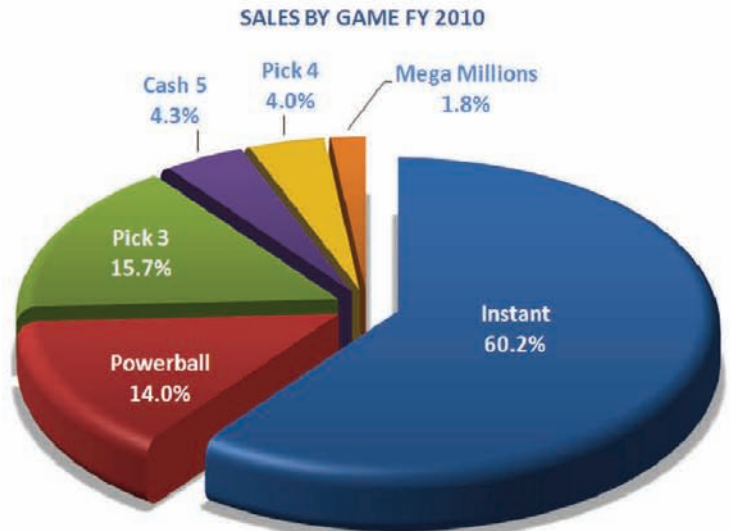
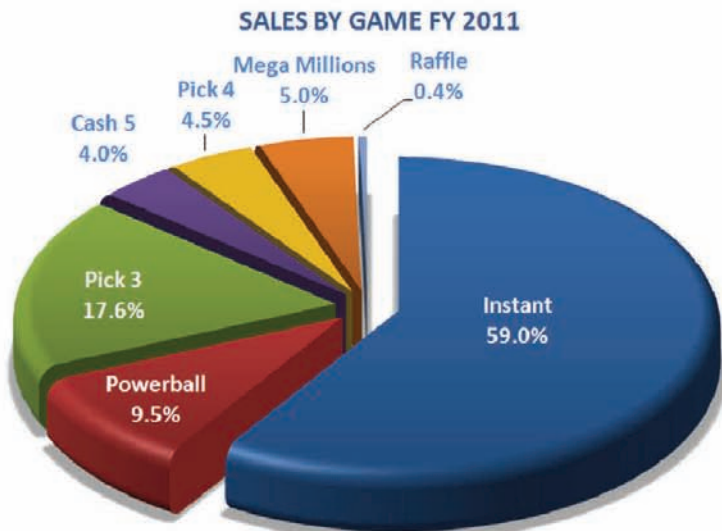
SALES BY REGION FY 2011

Region	Instant	Powerball	Mega Millions	Cash 5	Pick 4	Pick 3	Raffle
Ashville	\$ 63,643,637	\$ 10,130,478	\$ 5,064,699	\$ 3,645,980	\$ 1,098,370	\$ 3,378,831	\$ 391,520
Greensboro	131,990,529	21,936,962	12,459,205	9,363,247	8,436,721	28,328,441	948,700
Charlotte	227,926,639	41,312,436	20,326,141	14,406,416	10,242,018	34,159,647	1,506,500
Raleigh	325,531,516	51,049,934	27,475,987	22,754,613	29,906,401	127,910,577	2,558,880
Greenville	112,998,155	14,240,849	7,521,677	7,587,688	15,626,295	64,665,919	580,780
Total	\$ 862,090,476	\$ 138,670,659	\$ 72,847,709	\$ 57,757,944	\$ 65,309,804	\$ 258,443,414	\$ 1,455,120,006
% of Sales	59.0%	9.5%	5.0%	4.0%	4.5%	17.6%	0.4%

Region	Total
Ashville	\$ 87,353,514
Greensboro	213,463,805
Charlotte	349,879,797
Raleigh	587,187,908
Greenville	223,221,363
Total	\$ 1,461,106,386
% of Sales	100%



SALES BY GAME FY 2011 & 2010



Mega Millions game was launched in Jan '10

STATEMENT OF NET ASSETS:

The Statement of Net Assets presents the NCEL's financial position from a long-term perspective. It reports all of the NCEL's assets and liabilities.

Condensed Statement of Net Assets (in thousands)

	FY 2011	FY 2010
ASSETS		
Total current assets	\$ 30,345	\$ 55,713
Noncurrent assets	36,586	26,414
Total Assets	66,931	82,127
LIABILITIES		
Total current liabilities	30,217	56,092
Noncurrent Liabilities	36,714	26,035
Total Liabilities	66,931	82,127
NET ASSETS		
Invested in capital assets	819	1,239
Unrestricted net assets	(819)	(1,239)
Total Net Assets	\$ -	\$ -

*Readers wanting more detailed financial information should refer to the NCEL's FY 2011 Comprehensive Annual Financial Report (CAFR) available on the NCEL's website at: <http://www.nc-educationlottery.org/about.aspx>

The decrease in current assets resulted from a decrease in the State Treasurer's Security Lending Collateral and pulled cash being held before being transferred to the State.

