



West Virginia Lottery
a component unit of the State of West Virginia

The Sky's The Limit

"Success is where preparation and opportunity meet."



Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2009

West Virginia Lottery

Director



John C. Musgrave
Director
West Virginia Lottery

John C. Musgrave of Point Pleasant, WV was appointed Director of the West Virginia Lottery in April of 1997 and has had two consecutive appointments since that time. Musgrave brings to the Lottery a strong finance background with more than two decades of public service at the federal, state and local levels.

As Lottery Director, he oversees a special revenue agency that generates over \$1.5 billion in gross sales and provides a profit to the State of West Virginia of over \$600 million to be used for senior citizens, education, parks, tourism and capital projects.

Lottery Commission



Donald C. Lucci, CPA, Charleston, WV, Certified Public Accountant; David L. McCormick, Jr., Morgantown, WV, Marketing; Kenneth L. Greear, Chairman, Charleston, WV, Computer Expert; William I. Clayton, Vice Chairman, South Charleston, WV, Member at Large and Michael A. Adams, Esq., Weirton, WV, Attorney

The Commission was created in 1985 to assist and advise the Director of the Lottery and to carry on a continuous study of West Virginia Lottery operations throughout the state. Members are appointed by the Governor with the approval of the Senate. In accordance with state law, the Lottery Commission is required to have seven members comprised of a lawyer, a certified public accountant, a computer expert, a marketing specialist, and one member with not less than five years experience in law enforcement. An additional two members represent the "public at large." No more than four members may be from the same political party. Unless filling an unexpired appointment, members serve overlapping terms of five years and are eligible for successive appointments to the Commission.





West Virginia Lottery
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Prepared by
Finance and Administration Division

James M. Toney, CPA/MBA
Deputy Director of Finance and Administration
and Chief Financial Officer

Comprehensive Annual Financial Report
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Lottery Dollars Improving Our Children's Education

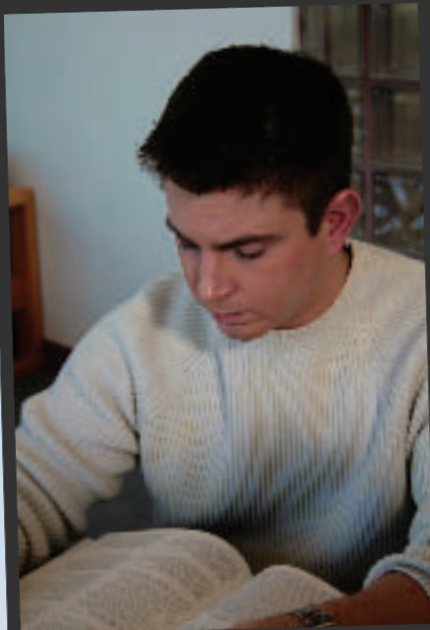


During fiscal year 2009, the West Virginia educational system received nearly \$125 million from the Lottery through legislative appropriations. Proceeds to education included \$27 million to the West Virginia School Building Authority to build and improve school buildings throughout the state.

In addition, the West Virginia PROMISE Scholarship program received an additional \$27 million to provide awards for students to attend West Virginia colleges and universities.



Since 1990, Lottery revenue has helped to provide more than 110,000 computers benefiting students statewide on the use of technology.



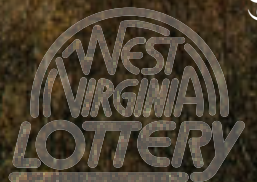
More Than \$4.5 Billion
In Proceeds To Senior Citizens,
Education and Tourism Since 1986!

The Sky's The Limit for Education

"Education exposes young people to a broader world,
a world full of opportunity and hope"

Christine Gregoire, American Quotes

West Virginia Lottery
a component unit of the State of West Virginia







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Joe Manchin, III
Governor

John C. Musgrave
Director

December 4, 2009

The Honorable Joe Manchin III, Governor
Virgil T. Helton, Cabinet Secretary, Department of Revenue
Kenneth L. Greear, Chairman, West Virginia Lottery Commission
Members of the West Virginia Lottery Commission

We are pleased to transmit to you the Comprehensive Annual Financial Report of the West Virginia Lottery (the Lottery) for the fiscal year ended June 30, 2009. This report has been prepared by the Finance and Administration Division of the Lottery. Responsibility for both the accuracy of the financial data and the completeness and fairness of presentation, including all disclosures, rests solely with the Lottery. To the best of our knowledge and belief, the enclosed data and information are accurate and are reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

Presented in this report is information about the Lottery, an agency under the Department of Revenue of the State of West Virginia. The State Lottery Act §29-22 was passed in April 1985 by the West Virginia Legislature. The Lottery is operated as a business enterprise within the framework of State laws, rules and regulations. Its mission is to generate revenue to fund programs benefiting education, senior citizens, tourism and such other programs as the Legislature may determine. This mission is being performed with the utmost integrity to ensure public confidence.

In 2006, the West Virginia State Legislature passed a bill allowing the Lottery to retain an unexpended portion of its administrative fees for capital improvements. These amounts are presented in the financial statements as Restricted Net Assets. Prior to fiscal year 2006, all net assets in excess of \$250 thousand were distributed to the State of West Virginia.

The Lottery is considered a component unit of the State of West Virginia. This report presents Lottery activity in a single enterprise fund; the fund includes all activity for which the West Virginia Lottery Commission exercises oversight responsibility. The Lottery has no component units and this report includes only the activity of the Lottery. This report does not include data and information related to any other state agency or fund.

This letter of transmittal is designed to be read in conjunction with the complementary information offered in the Management's Discussion and Analysis (MD&A) which can be found immediately following the independent auditors' report.

Overview



The Lottery's nightly drawing show received a new set that made the show more modern looking. The nightly drawing is seen throughout the state live Monday - Saturday after the network news.



Conversion to a new GTECH on-line system took place with retailers receiving new terminals and player activated terminals with bright new look. Training for retailers took place at locations throughout the state.

The West Virginia Lottery has been in operation for 23 years, and has generated sales of more than \$13.9 billion, with more than \$4.5 billion to the State of West Virginia, excluding commissions from Racetrack and Limited Video Lottery and profits paid to non-state government entities.

The Lottery regulates several forms of gaming including traditional lottery games (instant ticket scratch-offs and on-line games such as the Powerball® jackpot game); Racetrack Video Lottery (slot machines); Limited Video lottery (slot machines at local video lottery parlors); and Table Games at racetracks (poker, blackjack, roulette, etc.).

Lottery law mandates that players receive at least 45 percent of total traditional game sales in the form of cash prizes, however, that percentage has averaged approximately 50 percent annually. In addition, the Lottery's traditional games operating costs have averaged approximately 12 percent, notably less than the 15 percent allowed by law. Retailers who sell lottery products receive a 7 percent commission, as well as selling bonuses based on total sales at their respective locations. A cashing bonus is also given to retailers for any tickets cashed at their location.

Profits from traditional lottery games are directed by law, just as profits distributed under Racetrack Video Lottery and Limited Video Lottery are directed by statute and legislative appropriations.

Since 1994, \$153 million of revenue generated by Racetrack Video Lottery has been directed to advertising funds for the tourism industry through a matching gifts program established with the West Virginia Division of Tourism. The Lottery has contributed \$10.7 million to the Division of Tourism in fiscal year 2009.

Overview



Tri-State Racetrack and Gaming Center received their Casino License on July 1, 2008.



The Lottery walked away with two ADDY® Awards for our television commercials in a ceremony held this past February in Charleston. One of the ads, "Nanny" later won a Batchy Award.



Hot Lotto Sizzler® was the focus of a new advertising campaign that helped increase the game's sales more than 21% over the previous year.

In fiscal year 2009, Lottery revenue appropriated to the Division of Tourism by the Legislature totaled \$8 million. When added to appropriations for the Division of Natural Resources and the State Park Improvement Fund, the total amount distributed to enhance the state's tourism efforts was \$16.5 million in 2009. Ongoing financial support of these efforts include advertising, the State's film office, operations' budget and the state's national travel and information hotline 1-800-CALL WVA.

The Legislature passed an amendment in 2000 which continues to provide Lottery revenue from a special instant ticket game to help support funding for West Virginia Veterans. Being the first of its kind, the Lottery's initiative has generated up to \$1 million annually to support the completion of a new skilled nursing facility and construction of a cemetery for West Virginia Veterans. In fiscal year 2009, approximately \$862 thousand in Lottery revenue was distributed to support projects for West Virginia Veterans.

Seniors across the state benefit from Lottery revenue through license fees for table games. All license fees for table games are directly deposited into the accounts of the Bureau of Senior Services. In fiscal year 2009, in-home health care services for seniors totaled \$6.5 million after each racetrack paid its annual fee.

West Virginia senior citizens received nearly \$59 million in Lottery revenue in 2009. In addition, license fees paid by the racetracks have helped to extend in-home health care to those who are not typically eligible to receive assistance.

The funding from West Virginia Lottery's Limited Video Lottery games continues to support the State's higher education PROMISE Scholarship Fund. In fiscal year 2009, the PROMISE scholarship program received \$27 million to provide higher education opportunities for many high school graduates across the State.

Economic Outlook



The US economy began to recover in mid-2009, as the bottom of the recession occurred in June 2009, according to many experts. The Federal Reserve Board stabilized the banking system and fiscal stimulus provided a boost to the economy. Other positive economic indicators were improved home sales, stabilizing home prices and rising capital goods shipments. However, sustained growth in the economy is expected to be a slow process. The overall US economy is forecast to contract for all of 2009 before showing moderate growth in 2010. The unemployment rate is expected to reach 10 percent before showing improvement in late 2010.

After a year of better than average growth in 2008, West Virginia's economy contracted in the first half of 2009. The wood manufacturing sector began to struggle because of falling residential construction and the primary and fabricated metal manufacturing sectors slowed due to reduced output of big-ticket items. Also, the retail sector was hit by the slowdown in consumer spending. Overall, average non-farm employment fell by roughly 34,300 jobs from the fourth quarter of 2008 to the first quarter of 2009.



West Virginia's job market deteriorated further in the second quarter of 2009, with payrolls plunging at a 6 percent annual rate. Pressure from falling commodity prices and demand has been particularly hard on West Virginia. Commodity-related manufacturing industries (i.e., wood, fabricated metals, and chemical manufacturing) combined for roughly 1,000 job cuts from April to June. Meanwhile, mining employment plunged by 3,600 jobs. The trade sector felt the pressure of slow growth internationally, as 2,400 jobs were lost in the second quarter.



The fallout in mining employment during the second quarter was the beginning of what will most likely be a very difficult period for the industry. Weakness in the mining sector is coming on the heels of what was a very prosperous period for West Virginia mining. However, demand for the state's mining products tends to be very cyclical. The current global downturn and expected sluggish recovery negatively affected the state. According to IHS Global Insight, employment in the mining sector is expected to contract by roughly 10 percent in both 2009 and 2010.

While the goods producing sector of West Virginia's economy went from job gains during the 2004-2006 period to net job losses during the last two years, the service-providing sector continued to add jobs over the past two years, but at a much reduced rate. Conditions within the service-providing industries have deteriorated recently and the sector posted net job losses over the past year. Since August 2008, payroll employment in the service-providing sector has fallen by 11,400 jobs.

Economic Outlook

Even though there is some consensus that the recession is over, IHS Global Insight projects that West Virginia employment will continue to decline through the first quarter of 2010, but at slower rates. The employment declines will continue in the early stages of the recovery as employers increase working hours of existing employees before adding new employees. Manufacturing, construction and mining jobs are projected to decline through at least the third quarter of 2010. Since these three industries generally pay higher per hour wages than service-providing jobs, growth in personal income and consumer spending will be reduced. Full recovery in the labor market is not expected until 2011, when job growth is forecast to rise by 1 percent. Leading the growth in employment is expected to be the service-sector, followed by manufacturing. Employment levels would be lower in the absence of federal fiscal stimulus programs. Overall, it is estimated that West Virginia will receive \$1.3 billion from the American Recovery and Reinvestment Act, which will create or save almost 25,000 jobs.

The leisure hospitality sector, including amusements and recreation (including gaming) and hospitality and food service activities, lost 2,400 jobs since August 2008. Previously, this sector had been one of the top employment growth sectors for the State. According to the results of a study by Dean Runyan Associates, inflation adjusted travel spending in the State increased by 4.5 percent from 2000 to 2008. However, recessionary conditions and more cautious consumers were contributing factors to the contraction in this sector in 2009. Lottery and gaming activity and related revenues fell from peak levels due to both the recession and competition from other states. According to a September 2009 report by the Rockefeller Institute of Government, national regulated gaming revenues fell by 2.8 percent to \$21.9 billion in fiscal year 2009, marking the first time revenues from these sources have decreased in over three decades. As the national and state economies begin to show more sustained growth, the gaming and recreation sector should rebound. The availability of table games at three of the State's four racetracks and at the Greenbrier Hotel are contributing factors to a positive outlook for this sector. The slower than originally anticipated emergence of interstate gaming competition from both Maryland and Ohio should also bode well for West Virginia over the next year.

Risks to the forecast include the possibility of a more prolonged national downturn than anticipated. This would reduce growth in West Virginia, as well. Furthermore, the mining industry faces future uncertainties, in the face of regulatory issues surrounding global warming, as well as clean water and air concerns. Gaming industry competition from neighboring states may increase beyond current activities, resulting in reduced growth in the leisure and hospitality sector.¹



¹ Written by Mark Muchow, Deputy Cabinet Secretary, Department of Revenue

Lottery Products

The West Virginia Lottery has introduced 15 different games since its inception but currently provides players the opportunity to participate in a variety of 10 games:

Scratchoffs

INSTANT GAMES

INSTANT games were the Lottery's first type of game introduced in January 1986. There are different ways to win in an instant or "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 becomes an "instant winner" without having to wait for the results of a drawing. The instant game offers a wide variety of

game themes. During fiscal year 2009, there were 38 new games introduced. Instant games provided approximately 7.6 percent of total fiscal year 2009 sales at 1,599 retail locations.

Daily 3

DAILY 3 is an on-line game introduced in February of 1987. Players choose three numbers from 0 to 9 for prizes ranging from \$40 to \$500. Drawings are held six nights a week.

DAILY 4 is an on-line game also introduced in February of 1987. Players choose four numbers from 0 to 9 for prizes ranging from \$100 to \$5,000. Drawings are held six nights a week.

Daily 4

Cash 25

CASH 25 is an on-line game, which was introduced in February 1990. Players pick six numbers between 1 and 25 for a chance to win cash prizes ranging from \$1 to \$25,000. Drawings are held four nights a week every Monday, Tuesday, Thursday and Friday.

POWERBALL® is an on-line game jointly operated by 31 state lotteries, the District of Columbia and the Virgin Islands, who are members of the Multi-State Lottery Association (MUSL). This game was introduced in April 1992, revised in November of 1997, October of 2002, and August of 2005. Beginning March 2001, Powerball® added a feature called Power Play®, where winnings can be multiplied from a random number drawn between 2 and 5. Effective August 28, 2005, the matrix increased to "5 of 55" for the first set, while the second set remained the same and the second and third tier prizes were doubled. The matrix held previously was "5 of 53" for the first set and "1 of 42" for the second set. The jackpots are paid either in a cash lump sum equal to the present value of the annuitized amount or over 30 years with a guaranteed minimum jackpot of \$15 million. Once the jackpot reaches the previous record jackpot of \$365 million, the jackpot increase may be limited to \$25 million per draw. The jackpot money over the amount required to fund the \$25 million increase will continue to accrue until the jackpot is hit. At that time, the residual jackpot money will be divided equally among the current \$200,000 winners. The jackpot increases each drawing if no winning ticket has matched the first set of 5 numbers and matched the "Powerball®" number of the second set. Powerball® offers eight secondary prizes of fixed amounts ranging from \$3 to \$200,000. Drawings are held twice weekly on Wednesday and Saturday. Powerball® sales are approximately 3.4 percent of total 2009 sales at 1,468 retail locations.

POWERBALL



Lottery Products

HOT LOTTO SIZZLER® is an on-line game jointly operated by 14 states and the District of Columbia who are members of MUSL. This game was introduced in April 2002 with drawings on Wednesday and Saturday. Players choose 5 numbers out of a field of 39 and 1 number out of a field of 19. Jackpots begin at \$1 million, and increase each drawing if no winning ticket has matched the first set of 5 numbers and matched the “Hot Ball” number of the second set. HOT LOTTO SIZZLER® offers eight secondary prizes of fixed amounts ranging from \$2 to \$10,000.



TRAVEL KENO is a game restricted to lottery retailers with specific types of West Virginia Alcohol Beverage Control Administration licenses and was introduced in December 1992. The player selects from 1 to 10 numbers and the Lottery computer randomly picks 20 numbers between 1 and 80. With the Keno Bonus multiplier option, players have a chance to increase their winnings. Drawings are held every five minutes from 6:05 a.m. through 1:45 a.m. The winning numbers are displayed on monitors at 318 Travel Keno locations.

RACETRACK VIDEO LOTTERY games were implemented in 1994 when the West Virginia Legislature passed the Racetrack Video Lottery Act, making video lottery terminals available to the four racetracks in the state subject to passage of local referendums. In September 1994, three racetracks (Mountaineer Casino Racetrack & Resort, Wheeling Island Hotel, Casino & Racetrack, and Tri-State Casino and Resort) began operating with 1,200 video lottery machines. A fourth racetrack (Charles Town Races & Slots) began video gaming in September 1997. West Virginia is one of twelve state lotteries to regulate video gaming at racetracks. Games offered are poker, blackjack, keno, and spinning reel types. Effective June 1999, legislative action has allowed mechanical reel coin drop machines. As of June 30, 2009, the West Virginia Lottery Commission had an average of 12,147 terminals available for play at the four racetracks in the state. Racetrack Video Lottery sales were 56.8 percent of total 2009 sales.



LIMITED VIDEO LOTTERY games were approved by the Legislature in April 2001. The legislation provides up to 9,000 video lottery terminals to be placed in retailer locations with specific types of West Virginia Alcohol Beverage Control Administration licenses. West Virginia is one of three state lotteries to regulate and operate limited video lottery. The other two states are South Dakota and Oregon. The first terminals were enabled for play on December 17, 2001. A total of 7,960 terminals were operating at licensed retail locations throughout the state as of June 30, 2009. Limited video lottery sales were 27.6 percent of total 2009 sales at 1,618 operating retailer locations.

TABLE GAMES were implemented in fiscal year 2008 when the West Virginia Legislature passed the Racetrack Table Games Act, making table games available to the four racetracks in the state subject to passage of local referendums. In October 2007, two racetracks (Mountaineer Casino Racetrack & Resort and Wheeling Island Hotel, Casino & Racetrack) began operating with poker tables only and added full table games in December 2007. Tri-State Casino and Resort began operating poker tables only in August 2008 and added full tables in October 2008. Games offered are Poker, Blackjack, Caribbean Stud, Craps, Roulette, Three and Four Card Poker, and other miscellaneous games. Racetrack Table Games sales were 2.3 percent of total 2009 sales.



Accomplishments

ACCOMPLISHMENTS

The West Virginia Lottery has contributed more than \$4.5 billion to the State's general and special funds since its inception in January 1986. During fiscal year 2009, transfers to the State from the Lottery and Excess Lottery funds totaled more than \$521.1 million, down 12.1 percent from last fiscal year. State programs for education, senior citizens and tourism have continued to be the primary benefactors of Lottery profits since 1989, as well as economic development programs designed for growth of communities across the mountain state. Notable accomplishments in fiscal year 2009 include:

- Despite declining economic conditions, the West Virginia Lottery had a solid year of performance with fiscal year 2009 gross sales of \$1.493 billion
- Racetrack Video Lottery sales at the state's four licensed racetracks totaled \$848.2 million, contributing 56.8 percent of total lottery sales.
- Completing its seventh full year, Limited Video Lottery had another strong year with sales of \$412.5 million, holding steady over last fiscal year. As of June 30, 2009 a total of 7,960 machines were in operation statewide. The West Virginia Lottery has facilitated a discussion with all interested stakeholders and local communities through a select panel on Limited Video Lottery in order to prepare for the 2011 re-bid of Limited Video Lottery permits.
- During fiscal year 2009, table games became operational at Tri-State Casino and Resort, making the casino the third to operate table games in West Virginia. Sales for Table Games represented \$34.2 million of total sales for the fiscal year.
- Sales from Traditional (Instant and On-line) Lottery games totaled \$198.1 million. Sales of Instant tickets were especially strong and were the largest contributor at \$113.9 million. This year, the Lottery launched 38 new instant games, including three licensed properties designed to meet player demand.
- On January 3, 2009, the Powerball® game expanded to include the state of Florida. This brought additional improvements to the game including a new Match 5 prize with the Power Play® option that pays a lump sum cash prize of \$1 million. West Virginia was fortunate to have a \$1 million winner in fiscal year 2009.
- In fiscal year 2009, HOT LOTTO® celebrated record sales with nearly 21.4 percent increase over sales in fiscal year 2008.
- In June 2009, GTECH Corporation successfully completed conversion to provide the Lottery's instant and on-line gaming services. GTECH's new central computer system has provided enhanced terminal operations at retail locations across the state, improved licensing capabilities, reporting and overall speed of doing business. In addition, the new system improved Instant tickets with the addition of keyless validation capabilities. The new barcode allows for faster transaction times for both players and retailers, and expands the play area on tickets under the scratch covering.
- With the continued economic decline and increased competition from neighboring states, the Lottery's distributions to the State of West Virginia totaled \$616.6 million which was a decline from previous fiscal periods, with total commissions paid to retailers of \$693.1 million.
- In September 2008, West Virginia Lottery Director John Musgrave was named President of the North American Association of State and Provincial Lotteries (NASPL). Director Musgrave was responsible for leading the association and its 52-member lotteries in the United States, Canada and the U.S. Virgin Islands through national and local challenges facing the Lottery industry.
- As part of its corporate responsibility activities and in accordance with statute, the West Virginia Lottery provided more than \$1.5 million in funding to The Problem Gamblers Help Network of West Virginia.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the West Virginia Lottery for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 12th consecutive year that the West Virginia Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Financial Information

FINANCIAL INFORMATION ENTERPRISE OPERATIONS

The West Virginia Lottery operates enterprise activities, which include sales of instant and on-line tickets, the regulation of video lottery and table game operations to the general public and the related supporting functions: personnel, finance and administration, video, marketing, security, table games and licensing. No general government functions or operations are managed by the Lottery or included in this report. Sales in fiscal year 2009 decreased 2.0 percent to \$1.493 billion from \$1.523 billion in fiscal year 2008. Distributions to the State of West Virginia decreased 2.3 percent from \$631.2 million in fiscal year 2008 to \$616.6 million in fiscal year 2009.

ACCOUNTING SYSTEM AND POLICIES

The West Virginia Lottery operates the State Lottery Fund and State Excess Lottery Fund, enterprise funds that, like a private business, utilize the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BUDGETARY CONTROLS

Budgetary control for the State Lottery Fund and State Excess Lottery Funds are addressed through their enabling legislations, which provides specific limitations on operating and administrative expenses. For budgetary purposes, the State Lottery and Excess Lottery Funds are classified as unappropriated special revenue funds and do not have a legally adopted budget. An estimate of expected expenditures is filed annually with the Budget Division of the Department of Revenue and is monitored throughout the year by this Division. In addition, Lottery financial management staff monitors actual expenditures for compliance with operational requirements and compliance with lottery statutes.

INTERNAL CONTROL ENVIRONMENT

Management of the Lottery is responsible for establishing and maintaining internal controls 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. The internal controls are designed to provide reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the Lottery has segregated the following functions: personnel, payroll, purchasing and accounts payable, and general ledger and accounts receivable accounting. Data input and processing are separate from system programming with management providing approval and oversight. In addition, an internal auditor reviews all areas of Lottery operations and reports to the Finance and Audit Committee of the Lottery Commission.

Since the Lottery manages a valuable ticket inventory and controls the disbursement of prizes, the following steps are taken to ensure the operations remain secure and meet the highest ethical standards:

- Hiring specialized security and law enforcement staff
- Maintaining secure Lottery facilities and limiting access
- Performing background checks on retailers, contractors and Lottery employees
- Printing lottery tickets with special inks, dyes and security codes
- Providing detailed procedures for random on-line drawings
- Hiring an independent CPA firm to witness the drawings
- Providing a variety of access and other controls to all computer systems
- Providing operating policies and procedures

The Lottery currently has 172 employees; the majority of the staff is located at Lottery headquarters. The drawing studio is located at the broadcast facility of the television station in Charleston, West Virginia, which produces the nightly drawings.

Future Projects

FUTURE PROJECTS

The Lottery will continue to set aside unexpended administrative expenses for the design, construction or purchase of a new West Virginia Lottery Headquarters. Under House Bill 106, the Lottery is permitted to set aside up to \$20 million annually beginning with fiscal year 2006, through fiscal year 2012, for completion of this project.

By January 1, 2010, the Lottery will award a Request for Proposal (RFP) and name an agency to provide its marketing and advertising services. This contract will further extend the Lottery's marketing capabilities in the areas of creative advertising, public relations, internet-based promotions, research, website functionality and other marketing-related needs.

As part of a cross-selling initiative between the Multi-State Lottery Association (MUSL) and states who currently sell the Mega Millions jackpot game, the West Virginia Lottery will launch and begin the sale of Mega Millions in West Virginia in early 2010. During fiscal year 2010, with the completion of the conversion to the new GTECH gaming system, the Lottery will install an additional 600 Self-Service Ticket Validators at retail locations across the State to provide extended "self-service" features to players and further improve security of validating tickets for all West Virginia Lottery on-line games.

Following the November 4, 2008 passage of a local referendum in Greenbrier County, the historic Greenbrier Resort is expected to open a temporary casino location – The Tavern Casino – in Fall 2009. The Greenbrier plans to open a new casino – The Casino at the Greenbrier – in late fiscal year 2010.

On December 5, 2009, a local referendum is scheduled in Jefferson County for the operation of table games at Charles Town Races and Slots.

INDEPENDENT AUDIT

West Virginia statutes require an annual audit by an independent certified public accountant. The independent auditors' opinion on the Lottery's financial statements is included in the financial section of this report.




Acknowledgements

ACKNOWLEDGEMENTS

This report demonstrates the collaborative efforts of the Finance and Administration Division and Marketing Division of the West Virginia Lottery. We appreciate the contributions of this year's project team comprised of Mara Pauley, project coordinator; Nikki Orcutt, Deputy Director of Marketing; Mike Ross, Advertising Manager; and Michael Thaxton, Product Development Manager. We could not have successfully completed this report without their efficient and dedicated services. The Lottery continues its commitment to providing thorough and relevant financial information to the public.

This comprehensive annual financial report reflects our commitment to maintain the highest standards of accountability while working to maintain public trust through ethics and integrity. The Lottery also extends its sincere gratitude to Commission Chairman Kenneth L. Greear and the members of the West Virginia Lottery Commission for their diligence to the law in operating the Lottery in a professional and forward-thinking manner.