Current liabilities consist primarily of trade payables to vendors, instant ticket prize liability, Powerball and Mega Millions low-tier liability and obligations under State Treasurer's Lending Agreements. In addition Current liabilities consist of "Due to Other Funds" which represents the amount of net revenues for the fiscal year not yet transferred to the State as of June 30, 2011 but will be transferred during fiscal year 2012. The remainder is due to other state agencies for services provided to the NCEL.

As required in the Lottery Act, net revenues of the NCEL are transferred four times a year to the NC Education Lottery Fund at the Office of State Budget and Management. At year end, Net Revenues /Assets are zero for the NCEL. There are no changes in the Net Assets from year to year.

The NCEL's investment in capital assets, net of accumulated depreciation in 2011 was \$819 thousand which is approximately \$420,000 lower than 2010. The majority of capital asset investments were during our first full year of operation in 2007. The investment in capital assets includes game equipment, data processing equipment, telephone equipment, software and fixtures. The capitalization of all items including equipment, computers, and furniture follows North Carolina's Office of State Controller's policies.

Activity for Capital Assets for Year Ended June 30, 2011 (in thousands)

Category	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
Capital assets, depreciable				
Furniture	\$ 29	\$ -	\$ -	\$ 29
Equipment	2,653	211	(60)	2,804
Motorized equipment	67	-	-	67
Total capital assets, depreciable	2,749	211	(60)	2,900
Less accumulated depreciation for				
Furniture	23	4	-	27
Equipment	1,435	609	(53)	1,991
Motorized equipment	52	11	-	63
Total accumulated depreciation	1,510	624	(53)	2,081
Total capital assets, depreciable net	1,239	(413)	(7)	819
Capital assets, net	\$ 1,239	\$ (413)	\$ (7)	\$ 819

Capital assets are reported at their cost, and are depreciated over their estimated useful lives.

STATEMENT OF ACTIVITIES:

This section reports the fiscal year's financial activities from a long-term perspective. It is designed to provide a summary of the financial health and stability of the NCEL. Information in this section should provide the reader with a general understanding of how the NCEL's resources are used.

Statement of Activities (in thousands)		
	FY 2011	FY 2010
Operating Revenues:		
Gross Sales:	\$ 1,461,106	\$ 1,421,313
Less: Prize Tickets and Bad Debt	(1,527)	(1,714)
Fees and Licenses	5,061	4,859
Total Operating Revenues	1,464,640	1,424,458
Operating Expenses:		
Salaries, Wages, and Benefits	15,824	15,299
Lottery Prizes	862,996	835,302
Retailer Commissions	102,127	99,340
Retailer Incentive	592	394
Gaming Systems Services	23,482	22,639
Advertising	13,760	11,792
Marketing	2,358	2,239
Other Services	3,427	3,555
Furniture, Fixtures, and Equipment	933	376
Depreciation	624	583
Other General and Administrative Expenses	2,387	2,764
Total Operating Expenses	1,028,510	993,889
Operating Income	436,130	430,569
Nonoperating Revenues (Expenses):		
Investment Earnings and Other Miscellaneous Revenue (Expense)	1,175	2,699
Compulsive Gambling Contribution	(1,000)	(1,000)
Interest and Unclaimed Prizes to Fed Medicaid Program	(9,370)	-
Unclaimed Prizes to NC Education Lottery Fund	(8,623)	(14,894)
Net Revenues to the State of NC	(418,248)	(417,311)
Miscellaneous Nonoperating Expenses	(64)	(63)
Total Nonoperating Revenues (Expense)	(436,130)	(430,569)
Net Income	-	-
Net Assets	\$ -	\$ -

OPERATING REVENUES:

Total gross lottery ticket sales for the fiscal year 2011 were approximately \$1.461 billion as compared to \$1.421 billion in fiscal year 2010. This represents an increase of almost \$40 million.

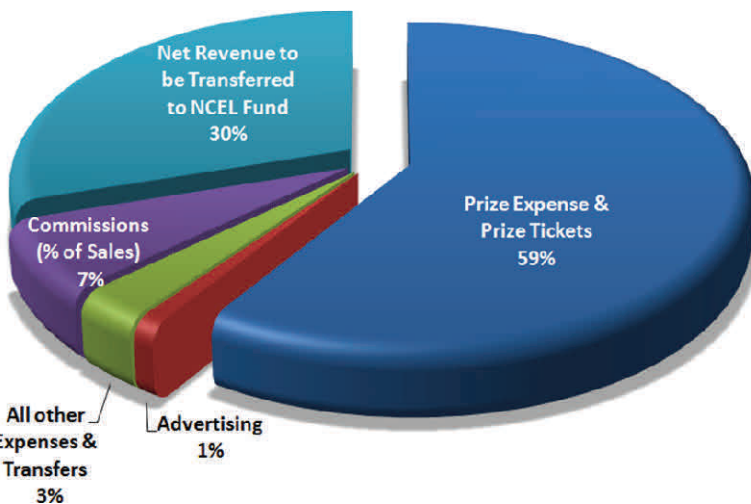
On some of our instant games players can scratch off a ticket and win another ticket of the same value. Those "free" tickets are referred to as prize tickets and their value is deducted from total sales.