Respectfully submitted,



James M. Toney, CPA/MBA
Deputy Director of Finance and Administration



John C. Musgrave
Director of West Virginia Lottery

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Virginia Lottery

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

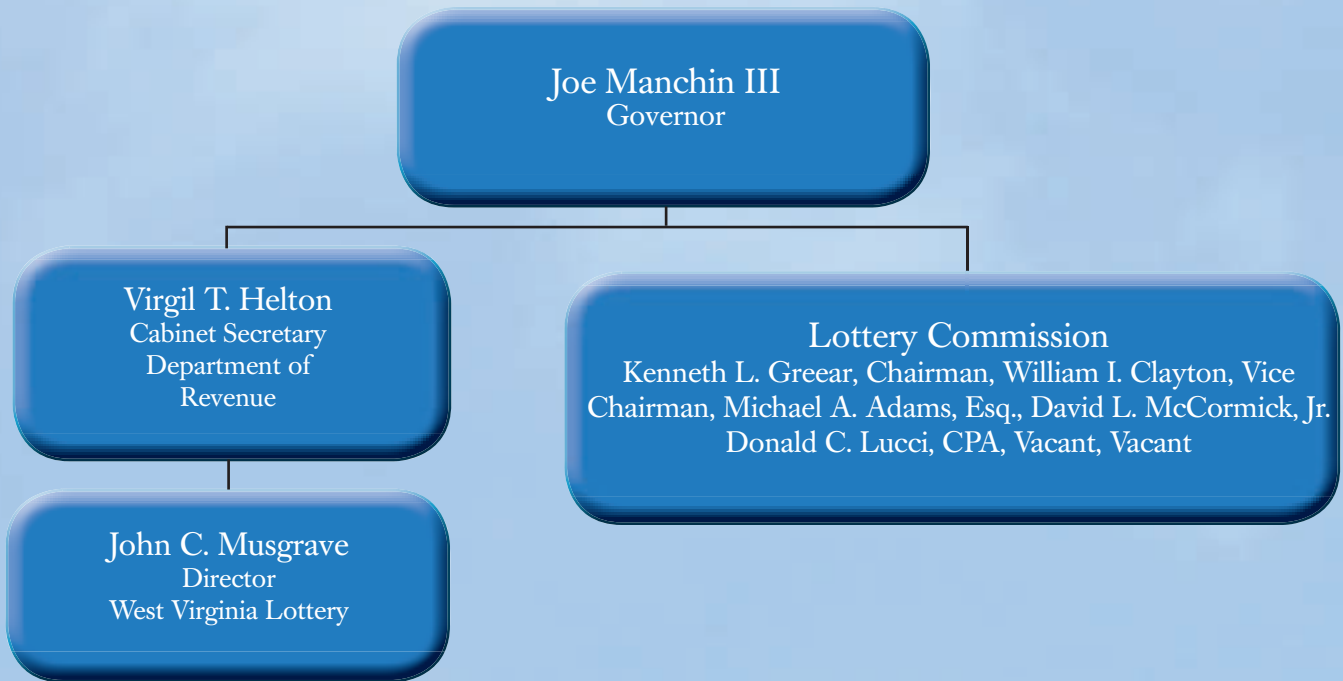
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Erner", positioned above the title "Executive Director".

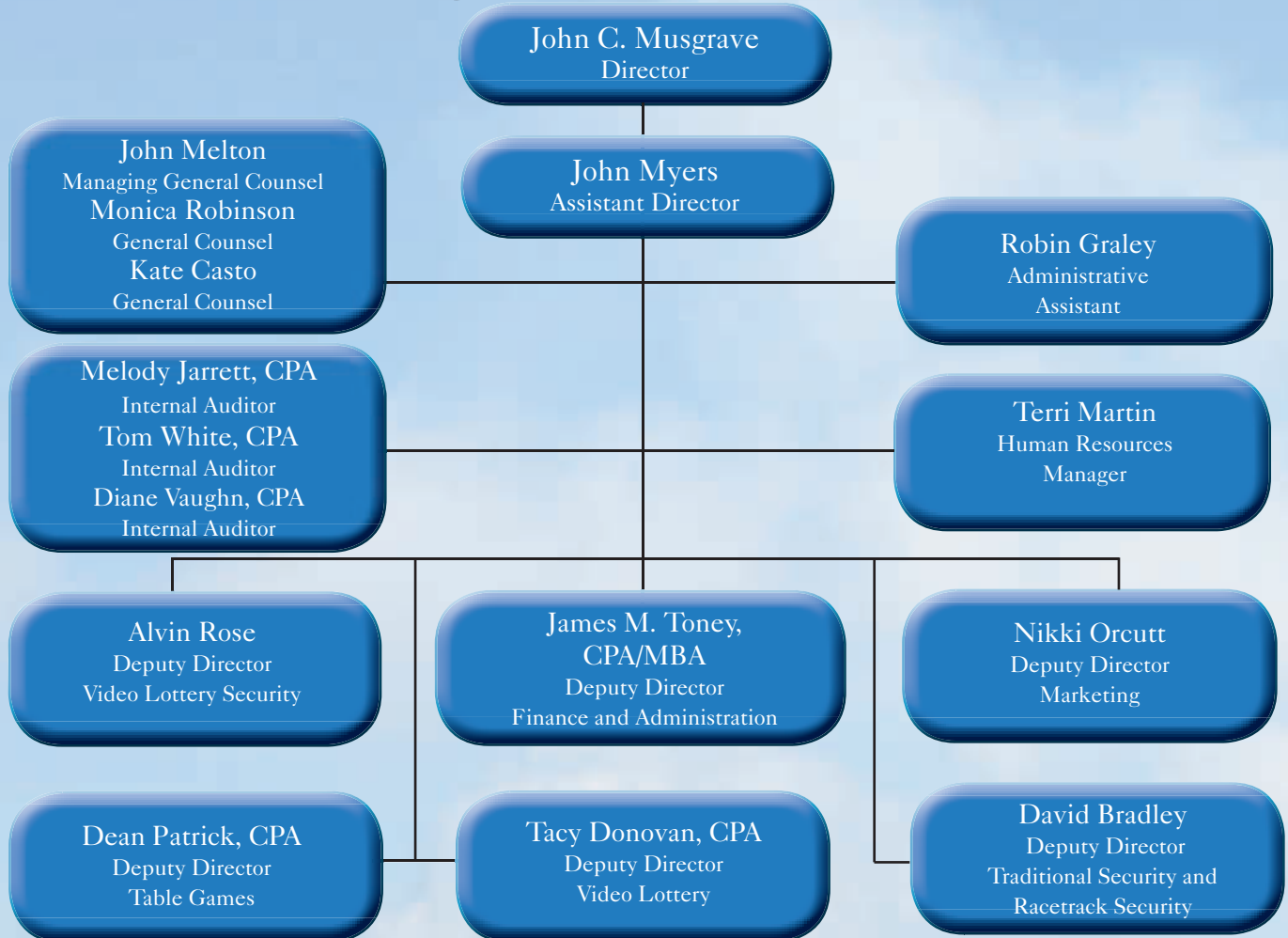
Executive Director

West Virginia Lottery

Principal Officials



Organizational Chart



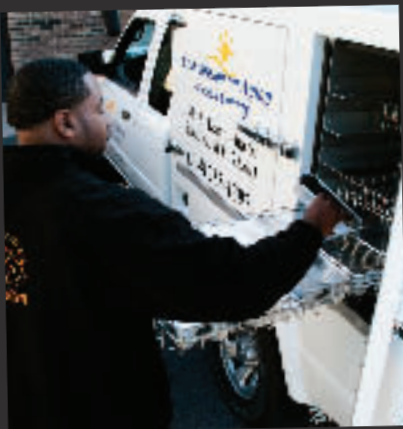


Senior Citizens Quality of Life Improved by Lottery Dollars

In fiscal year 2009, \$59 Million in Lottery proceeds were dedicated to support Senior Services across the State. Funds received by The West Virginia Bureau of Senior Services provide in-home healthcare that emphasizes wellness, enhances mobility and supplies meals to help seniors live independently at home, as long as possible.

The benefits of Lottery dollars are also extended to counties statewide through Senior Centers which provide activities, meals and a place for friendship and learning, as well as home-delivered meals to those that are homebound.

In addition, West Virginia Lottery funds allocated by the Legislature, helped to provide Senior Centers around the State with 28 brand new trucks delivering hot and cold meals to grateful senior citizens in 34 counties; with long-term plans to ultimately provide all 55 counties with the special, equipped vehicles..



**More Than \$4.5 Billion
In Proceeds To Senior Citizens,
Education and Tourism Since 1986!**

The Sky's The Limit for Senior Citizens

"To know how to grow old is the
masterwork of wisdom, and one of the
most difficult chapters in the
great art of living"

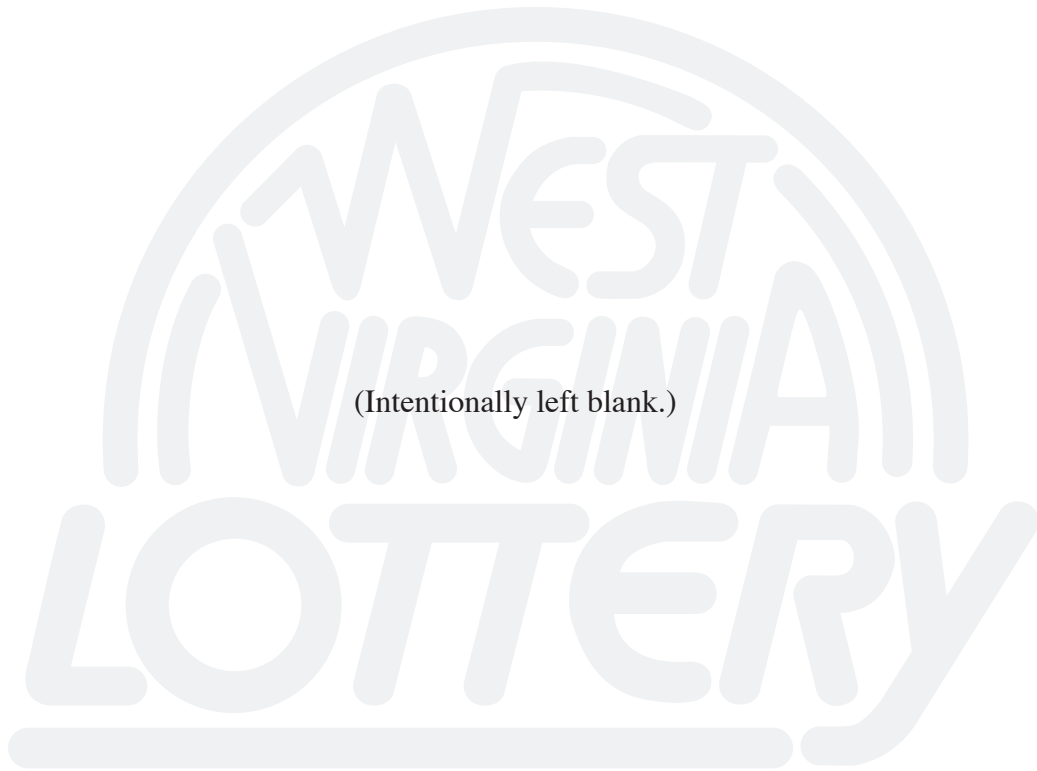
Henri Frederic Amiel

Financial Section

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009

West Virginia Lottery
a component unit of the State of West Virginia





INDEPENDENT AUDITORS' REPORT

West Virginia Lottery Commission
Charleston, West Virginia

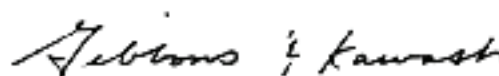
We have audited the accompanying balance sheets of the West Virginia Lottery, a component unit of the State of West Virginia, as of and for the years ended June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the West Virginia Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Lottery as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 18 to 26 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the West Virginia Lottery. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and accordingly, we express no opinion on it.



September 14, 2009

Management's Discussion and Analysis

-Unaudited-

Our discussion of the West Virginia Lottery's (the Lottery) financial performance provides for an overview of the Lottery's financial activities for the fiscal years ended June 30, 2009 and 2008. In reading the Management's Discussion and Analysis (MD & A), the current year refers to fiscal year ending June 30, 2009, and the prior year refers to fiscal year ending June 30, 2008. This analysis is to be considered in conjunction with the financial statements, which begin on page 27.

Financial Highlights

The Lottery's operating income declined in 2009 and 2008 after improving in 2007. The revenue and related decreases are primarily the result of increased competition in neighboring states and the downturn in the overall economy. The following summary is provided below:

- Lottery revenues for the current year decreased \$30.4 million or 2% compared to the prior year, which decreased \$38.8 million or 2.5% over 2007.
- Commissions for the current year decreased \$19.9 million or 2.8% compared to the prior year, which decreased \$29.3 million or 3.9% over 2007.
- Gross profit for the current year decreased \$8.6 million or 1.3% compared to the prior year, which decreased \$15.0 million or 2.1% over 2007.
- Nonoperating expenses decreased \$9.2 million or 1.4% compared to the prior year, which decreased \$13.2 million or 2.0% over 2007. The predominant nonoperating expense is the distributions to the State of West Virginia, which decreased \$14.5 million or 2.3% compared to the prior year, which decreased \$8.0 million or 1.3% over 2007.
- Overall financial position improved in 2009 as it did in 2008 due to continued funding of the revenue center construction fund.

Using This Annual Report

The Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary type enterprise fund using the accrual basis of accounting much like a private business entity. As such, this report consists of a series of financial statements, along with explanatory notes to the financial statements. To assess the Lottery's financial position, the reader of these statements should pay particular attention to changes in the components of assets and liabilities as set forth in the Balance Sheets and changes in operating revenues, expenses and nonoperating distributions to the State of West Virginia as set forth in the Statements of Revenues, Expenses and Changes in Fund Net Assets.

Balance Sheets

As shown in Table 1, current assets increased \$41.7 million or 18.9% compared to the prior year, which decreased \$18.6 million or 7.8% over 2007, due to the timing of distributions to the State of West Virginia at year-end.

Restricted assets continue to increase due to continued funding of the revenue center construction fund. See Note 10 of the financial statements for additional information on restricted assets.

Management's Discussion and Analysis
(Continued)

-Unaudited-

Balance Sheets (Continued)

Capital assets, net of accumulated depreciation and amortization, decreased in 2009 by \$1.9 million or 37% and increased by \$3.8 million or 262% in 2008 due to upgrading the computer equipment for video lottery operations in 2008, which is offset by continuing depreciation of capital assets. For additional information on capital assets, please refer to Note 4 of the financial statements.

The long-term portion of investments held in trust continually decreases as expiring outstanding prize liabilities are paid. The Lottery no longer participates in financing prizes in long-term trust investments.

Table 1
Assets
(in \$000's)

	2009	2008	2007
Current assets	\$ 261,868	\$ 220,215	\$ 238,836
Restricted assets	69,871	58,487	30,367
Capital assets, net of accumulated depreciation and amortization	3,306	5,251	1,451
Long-term portion of investments held in trust	-	126	281
Total assets	\$ 335,045	\$ 284,079	\$ 270,935

As shown in Table 2, the Lottery's current liabilities increased \$32.3 million or 14.7% compared to the prior year, which decreased \$7.7 million or 3.4% when compared to 2007 due to the timing of distributions that are reflected as accrued liabilities until actually paid.

Net assets - restricted continues to increase due to continued funding of the revenue center construction fund. In 2009, the Lottery Commission transferred \$10.8 million, to the revenue center construction fund. See Note 10 of the financial statements for additional information on restricted net assets.

Net assets - invested in capital assets decreased in 2009 by \$1.9 million or 37% through continuing depreciation of capital assets. Refer to Note 4 of the financial statements for additional information on capital assets.

Management's Discussion and Analysis
(Continued)

-Unaudited-

Balance Sheets (Continued)

Net assets - unrestricted in fiscal years 2009, 2008 and 2007 is a result of the Commission order setting aside funds committed for future asset purchases. In 2009, the Lottery Commission transferred \$10.8 million of net income to the revenue center construction fund. See Notes 10 and 14 of the financial statements for additional information on restricted net assets.

Table 2
Liabilities and Net Assets
(in \$000's)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current liabilities	\$ 251,857	\$ 219,594	\$ 227,307
Deferred jackpot liabilities (long-term)	<u>-</u>	<u>-</u>	<u>139</u>
Total liabilities	<u>251,857</u>	<u>219,594</u>	<u>227,446</u>
Net assets - restricted	69,871	58,487	30,367
Net assets – invested in capital assets	3,306	5,251	1,451
Net assets – unrestricted (deficit)	<u>10,011</u>	<u>747</u>	<u>11,671</u>
Total net assets	<u>83,188</u>	<u>64,485</u>	<u>43,489</u>
 Total liabilities and net assets	 <u>\$ 335,045</u>	 <u>\$ 284,079</u>	 <u>\$ 270,935</u>

The content of Table 3 is a summary of activities and is related to the discussion of Table 4.

Table 3
Revenues, Expenses and Changes in Fund Net Assets
(in \$000's)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:			
On-line games	\$ 84,241	\$ 87,177	\$ 86,157
Instant games	113,854	110,862	106,493
Racetrack video lottery	848,233	897,953	972,592
Limited video lottery	412,489	411,587	397,017
Table games	<u>34,219</u>	<u>15,877</u>	<u>-</u>
	1,493,036	1,523,456	1,562,259
Less:			
Commissions:			
On-line games	5,901	6,114	6,019
Instant games	7,970	7,763	7,455
Racetrack video lottery	463,649	487,276	522,745
Limited video lottery	202,120	205,637	206,127
Table games	<u>13,458</u>	<u>6,249</u>	<u>-</u>
	693,098	713,039	742,346

Management's Discussion and Analysis
(Continued)

-Unaudited-

Table 3 (Continued)
Revenues, Expenses and Changes in Fund Net Assets
(in \$000's)

	2009	2008	2007
Prizes, ticket and vendor costs:			
On-line prize costs	42,451	44,544	43,380
Instant ticket prize costs	76,998	76,625	72,412
Ticket costs	1,528	1,676	1,724
Vendor fees and costs	5,935	5,928	5,777
	126,912	128,773	123,293
Gross profit	673,026	681,644	696,620
Administrative expenses:			
Advertising and promotions	7,160	8,658	9,035
Wages and related benefits	9,645	7,885	5,939
Telecommunications	2,208	2,275	2,298
Contractual and professional	5,030	4,099	3,507
Rental	727	685	662
Depreciation and amortization	1,988	732	569
Other administrative expenses	994	1,540	1,395
	27,752	25,874	23,405
Other operating income:	11,401	11,937	10,397
Operating income	656,675	667,707	683,612
Nonoperating income (expense):			
Investment income	2,720	9,572	7,591
Nonoperating income-OPEB	-	472	-
Interest expense	(1)	(13)	(35)
Distributions to municipalities and counties	(8,085)	(8,067)	(7,782)
Distributions to racetracks-capital reinvestment	(15,983)	(17,988)	(20,997)
Distributions to the State of West Virginia	(616,623)	(631,155)	(639,150)
	(637,972)	(647,179)	(660,373)
Net income	18,703	20,528	23,239
Net assets, beginning of year, as restated*	64,485	43,957	20,250
Net assets, end of year	\$ 83,188	\$ 64,485	\$ 43,489

* \$468 adjustment to OPEB liability at beginning of year in 2008.

Management's Discussion and Analysis
(Continued)

-Unaudited-

Sales and Prizes, Commissions, Ticket Costs and Vendor Fees

Table 4 compares sales (referred to as lottery revenues in financial statements), prizes, commissions, ticket printing costs, vendor fees and costs and gross profit for each lottery game category for fiscal years 2009, 2008 and 2007. Sales and gross profits fluctuated in certain categories, however, gross profit percentages remained consistent from year to year.

Table 4
Lottery Sales
(in \$000's)

	<u>Instant</u>			<u>On-Line*</u>			<u>Racetrack Video Lottery</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross sales	\$ 113,854	\$ 110,862	\$ 106,493	\$ 84,241	\$ 87,177	\$ 86,157	\$ 848,233	\$ 897,953	\$ 972,592
Less direct costs:									
Prizes and bonuses	76,998	76,625	72,412	42,451	44,544	43,380	-	-	-
Commissions	7,970	7,763	7,455	5,901	6,114	6,019	463,649	487,276	522,745
Ticket printing costs	1,528	1,676	1,724	-	-	-	-	-	-
Vendor fees and costs	3,411	3,320	3,194	2,524	2,608	2,583	-	-	-
Total direct costs	<u>89,907</u>	<u>89,384</u>	<u>84,785</u>	<u>50,876</u>	<u>53,266</u>	<u>51,982</u>	<u>463,649</u>	<u>487,276</u>	<u>522,745</u>
Gross profit	<u>\$ 23,947</u>	<u>\$ 21,478</u>	<u>\$ 21,708</u>	<u>\$ 33,365</u>	<u>\$ 33,911</u>	<u>\$ 34,175</u>	<u>\$ 384,584</u>	<u>\$ 410,677</u>	<u>\$ 449,847</u>
Gross profit percentage	<u>21.0%</u>	<u>19.4%</u>	<u>20.4%</u>	<u>39.6%</u>	<u>38.9%</u>	<u>39.7%</u>	<u>45.3%</u>	<u>45.7%</u>	<u>46.3%</u>
	<u>Limited Video Lottery</u>			<u>Table Games</u>			<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross sales	\$ 412,489	\$ 411,587	\$ 397,017	\$ 34,219	\$ 15,877	\$ -	\$ 1,493,036	\$ 1,523,456	\$ 1,562,259
Less direct costs:									
Prizes and bonuses	-	-	-	-	-	-	119,449	121,169	115,792
Commissions	202,120	205,637	206,127	13,458	6,249	-	693,098	713,039	742,346
Ticket printing costs	-	-	-	-	-	-	1,528	1,676	1,724
Vendor fees and costs	-	-	-	-	-	-	5,935	5,928	5,777
Total direct costs	<u>202,120</u>	<u>205,637</u>	<u>206,127</u>	<u>13,458</u>	<u>6,249</u>	<u>-</u>	<u>820,010</u>	<u>841,812</u>	<u>865,639</u>
Gross profit	<u>\$ 210,369</u>	<u>\$ 205,950</u>	<u>\$ 190,890</u>	<u>\$ 20,761</u>	<u>\$ 9,628</u>	<u>\$ -</u>	<u>\$ 673,026</u>	<u>\$ 681,644</u>	<u>\$ 696,620</u>
Gross profit percentage	<u>51.0%</u>	<u>50.0%</u>	<u>48.1%</u>	<u>60.7%</u>	<u>60.6%</u>	<u>0.0%</u>	<u>45.1%</u>	<u>44.7%</u>	<u>44.6%</u>

* On-line games include the results of Powerball® which is a significant component of the results described above.

Instant Sales

Instant ticket sales increased in 2009 by \$3.0 million or 2.7% compared to the 2008 increase of \$4.4 million or 4.1% over 2007. Thirty-eight games were introduced in 2009 and approximately twenty-six game options were available for play in both years. The Lottery continues to implement the results of research and design efforts, including increased ticket font size for easier reading by players, simplified play styles for faster play and continued monitoring of the mix of play styles and colors more closely to create a better variety of game presentation available at one time. Two ten-dollar and five five-dollar games were introduced in 2009, following national trends with the increase of the ticket price point.

Management's Discussion and Analysis (Continued)

-Unaudited-

Instant Sales (Continued)

Instant prizes and commissions have a direct correlation to sales, therefore, as sales increase, so do the related prizes and commissions paid by the Lottery. Prize expenses for instant games are controllable by designing and printing a predetermined number and value of winning tickets. While each game has a designed prize payout structure, the overall amount paid as prize expense is consistent.

Vendor fees and costs are primarily 3% of instant and on-line ticket sales for 2009, 2008 and 2007. The Lottery (as is the case with most lotteries located in North America) has elected to enter into a long-term contract to provide a central computer system, retailer terminals and related equipment to sell and cash all tickets for instant and on-line games.

Powerball® Sales

Powerball® is a multi-state lotto game offering larger jackpots with occasional jackpots in excess of \$100 million. Sales decreased in 2009 by \$3.0 million or 5.6% and increased in 2008 by \$2.3 million or 4.5%. Sales are generally driven by the jackpot size.

Prize costs are 50% of sales and over time such prize payouts generally reflect the design of the game and the related mathematical odds of winning.

Traditional retailers are those retailers licensed by the Lottery to sell instant and/or all or certain on-line games (which includes Powerball®) and by statute were paid 7% of such sales.

All Other On-line Games

All other on-line games consist of Daily 3, Daily 4, Cash 25, Travel Keno and the multi-state game Hot Lotto®. Sales increased slightly in 2009 by \$100 thousand or 0.3% and decreased in 2008 by \$1.3 million or 3.8%.

In general, prize costs by game will increase or decrease from year-to-year in proportion to the sales for a particular game. Prizes and commissions have remained consistent as presented in Table 4.

Racetrack Video Lottery

Racetrack video lottery revenues are reported net of total wagers. Revenues decreased \$49.7 million or 5.5% in 2009 and decreased \$74.6 million or 7.7% in 2008.

A portion of racetrack video lottery sales, as prescribed by statute, are paid to racetracks and other private entities associated with the racing industry and are reported as commissions. See Note 6 to the financial statements for further discussion of racetrack video lottery distributions. The decreases in commissions of \$23.6 million or 4.8% in 2009 and \$35.5 million or 6.8% in 2008 was due to the economy as well as competition from neighboring states which recently legalized video lottery games. This competition has decreased the revenue at two of the state's four race tracks licensed to operate video lottery games and which border that state.

Management's Discussion and Analysis
(Continued)

-Unaudited-

Racetrack Video Lottery (Continued)

As noted in the accompanying tables, and in following with industry trends, "coin drop" machines are being phased out in favor of ticket in ticket out (TITO) machines. This increase in TITO machines has helped to lessen the decline in racetrack video lottery revenues from competition.

The changes in active machines are presented in Tables 5 through 8 below which illustrate the fluctuations during the last three fiscal years.