The majority of Fees and Licenses represent a weekly retailer communication fee charged to active retailers for terminal satellite communications and an application fee for new retailers and changes in ownership.

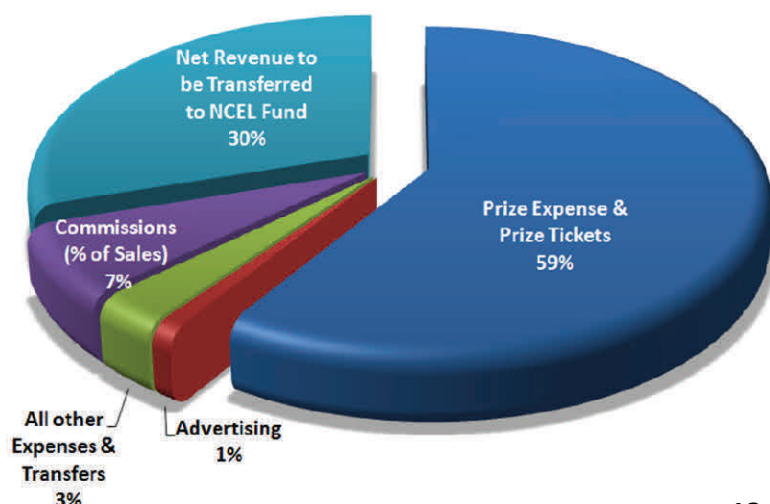
OPERATING EXPENSES:

The following chart shows the major components of NCEL operating expenses and transfers as a percentage of total revenues for the June 30, 2011 and 2010 fiscal years:

ALLOCATION OF EXPENSES FY 2011



ALLOCATION OF EXPENSES FY 2010

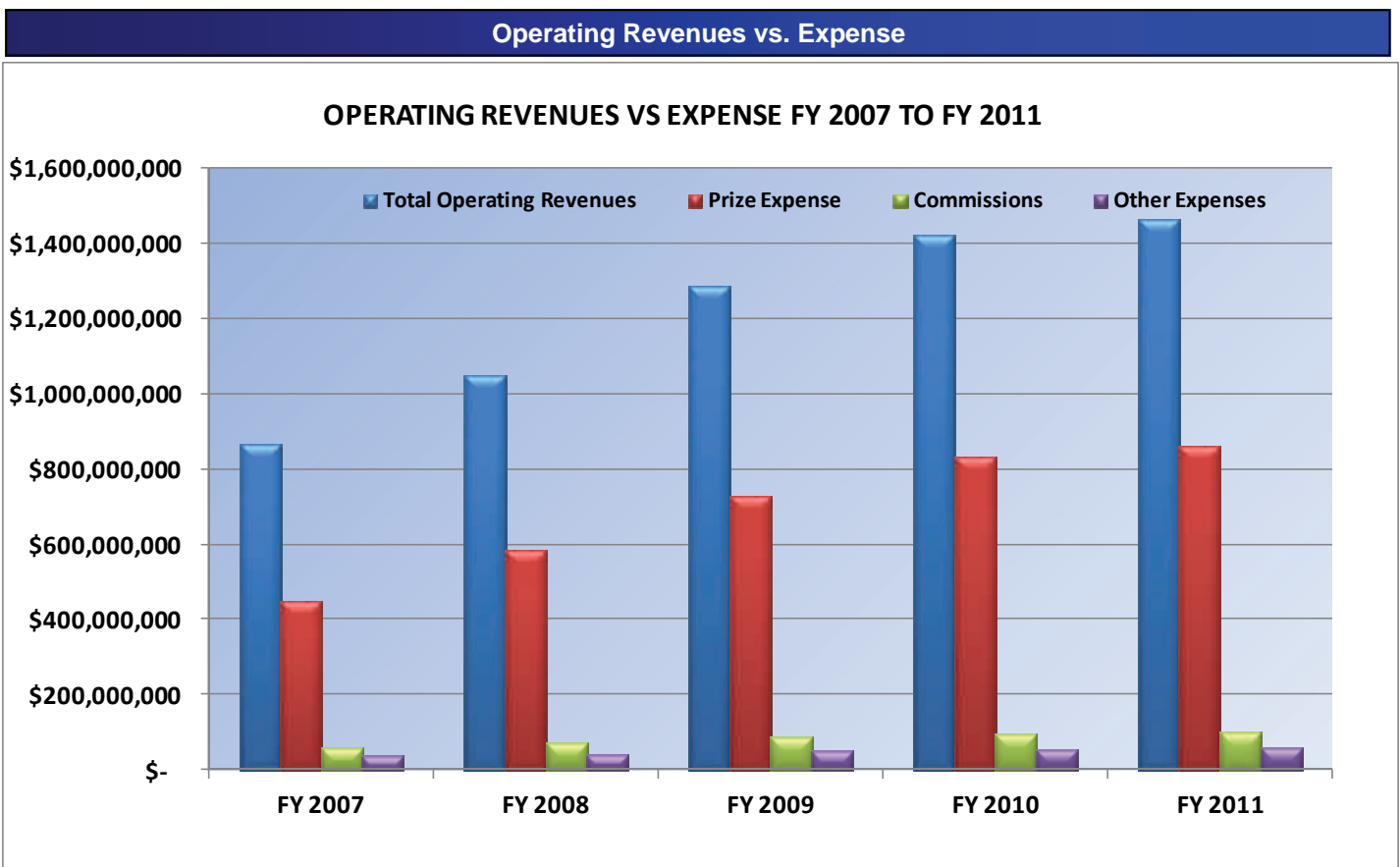


STATEMENT OF ACTIVITIES CONTINUED:

Section 18C-162, NC General Statutes stipulates no more than 8% of the total annual revenues shall be allocated for payment of expenses of the Lottery. Advertising expenses shall not exceed 1% of the total annual revenues.

Prizes, retailer commissions and gaming vendor charges all directly relate to sales. As expected, as sales have increased and so have these expenses. In fiscal year 2011, prizes, commissions and gaming vendor charges increased to \$988 million from \$957 million in 2010. The other expenses, which consist of advertising, salary and benefits, professional fees, rent, maintenance, bad debt, depreciation and transfers, have remained at 4% of Total Annual Revenues this year. Fiscal years 2011 and 2010 administrative expenses were \$39 million and \$37 million respectively.

The following graph shows the relationship between sales and expense for the NCEL.



NONOPERATING REVENUE AND EXPENSE:

Nonoperating Revenues consist of investment earnings from the Short Term Investment Fund held at the State Treasurer's office, and Multi-State Lottery Association (MUSL) dividends received.

Nonoperating Expenses mainly consist of transfers from the NCEL to the State. These transfers consist of net revenues to the state, compulsive gambling treatment contributions and unclaimed prizes transferred to the North Carolina Education Lottery Fund.

Readers wanting more detailed financial information on any of the lottery's financial activities and results should refer to the NCEL's FY 2011 Comprehensive Annual Financial Report (CAFR) available on the NCEL's website at: <http://www.nc-educationlottery.org/about.aspx>

CONTACT INFORMATION

Any request for information about this report should be sent to the Public Information Officer at the North Carolina Education Lottery, 2100 Yonkers Road, Raleigh, North Carolina 27604.

For more information please see our website at <http://www.nc-educationlottery.org>



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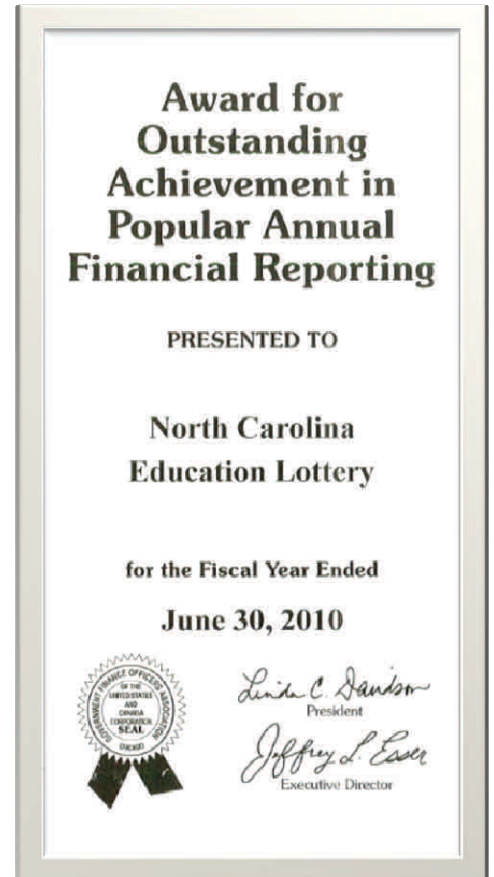


AWARDS & ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the North Carolina Education Lottery for its Popular Annual Financial Report for the fiscal year ended June 30, 2010. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



2100 Yonkers Road, Raleigh NC 27604

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