Table 5

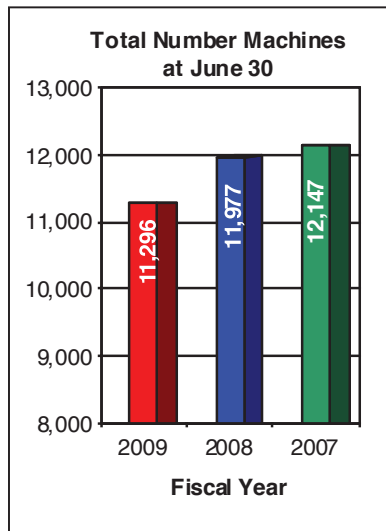


Table 6

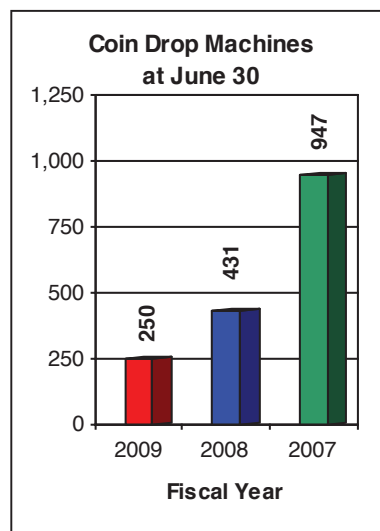


Table 7

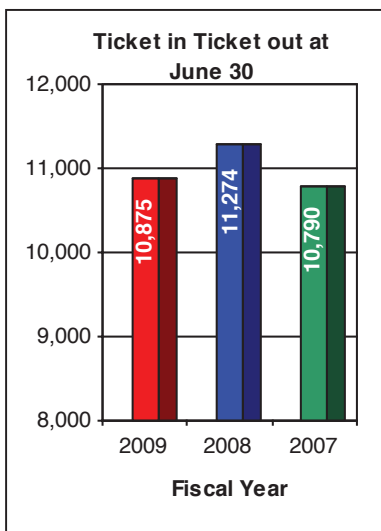
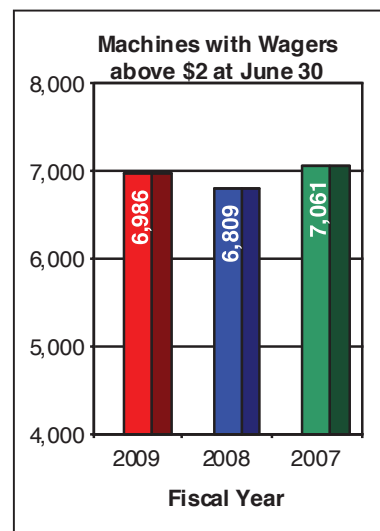


Table 8



Management's Discussion and Analysis
(Continued)

-Unaudited-

Limited Video Lottery

Sales increased slightly by \$902 thousand or 0.2% in 2009 over 2008 and \$14.6 million or 3.7% over 2007. The decrease in commissions of \$3.5 million or 1.7% in 2009 over 2008 and the decrease of \$490 thousand or 0.24% over 2007, are paid to operators and retailers as provided for by statute and have a direct correlation to changes in sales.

- Table 9 illustrates the decrease in machines by 93 in 2009 as compared to the decrease of 106 in 2008

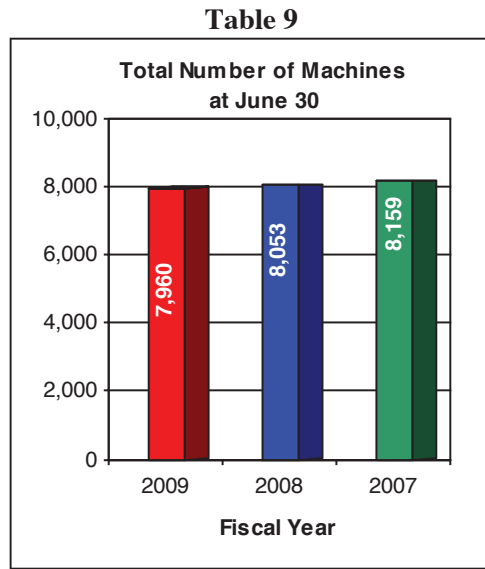


Table Games

West Virginia Lottery table games were implemented at two of the state's four racetracks during fiscal year 2008 and a third racetrack in fiscal year 2009. Revenues from table games are calculated at a 35% privilege tax of adjusted gross receipts. Revenues for 2009 were \$34.2 million and were \$15.8 million in 2008.

All table games revenues are distributed according to statute. A portion of table games revenues are paid to entities associated with the racetracks and are reported as commissions. See Note 8 to the financial statements. Commissions were \$13.5 million in 2009 and \$6.2 million in 2008.

Other Operating Income

Refer to Tables 3 and 9. Changes in other operating income are primarily related to fees collected for the permitting and licensure of manufacturers, operators, retailers and service technicians. Every May 1, a \$1,000 permit fee is assessed on each limited video lottery permit held by operators and retailers. These permit fees comprise the most significant concentration of revenue in this financial statement category.

Management's Discussion and Analysis
(Continued)

-Unaudited-

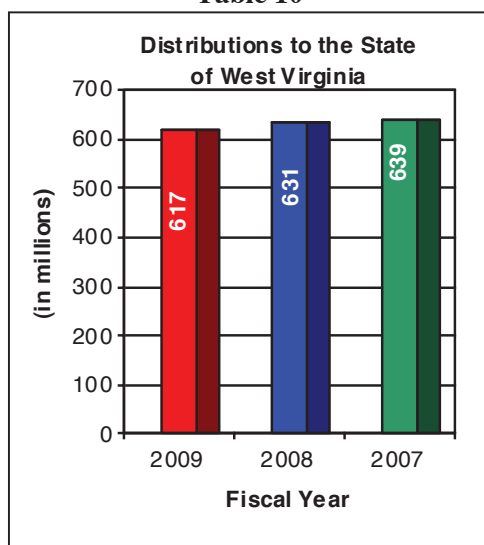
Nonoperating Income (Expense)

Refer to Table 3. Nonoperating expenses reflect a 2% distribution to counties and incorporated municipalities of net terminal income from limited video lottery operations. This distribution will continue to increase as the limited video lottery revenues increase.

A portion of net revenue from racetrack video lottery is accrued and distributed to each racetrack for capital improvements.

Refer to Table 10. The Lottery's payments to the State Lottery Fund and State Excess Lottery Revenue Fund decreased by \$14 million for the current fiscal year compared to a decrease of \$8 million in 2008.

Table 10



Net Income

Effective June 30, 2006, the West Virginia Legislature has directed the Lottery to set aside certain unexpended administrative funds of up to \$20 million per year for six years to construct a building in the West Virginia Capitol Complex. The unexpended administrative funds retained in 2009 included \$10.8 million for the construction of the building in the Capitol Complex and \$8.5 million for the acquisition of future capital assets. Net income also included \$566 thousand of interest earned on funds set aside for construction of the Capitol Complex building.

Other Currently Known Facts

On November 4, 2008 Greenbrier County voters passed a local referendum which allows The Greenbrier Resort to implement gaming at their facility. The Greenbrier Resort plans to begin gaming operations in October 2009. A new facility at the Greenbrier Resort to host the gaming activities is scheduled to open May 2010.

WEST VIRGINIA LOTTERY

BALANCE SHEETS

(In Thousands)

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 225,354	\$ 180,463
Accounts receivable	33,311	36,846
Inventory	648	301
Current portion of investments held in trust	-	10
Other assets	<u>2,555</u>	<u>2,595</u>
Total current assets	<u>261,868</u>	<u>220,215</u>
Noncurrent assets:		
Restricted cash and cash equivalents	69,871	58,487
Investments held in trust, less current portion	-	126
Capital assets	17,641	17,598
Less accumulated depreciation and amortization	<u>(14,335)</u>	<u>(12,347)</u>
	<u>3,306</u>	<u>5,251</u>
Total noncurrent assets	<u>73,177</u>	<u>63,864</u>
Total assets	<u>\$ 335,045</u>	<u>\$ 284,079</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 202,184	\$ 166,967
Estimated prize claims	12,938	12,967
Accounts payable	1,716	2,693
Other accrued liabilities	35,019	36,838
Deferred jackpot prize obligations	<u>-</u>	<u>129</u>
Total liabilities	<u>251,857</u>	<u>219,594</u>
Net assets:		
Restricted by enabling legislation	69,871	58,487
Invested in capital assets	3,306	5,251
Unrestricted	<u>10,011</u>	<u>747</u>
Total net assets	<u>83,188</u>	<u>64,485</u>
Total liabilities and net assets	<u>\$ 335,045</u>	<u>\$ 284,079</u>

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

WEST VIRGINIA LOTTERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(In Thousands)

Years Ended June 30, 2009 and 2008

	2009	2008
Lottery revenues:		
On-line games	\$ 84,241	\$ 87,177
Instant games	113,854	110,862
Racetrack video lottery	848,233	897,953
Limited video lottery	412,489	411,587
Table games	34,219	15,877
	1,493,036	1,523,456
Less commissions:		
On-line games	5,901	6,114
Instant games	7,970	7,763
Racetrack video lottery	463,649	487,276
Limited video lottery	202,120	205,637
Table games	13,458	6,249
	693,098	713,039
Less on-line prize costs	42,451	44,544
Less instant prize costs	76,998	76,625
Less ticket costs	1,528	1,676
Less vendor fees and costs	5,935	5,928
	126,912	128,773
Gross profit	673,026	681,644
Administrative expenses:		
Advertising and promotions	7,160	8,658
Wages and related benefits	9,645	7,885
Telecommunications	2,208	2,275
Contractual and professional	5,030	4,099
Rental	727	685
Depreciation and amortization	1,988	732
Other administrative expenses	994	1,540
	27,752	25,874
Other operating income	11,401	11,937
Operating income	656,675	667,707
Nonoperating income (expense):		
Investment income	2,720	9,572
On-behalf payments - other post-employment benefits	-	472
Interest expense	(1)	(13)
Distributions to municipalities and counties	(8,085)	(8,067)
Distributions to racetracks-capital reinvestment	(15,983)	(17,988)
Distributions to the State of West Virginia	(616,623)	(631,155)
	(637,972)	(647,179)
Net income	18,703	20,528
Net assets, beginning of year	64,485	43,957
Net assets, end of year	\$ 83,188	\$ 64,485

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

WEST VIRGINIA LOTTERY

STATEMENTS OF CASH FLOWS

(In Thousands)

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash receipts from customers and other sources	\$ 1,507,972	\$ 1,531,642
Cash payments for:		
Personnel costs	(9,121)	(7,331)
Suppliers	(20,508)	(11,447)
Other operating costs	<u>(819,997)</u>	<u>(840,186)</u>
Cash provided by operating activities	<u>658,346</u>	<u>672,678</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(581,406)	(644,366)
Distributions to municipalities and counties	(8,108)	(8,049)
Distributions to racetracks from racetrack capital reinvestment fund	(15,369)	(20,997)
Interest paid on deferred jackpot prize obligations	<u>(1)</u>	<u>(13)</u>
Cash used in noncapital financing activities	<u>(604,884)</u>	<u>(673,425)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>(43)</u>	<u>(4,532)</u>
Cash flows from investing activities:		
Maturities of investments held in trust	136	181
Investment earnings	<u>2,720</u>	<u>9,559</u>
Cash provided by investing activities	<u>2,856</u>	<u>9,740</u>
Increase in cash and cash equivalents	56,275	4,461
Cash and cash equivalents (including restricted cash and cash equivalents), beginning of year	<u>238,950</u>	<u>234,489</u>
Cash and cash equivalents (including restricted cash and cash equivalents), end of year	<u>\$ 295,225</u>	<u>\$ 238,950</u>

(Continued)

WEST VIRGINIA LOTTERY

STATEMENTS OF CASH FLOWS
(In Thousands)
(Continued)

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 656,675	\$ 667,707
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,988	732
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	3,535	(3,751)
Inventory	(347)	132
Other assets	40	(1,432)
Increase (decrease) in:		
Estimated prize claims	(29)	(625)
Accounts payable	(977)	1,241
Other accrued liabilities	(2,410)	8,843
Deferred jackpot prize obligations	(129)	(169)
Cash provided by operating activities	<u>\$ 658,346</u>	<u>\$ 672,678</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

On-behalf payments from State of West Virginia for OPEB obligation	<u>\$ -</u>	<u>\$ 472</u>
Cumulative effect of implementation of Governmental Accounting Standards Board Statement No. 45	<u>\$ -</u>	<u>\$ 468</u>

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS

1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (the Lottery) was established by the State Lottery Act (the Act) passed April 13, 1985, which created a fund in the State Treasury designated as the “State Lottery Fund.” The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (the Commission) and a director. The Commission, consisting of seven members, and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games, to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia and local governments as required by law. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below.

Basis of Presentation

The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State’s basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Lottery’s presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management's estimates.

Lottery Game Operations

The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line lottery games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues for the processing and manufacturing of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; HOT LOTTO™, a multi-state “lotto” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, an online “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent's on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery's sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lottery Game Operations (Continued)

Racetrack video lottery is a self-activated video version of lottery games. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The games allow a player to use coins, currency, tokens, or tickets, to place bets for the chance to receive coin, token, or ticket awards which may be redeemed for cash or used for replay in the games. The racetrack video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as racetrack video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private and local government entities are reported as commissions.

Racetrack video lottery legislation has established specific requirements for racetrack video lottery and imposed certain restrictions limiting the licensing for the operation of racetrack video lottery games to horse and dog racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from racetrack video lottery games, and requires any licensed racetrack to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Limited video lottery is also a self-activated video version of lottery games located in limited licensed retailer areas restricted for adult amusement. The games allow a player to use currency to place bets for the chance to receive free games or vouchers which may be redeemed for cash. The limited video lottery games' prize structures are designed to award prizes, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as limited video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private entities are reported as commissions. Limited video lottery permit holders are statutorily responsible for acquiring equipment and bearing the risk associated with the costs of operating the games.

Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks and the Greenbrier Resort in West Virginia, subject to local county elections permitting the same. Each location licensed as an agent of the Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax or thirty-five percent of each licensee's adjusted gross receipts from the operation of Lottery table games which the Lottery records as revenue. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensed location to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7-like pool carried at amortized cost which approximates fair value of the underlying securities.

Inventory

Inventory consists of instant game tickets available for sale to approved Lottery retailers and are carried at cost as determined by the specific identification method.

Other Assets

Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

Capital Assets

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the years ended June 30, 2009 and 2008, was \$727,138 and \$685,269, respectively.

The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000 and a useful life greater than one year. These assets include leasehold improvements and purchased equipment comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, and are carried at cost. Depreciation is computed by the straight-line method using useful lives of three to ten years.

Accrued Employee Benefits

The Lottery has accrued \$467,815 and \$371,165 of vacation at June 30, 2009 and 2008, respectively, for estimated obligations that may arise in connection with compensated absences at the current rate of employee pay. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees hired prior to July 1, 2001, vest in unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits. For employees hired prior to July 1, 1988, the Lottery pays 100% of the post-retirement health care premium. The Lottery pays 50% of the premium for employees hired after June 30, 1988 through June 30, 2001. Employees hired after June 30, 2001, do not vest in unused sick leave upon retirement. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, a liability has been accrued as a result of the Lottery's participation in the State's post-employment benefits plan, in accordance with GASB Statement No. 45 for the years ended June 30, 2009 and 2008 of \$251,867 and \$10,073, respectively.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets are presented as either unrestricted, restricted by enabling legislation, as amended, or invested in capital assets which represents the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3 - CASH AND CASH EQUIVALENTS

At June 30, 2009 and 2008, the carrying amounts of deposits (overdrafts) with financial institutions were (\$23) thousand and (\$52) thousand, respectively, with bank balances of \$29 and \$14 thousand, respectively, which is covered by federal depository insurance. It is the Lottery's policy to require any balances over the insured amount be collateralized with securities held by the State of West Virginia's agent in the State's name.

At June 30, 2009 and 2008, the carrying amounts of deposits with financial institutions, the State Treasurer, and the West Virginia Board of Treasury Investments (BTI) were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Deposits with financial institutions	\$ (23)	\$ (52)
Cash on hand at the Treasurer's Office	22,110	22,950
Investments with BTI reported as cash equivalents	<u>273,138</u>	<u>216,052</u>
	<u>\$ 295,225</u>	<u>\$ 238,950</u>

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable. The Lottery's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

The deposits with the BTI are part of the State of West Virginia's consolidated money market pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the credit ratings of the West Virginia Money Market Pool's investments (in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&P</u>		
Commercial paper	P1	A-1	\$ 592,479	23.05%
Corporate bonds and notes	Aaa-A1	AAA-A	73,812	2.87
U.S. agency bonds	Aaa	AAA	294,019	11.44
U.S. Treasury bills *	Aaa	AAA	483,714	18.82
Negotiable certificates of deposit	P1	A-1	128,402	5.00
U.S. agency discount notes	P1	A-1	635,602	24.73
Money market funds	Aaa	AAA	150,223	5.84
Repurchase agreements, with Underlying U.S. agency and Treasury notes	Aaa	AAA	<u>212,010</u>	<u>8.25</u>
			<u>\$ 2,570,261</u>	<u>100.00%</u>

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides the weighted average maturities for the various asset types in the West Virginia Money Market Pool.

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>Weighted Average Maturity In Days</u>
Commercial paper	\$ 592,479	32
US Treasury bills	483,714	69
Repurchase agreements	212,010	1
U.S. Agency bonds/notes	294,019	70
Corporate notes	73,812	38
U.S. Agency discount notes	635,602	57
Certificates of deposit	128,402	56
Money market funds	<u>150,223</u>	1
Total assets	<u>\$ 2,570,261</u>	

The combined weighted average maturity of the investments of the West Virginia Money Market Pool as of June 30, 2009, is 47 days.

Concentration of credit risk - West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by one corporate name or corporate issue. At June 30, 2009, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk - At June 30, 2009, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI. Securities lending collateral that is reported in the BTI's audited Statement of Assets and Liabilities is invested in the lending agent's money market fund.

Foreign currency risk - The West Virginia Money Market Pool has no securities that are subject to foreign currency risk.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - CAPITAL ASSETS

A summary of capital asset activity is as follows (in thousands):

Capital Assets:

	Historical Cost at June 30, 2007	Additions	Deletions	Historical Cost at June 30, 2008	Additions	Deletions	Historical Cost at June 30, 2009
Construction in progress	\$ 443	\$ 285	\$ (443)	\$ 285	\$ -	\$ (285)	\$ -
Improvements	1,120	-	-	1,120	50	-	1,170
Equipment	<u>11,503</u>	<u>4,690</u>	<u>-</u>	<u>16,193</u>	<u>278</u>	<u>-</u>	<u>16,471</u>
	<u>\$ 13,066</u>	<u>\$ 4,975</u>	<u>\$ (443)</u>	<u>\$ 17,598</u>	<u>\$ 328</u>	<u>\$ (285)</u>	<u>\$ 17,641</u>

Accumulated depreciation:

	Accumulated Depreciation at June 30, 2007	Additions	Deletions	Accumulated Depreciation at June 30, 2008	Additions	Deletions	Accumulated Depreciation at June 30, 2009
Improvements	\$ 925	\$ 77	\$ -	\$ 1,002	\$ 78	\$ -	\$ 1,080
Equipment	<u>10,690</u>	<u>655</u>	<u>-</u>	<u>11,345</u>	<u>1,910</u>	<u>-</u>	<u>13,255</u>
	<u>\$ 11,615</u>	<u>\$ 732</u>	<u>\$ -</u>	<u>\$ 12,347</u>	<u>\$ 1,988</u>	<u>\$ -</u>	<u>\$ 14,335</u>

5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game and the HOT LOTTO™ game, on behalf of other participating lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL® and HOT LOTTO™ is 50% of each drawing period's sales, with minimum jackpot levels.

Revenues derived from the Lottery's participation in the MUSL POWERBALL® jackpot game were \$51,016,100 and \$54,052,429 for the years ended June 30, 2009 and 2008, respectively, and related prize costs were \$25,510,333 and \$27,028,773, respectively.

Revenues derived from the Lottery's participation in the HOT LOTTO™ game were \$4,881,127 and \$4,021,347 for the years ended June 30, 2009 and 2008, respectively, and related prize costs were \$2,440,802 and \$2,010,785, respectively.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (Continued)

MUSL places 2% of each POWERBALL® drawing period's sales in separate prize reserve funds that serve as contingency reserves to protect the respective MUSL Product Groups from unforeseen prize liabilities. Currently, the MUSL Board of Directors has placed a \$75,000,000 limit on the POWERBALL® Prize Reserve Fund and a \$25,000,000 limit on the Set Prize Reserve Fund. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. At June 30, 2009 and 2008, the POWERBALL® prize reserve funds had a balance of \$104,973,137 and \$98,237,975, respectively, of which the Lottery's share was \$2,380,055 and \$2,302,900, respectively. The Lottery has charged amounts placed into the prize reserve funds to prize costs as the related sales have occurred.

6 - RACETRACK VIDEO LOTTERY

The racetrack video lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks. Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county and municipal governments (2%). The remaining thirty-four percent (34%) of net terminal revenue is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 9 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack. After deduction of the surcharge, 55% of the net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (11%); and the local county and incorporated municipality governments (2%). The remaining net terminal revenue (45%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 9.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - RACETRACK VIDEO LOTTERY (Continued)

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund. The Lottery, along with the Rhode Island and Delaware state lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of 4% of the amount wagered.

A summary of racetrack video lottery revenues for the years ended June 30, 2009 and 2008, follows (in thousands):

	<u>2009</u>	<u>2008</u>
Total credits (bets) played	\$ 8,690,994	\$ 9,309,132
Credits (prizes) won	(7,838,424)	(8,407,279)
MWAP Contributions	<u>(4,337)</u>	<u>(3,900)</u>
Gross terminal income	848,233	897,953
Administrative costs	<u>(17,524)</u>	<u>(17,524)</u>
Net terminal income	830,709	880,429
Commissions	<u>(463,649)</u>	<u>(487,276)</u>
Racetrack video lottery revenues available for distribution	<u>\$ 367,060</u>	<u>\$ 393,153</u>

A summary of racetrack video lottery revenues paid or accrued for certain State funds to conform with the legislation follows (in thousands):

	<u>2009</u>	<u>2008</u>
State Lottery Fund	\$ 130,125	\$ 130,125
State Excess Lottery Revenue Fund	178,902	201,272
Capital Reinvestment Fund	15,983	17,988
Tourism Promotion Fund	10,673	11,264
Development Office Promotion Fund	2,911	3,072
Research Challenge Fund	3,881	4,096
Capitol Renovation and Improvement Fund	5,337	5,632
Parking Garage Fund	985	1,012
Cultural Facilities and Capitol Resources Fund	1,500	1,500
Capitol Dome and Capitol Improvements Fund	5,763	6,192
Workers Compensation Debt Reduction Fund	<u>11,000</u>	<u>11,000</u>
Total nonoperating distributions	<u>\$ 367,060</u>	<u>\$ 393,153</u>

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - LIMITED VIDEO LOTTERY

The limited video lottery legislation established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its licensed status. The limited video lottery legislation stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the years ended June 30, 2009 and 2008 follows (in thousands):

	<u>2009</u>	<u>2008</u>
Total credits played	\$ 4,925,431	\$ 5,003,696
Credits (prizes) won	<u>(4,512,942)</u>	<u>(4,592,109)</u>
Gross terminal income	412,489	411,587
Administrative costs	<u>(8,249)</u>	<u>(8,231)</u>
Gross profit	404,240	403,356
Commissions	(202,120)	(205,637)
Distributions to municipalities and counties	<u>(8,085)</u>	<u>(8,067)</u>
Limited video lottery revenues available for distribution	<u>\$ 194,035</u>	<u>\$ 189,652</u>

8 - TABLE GAMES

The passage of table games legislation allowed local referendums in each of the four counties in which a race track is located to approve table games. During 2008, two of the four race tracks were authorized to operate table games and a third began operating table games in fiscal year 2009.

Table games include blackjack, roulette, craps, and various types of poker. The Lottery receives a privilege tax of 35% of adjusted gross receipts, from each licensed racetrack, which is deposited weekly into the Lottery's racetrack table games fund.

From the gross amounts deposited into the table games fund, the Lottery, on a monthly basis retains 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Lottery's compulsive gambling treatment fund.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS

(Continued)

8 - TABLE GAMES (Continued)

The Lottery then transfers 2.5% of adjusted gross receipts from all thoroughbred and greyhound racetracks participating in licensed table games to the special funds established by each racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee. A transfer of 2% of the adjusted gross receipts is made from all licensed racetracks to the thoroughbred development fund and the greyhound breeding development fund to be divided pro rata among the development funds.

A transfer of 1% of the adjusted gross receipts is made from each licensed racetrack to the county commissions of the counties where racetracks participating in licensed table games are located to be divided pro rata among the counties. A transfer of 2% of the adjusted gross receipts is made from each licensed racetrack to the governing bodies of municipalities within counties where racetracks participating in licensed table games are located as prescribed by statute. Finally, a transfer of .5% of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located is to be divided equally among the municipalities. The Lottery, in accordance with the enabling legislation, will distribute the remaining amounts hereinafter referred to as the net amounts in the racetrack table games funds as follows:

- A transfer of 4%, into a special fund to be established by the West Virginia Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association.
- A transfer of 10%, to be divided and paid in equal shares, to each county commission in the state where table games are not located.
- A transfer of 10%, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located.
- A transfer of 76%, to the state debt reduction fund.

The transfer to the state debt reduction fund is included in Note 9 - Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the year ended June 30, 2009 and 2008 was \$97,768,861 and \$45,363,812, respectively. A summary of table games revenues for the year ended June 30, 2009 and 2008 follows (in thousands):

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - TABLE GAMES (Continued)

	2009	2008
Table games privilege tax	\$ 34,219	\$ 15,877
Interest on table games fund	22	29
Administrative costs	(2,933)	(1,361)
Total available for distribution	31,308	14,545
 <u>Less distributions:</u>		
Racetrack purse funds	2,444	1,134
Thoroughbred & greyhound development funds	1,955	907
Racing commission pension plan	939	437
Municipalities/counties	8,120	3,771
Total distributions	13,458	6,249
Table games distribution to the state debt reduction fund	\$ 17,850	\$ 8,296

On November 4, 2008 Greenbrier County voters passed a local referendum which allows The Greenbrier Resort (the Resort) to implement video and table gaming at their facility. The Resort plans to begin gaming operations in October 2009. The Resort will be subject to provisions similar to those which govern the racetrack video and table game operations.

9 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the current governing legislation. For the years ended June 30, 2009 and 2008, the State Legislature budgeted \$168,151,542, and \$169,940,108 respectively of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000 and \$1,000,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently debt service payments are \$3,608,834 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the years ended June 30, 2009 and 2008, the Lottery made or accrued all budgeted distributions and accrued additional distributions of \$29,970,243 and \$31,671,035, respectively. The Lottery does not have a legally adopted annual budget.

Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 6. As of June 30, 2009 and 2008, the Lottery accrued additional distributions relating to racetrack video lottery operations in the amounts of \$766,085 and \$750,964, respectively.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA (Continued)

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations. Note 8 describes the Table Games Act and the statutory distributions required to be made from table games operations. As of June 30, 2009 and 2008, the Lottery accrued additional distributions relating to table games operations in the amounts of \$1,521,375 and \$1,112,027, respectively.

A summary of the cash distributions made to certain state agencies to conform with the various legislation follows (in thousands):

	<u>2009</u>	<u>2008</u>
<u>Budgetary distributions:</u>		
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ 58,815	\$ 59,826
Department of Education	36,636	34,908
Library Commission	11,554	10,538
Higher Education - Central Office	13,449	19,351
Tourism	7,961	7,943
Natural Resources	3,492	15,436
Division of Culture & History	5,880	5,526
Department of Education & Arts	1,213	1,427
Building Commission	9,997	9,997
School Building Authority	18,000	17,995
Community and Technical College	<u>5,000</u>	<u>-</u>
Total State Lottery Fund	<u>171,997</u>	<u>182,947</u>
<u>State Excess Lottery Revenue Fund:</u>		
General Purpose Account	65,000	65,000
Education Improvement Fund	27,000	27,000
WV Infrastructure Council Fund	40,000	40,000
Higher Education Improvement Fund	10,000	10,000
State Park Improvement Fund	5,000	5,000
School Building Authority	19,000	19,000
Economic Development Fund	19,000	19,000
Refundable Credit - General Revenue Fund	7,372	7,325
Excess Lottery Surplus (Unclassified)	62,900	68,400
Excess Lottery Surplus (Capitol Complex)	18,200	-
Excess Lottery Surplus (OPEB)	46,600	-
Excess Lottery Surplus (School Safety)	8,000	-
Office of Technology	-	2,000
Development Office	-	29,000
Division of Finance	-	5,000
Division of Health	-	3,492
Department of Military Affairs and Public Safety	-	10,000
Division of Corrections	-	3,500
Higher Education Policy Commission	-	96,155
Public Defender Services	<u>21,000</u>	<u>-</u>
Total State Excess Lottery Revenue Fund	<u>349,072</u>	<u>409,872</u>

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA (Continued)

	2009	2008
Total Budgetary Distributions	521,069	592,819
Veterans Instant Ticket Fund	862	699
<u>Other racetrack video lottery distributions:</u>		
Tourism Promotion Fund	10,668	11,228
Miscellaneous programs	31,367	32,435
	42,035	43,663
Table games state reduction fund	17,440	7,185
Total nonoperating distributions to the State of West Virginia (cash basis)	581,406	644,366
Accrued nonoperating distributions, beginning of year	(166,967)	(180,178)
Accrued nonoperating distributions, end of year	202,184	166,967
Total nonoperating distributions to the State of West Virginia	\$ 616,623	\$ 631,155

10 - RESTRICTED NET ASSETS

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside in the revenue center construction fund for the design and construction of a building in the West Virginia Capitol Complex for the use of the Lottery and certain other State of West Virginia governmental entities. The Lottery contributed \$10,817,391 and related interest of \$566,293 for the year ended June 30, 2009 and \$16,305,938 and related interest of \$1,354,095 for the year ended June 30, 2008.

11 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible and required to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement Board (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements for each retirement system it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling 1-800-654-4406.

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - RETIREMENT BENEFITS (Continued)

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 10.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, which equaled the required contributions for the three years ended June 2009, 2008, and 2007, were as follows (in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Lottery contributions	\$ 666	\$ 556	\$ 452
Employee contributions	<u>290</u>	<u>237</u>	<u>192</u>
Total contributions	<u>\$ 956</u>	<u>\$ 793</u>	<u>\$ 644</u>

12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The GASB has issued Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, and Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”* (OPEB). The GASB statements are based on the premise that the “costs” of employee services should be reported during the periods when the services are rendered. Beginning with fiscal year ending June 30, 2008, the State implemented accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements report OPEB funded status and funding progress and any “premium subsidy” resulting from the pooling of retiree participants with active employees in the health benefit plans. For “employer” OPEB reporting the State will report “expense” on an accrual basis in the amount of the “annual required contribution” and a “liability” for the amount of the “annual required contribution” that was not actually paid.

In response to the GASB statements, the Legislature made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which facilitates the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB Statement No. 43, the Annual Required Contribution (the ARC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

allocated to respective employers including the Lottery who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residual funds held in trust for future OPEB costs.

Plan Description

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia, 25304-2345, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$388 and \$461 per employee per month for the years ending June 30, 2009 and 2008, respectively. The Lottery has paid premiums of \$185,563 and \$98,625, respectively, for the years ending June 30, 2009 and 2008, and the State of West Virginia, on the Lottery's behalf, contributed \$472,247 of the 2008 ARC. The on behalf payment made in 2008 was recognized as a non operating revenue and administrative expense in accordance with GASB 24. As of June 30, 2009 and 2008 the Lottery has recorded a liability of \$251,867 and \$10,073, respectively, for OPEB.

13 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia and other providers. Each of these risk pools have issued separate audited financial reports on their operations. Those reports include

WEST VIRGINIA LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

13 - RISK MANAGEMENT (Continued)

the required supplementary information regarding the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

Public Employees' Insurance Agency (PEIA)

The Lottery participates in the Public Employees Insurance Agency (PEIA) which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage, as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million for lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

Board of Risk and Insurance Management (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

Workers Compensation Insurance

The Lottery carries workers compensation insurance coverage through a privatized business entity, BrickStreet Mutual Insurance Company (BrickStreet), established January 1, 2006, and named the administrator of former state workers' compensation fund activities. BrickStreet is paid a monthly administrative fee and rated premium to provide compensation for injuries sustained in the course of

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - RISK MANAGEMENT (Continued)

Workers Compensation Insurance (Continued)

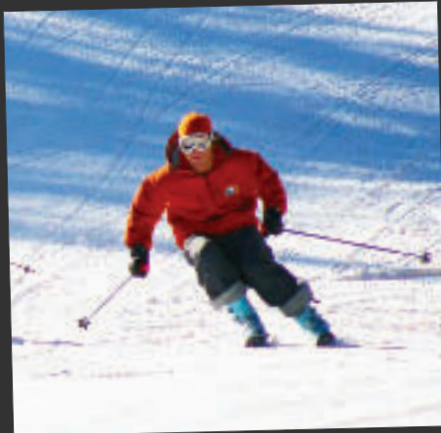
employment. The monthly administrative fee for the Lottery has been set at levels consistent with prior year payments and any rate or premium increases will be established on an experience rated basis. The Lottery participates in the BrickStreet experience rated pool, which is rate adjusted on a quarterly basis. The BrickStreet risk pool retains all risk related to the compensation of injured employees under the program in exchange for the premiums paid.

14 - COMMITMENTS

The Lottery Commission has designated unexpended administrative funds for the acquisition of capital assets. As of June 30, 2009 and 2008, \$12,817,601 and \$5,497,770, respectively, are included in unrestricted net assets and invested in capital assets for this purpose.

15 - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirement for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Management has yet to determine what effect, if any, this statement will have on its financial statements.



Promotion of Tourism Aided By Lottery Dollars

West Virginia Lottery revenue has played a vital role in creating a strong travel industry throughout West Virginia. Proceeds from the Lottery provide the resources necessary for the West Virginia Division of Tourism to showcase the quality of life our state has to offer the millions of people who live and visit West Virginia each year.

During the fiscal year 2009, nearly \$8 million in Lottery proceeds were used to help promote the state through both advertising and a matching grants program utilized by top tourism destinations.

Lottery contributions have helped make tourism a nearly \$4 billion driving force in West Virginia's local economy.

**More Than \$4.5 Billion
In Proceeds To Senior Citizens,
Education and Tourism Since 1986!**

The Sky's The Limit for Tourism

"Country Roads, take me home,
To the place I belong,
West Virginia, mountain mamma,
take me home country roads."

John Denver, Bill Danoff and Taffy Nivert

West Virginia Lottery
a component unit of the State of West Virginia





STATISTICAL SECTION OVERVIEW

This section of the West Virginia Lottery's comprehensive annual financial report depicts charts and graphs to aide in understanding the information presented in the financial statements and note disclosures about the Lottery's overall financial health.

Financial Trends/Revenue Capacity

The accompanying schedules depicting financial and revenue trends contain information to help the reader understand how the financial performance and well-being have changed over time and how the Lottery assesses its most significant revenue sources; traditional instant and on-line games, the video lottery segment and table games. The continued expansion in volume and the introduction to a variety of gaming options sustained revenues for the Lottery.

Demographic and Economic Information

The accompanying schedules depicting demographic and other economic relationships offer indicators to help the reader understand the environment within which the Lottery's financial activities take place. Indexes such as player income distribution, per capita income and competitive revenues generated by other lottery systems are relevant in assessing the Lottery's performance.

Operating Information

There are many factors that impact the level of demand for Lottery products. For our on-line games, the sizes of the publicized jackpots drive the sales level. As an example, a Powerball® jackpot of \$100 million will generate more sales than a jackpot of \$15 million. For our instant ticket games, the level of demand is impacted by many factors such as game themes, play-styles, price points and prize payouts. Racetrack video lottery and table games sales are largely driven by tourism. Weekends and holiday's generate higher sales than weekdays. Limited video lottery sales are seasonally affected. Cold months tend to generate higher sales than warmer months. In an effort to minimize the effect of these nuances, the accompanying schedules contain information by year and game type to help the reader understand how the Lottery's financial performance and overall growth have trended.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports or the audited financial statements for the relevant year.

WEST VIRGINIA LOTTERY

Sales By Product and Other Revenues Last Ten Fiscal Years

	2000	2001	2002	2003
Instant	\$75,307,218	\$74,400,373	\$94,322,791	\$105,395,146
Powerball®	49,369,362	48,359,522	75,911,123	51,067,026
Other MUSL games	1,116,973	1,415,871	1,525,689	2,805,269
Daily 3	10,995,841	10,167,011	10,076,565	9,927,812
Daily 4	4,991,057	4,735,252	4,695,641	4,724,179
Cash 25	8,110,925	6,522,114	6,614,501	6,242,641
Travel Keno	14,889,413	13,201,103	13,757,028	11,924,361
Total On-line	\$89,473,571	\$84,400,873	\$112,580,547	\$86,691,288
Video (net of prizes)				
Racetrack	\$283,185,694	\$438,090,521	\$595,946,640	\$717,079,486
Limited	-	-	\$45,760,647	\$172,743,695
Table Games (privilege tax)	-	-	-	-
Total Sales	\$447,966,483	\$596,891,767	\$848,610,625	\$1,081,909,615
License Fees	168,873	220,200	14,574,772	11,485,136
Miscellaneous	447,700	986,612	942,569	605,467
Other Operating Income	\$616,573	\$1,206,812	\$15,517,341	\$12,090,603
Nonoperating Income	\$2,728,569	\$2,979,816	\$7,190,034	\$813,454
Total Revenues	\$451,311,625	\$601,078,395	\$871,318,000	\$1,094,813,672

Expenses, Distributions and Net Income Last Ten Fiscal Years

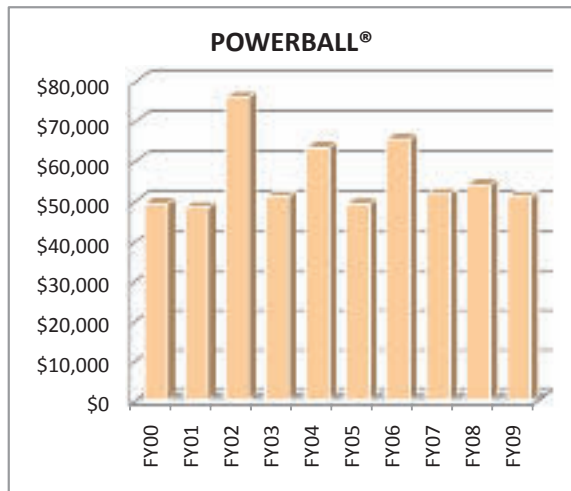
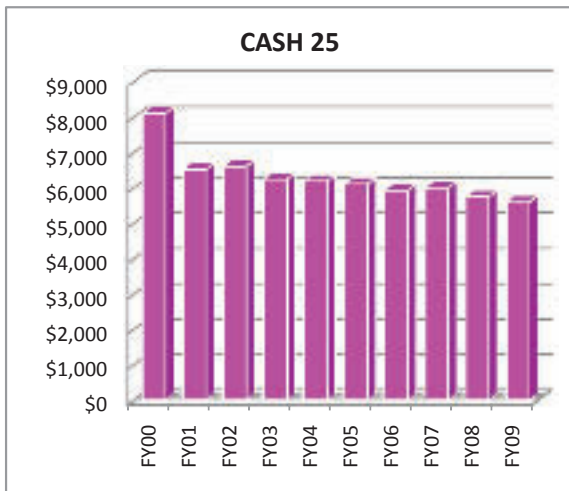
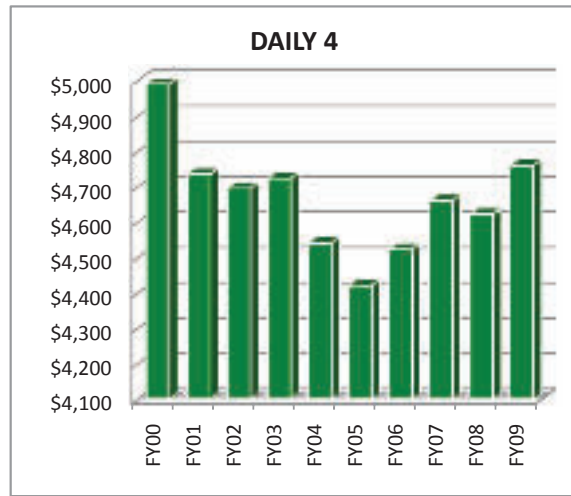
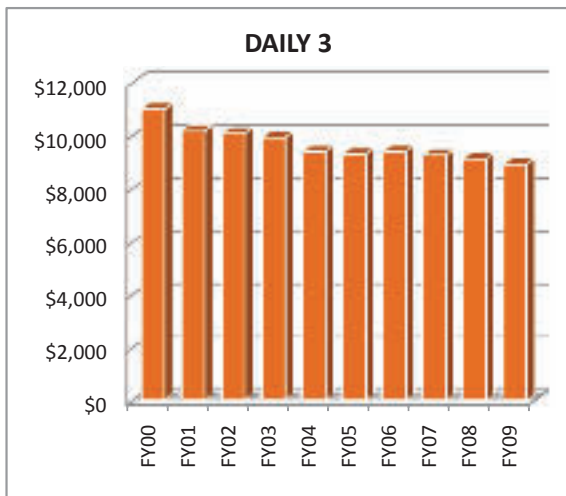
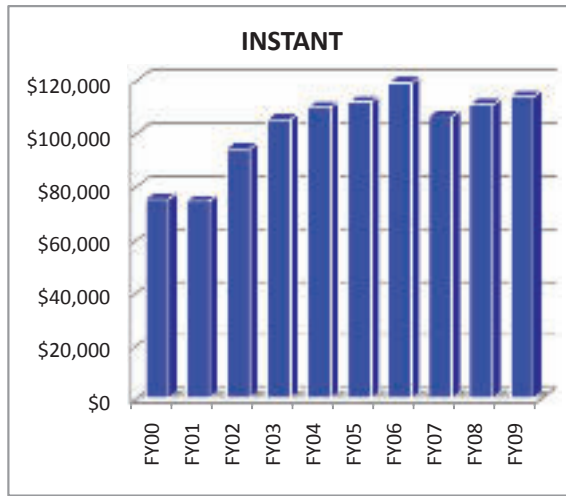
	2000	2001	2002	2003
Prizes (traditional)	\$94,935,060	\$93,128,321	\$120,180,048	\$114,651,424
Commissions				
Instant	4,706,719	4,650,043	5,896,537	7,377,661
On-line	5,588,736	5,267,767	7,041,257	6,086,088
Racetrack	184,687,177	286,275,466	354,762,709	412,325,047
Limited	-	-	31,391,705	99,799,713
Table Games	-	-	-	-
Total Commissions	\$194,982,632	\$296,193,276	\$399,092,208	\$525,588,509
Administration (includes ticket costs)	\$21,752,086	\$22,520,013	\$30,360,103	\$29,452,769
Total Operating Expenses	\$311,669,778	\$411,841,610	\$549,632,359	\$669,692,702
Nonoperating Distributions				
Municipalities and Counties	-	-	-	3,385,776
Capital Reinvestment Fund	-	-	5,811,039	10,695,115
State of West Virginia	139,641,847	189,236,785	315,874,602	411,040,079
Total Distributions	\$139,641,847	\$189,236,785	\$321,685,641	\$425,120,970
Net Income	\$0	\$0	\$0	\$0

2004	2005	2006	2007	2008	2009
\$109,843,864	\$111,863,092	\$119,123,846	\$106,493,081	\$110,862,020	\$113,853,880
63,373,462	49,214,536	65,530,836	51,729,318	54,052,429	51,016,100
2,579,140	3,342,726	3,324,293	4,726,225	4,021,347	4,881,127
9,386,172	9,293,550	9,394,009	9,265,281	9,124,536	8,916,094
4,540,767	4,421,188	4,523,509	4,660,620	4,622,396	4,760,533
6,190,917	6,112,910	5,936,395	6,006,570	5,752,037	5,596,814
10,953,721	9,966,638	10,249,487	9,769,174	9,603,308	9,070,501
\$97,024,179	\$82,351,548	\$98,958,529	\$86,157,188	\$87,176,053	\$84,241,169
\$854,858,062	\$894,530,565	\$942,250,631	\$972,591,775	\$897,952,931	\$848,232,669
\$241,710,952	\$310,328,583	\$362,181,294	\$397,016,887	\$411,587,201	\$412,488,946
-	-	-	-	\$15,877,334	\$34,219,101
\$1,303,437,057	\$1,399,073,788	\$1,522,514,300	\$1,562,258,931	\$1,523,455,539	\$1,493,035,765
13,610,521	15,789,742	10,445,040	9,864,349	11,225,977	10,573,157
503,013	578,477	748,276	532,596	710,975	827,731
\$14,113,534	\$16,368,219	\$11,193,316	\$10,396,945	\$11,936,952	\$11,400,888
\$474,138	\$1,923,223	\$5,152,532	\$7,556,505	\$10,031,139	\$2,719,936
\$1,318,024,729	\$1,417,365,230	\$1,538,860,148	\$1,580,212,381	\$1,545,423,630	\$1,507,156,589

2004	2005	2006	2007	2008	2009
\$123,263,630	\$117,125,999	\$131,903,210	\$115,792,130	\$121,169,284	\$119,449,497
7,689,770	7,831,524	8,338,753	7,454,496	7,762,564	7,969,759
6,772,587	5,767,083	6,936,315	6,019,193	6,113,745	5,900,642
477,797,417	496,649,792	508,326,365	522,744,477	487,276,099	463,649,031
137,388,489	173,115,051	195,112,272	206,127,102	205,636,799	202,119,568
-	-	-	-	6,249,023	13,458,369
\$629,648,263	\$683,363,450	\$718,713,705	\$742,345,268	\$713,038,230	\$693,097,369
\$31,980,883	\$29,622,628	\$31,329,670	\$30,905,929	\$33,478,401	\$35,215,252
\$784,892,776	\$830,112,077	\$881,946,585	\$889,043,327	\$867,685,915	\$847,762,118
4,737,535	6,083,020	7,098,999	7,781,531	8,067,110	8,084,783
16,250,347	17,849,943	19,774,016	20,997,371	17,987,933	15,983,212
512,144,071	563,320,190	610,040,548	639,150,849	631,155,117	616,622,965
\$533,131,953	\$587,253,153	\$636,913,563	\$667,929,751	\$657,210,160	\$640,690,960
\$0	\$0	\$20,000,000	\$23,239,303	\$20,527,555	\$18,703,511

WEST VIRGINIA LOTTERY

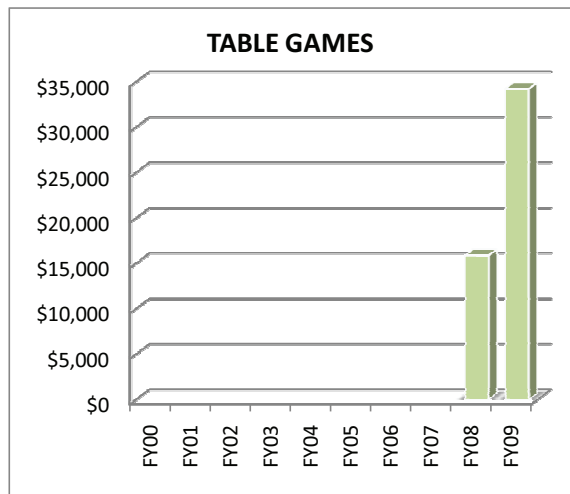
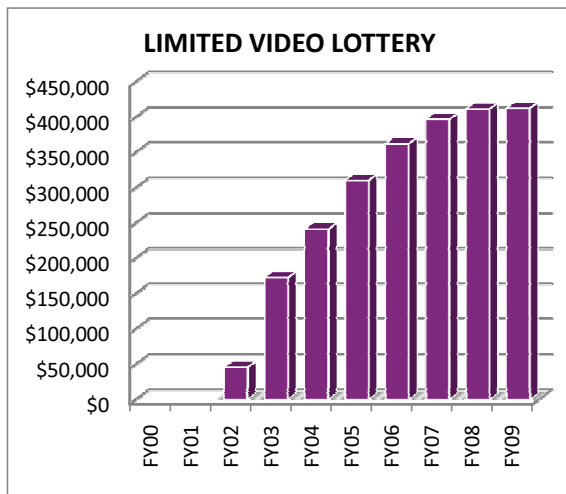
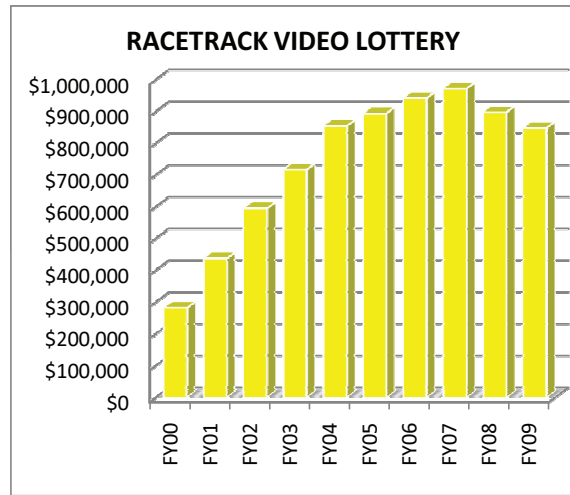
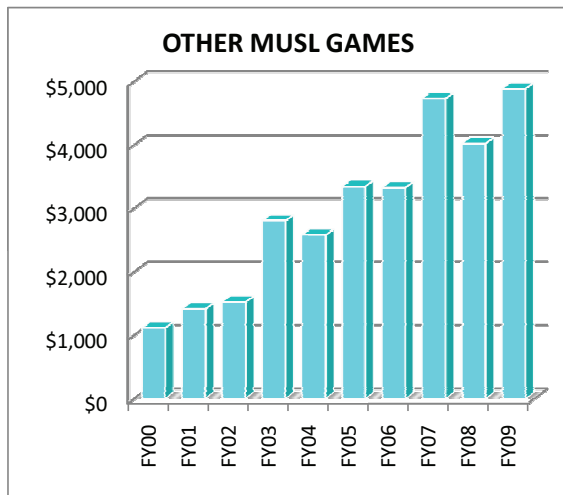
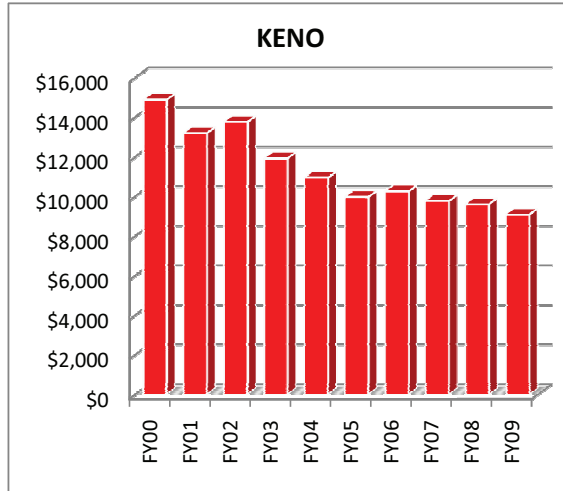
Sales By Product Line Last Ten Fiscal Years (000's)



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

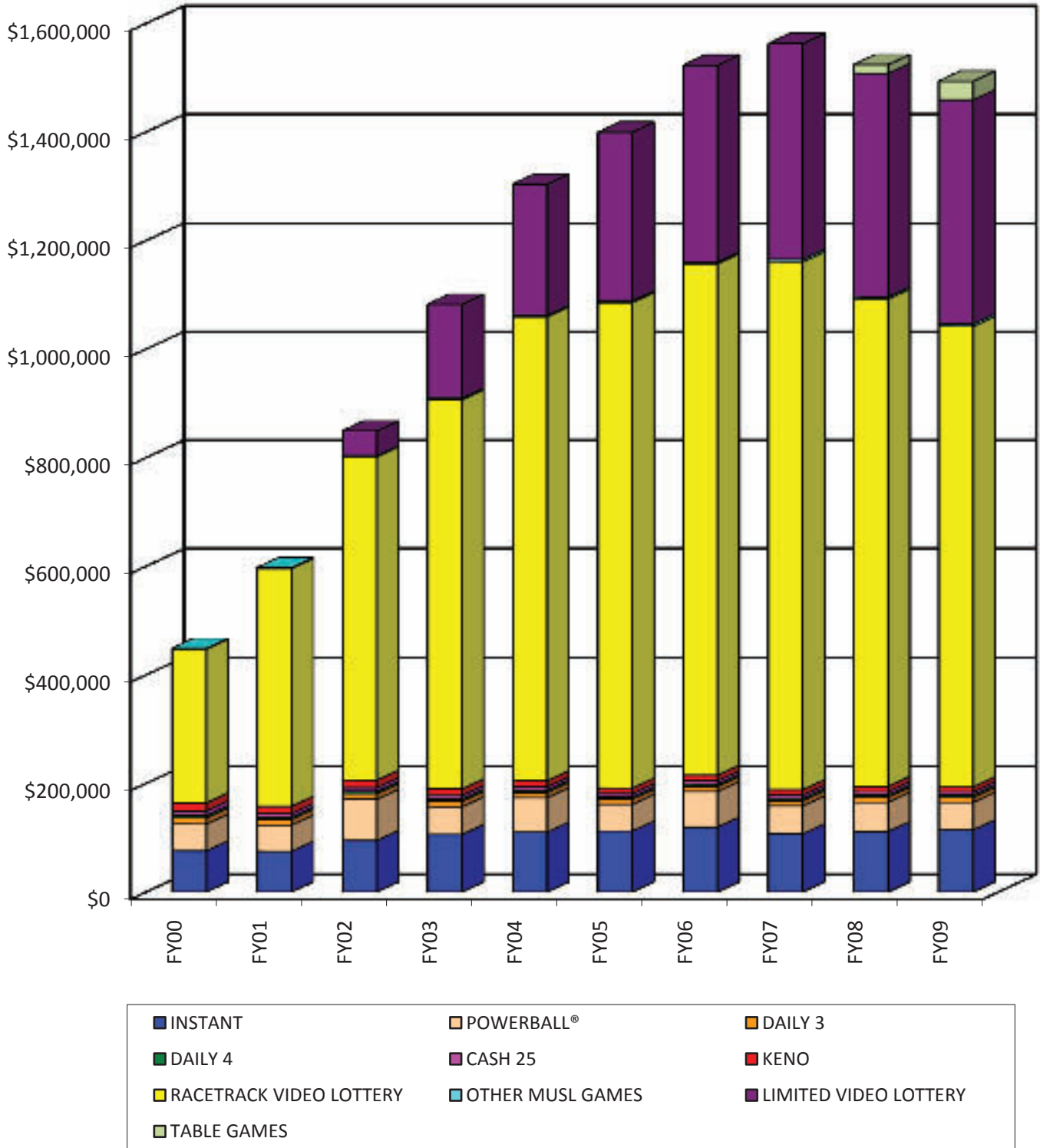
Sales By Product Line Last Ten Fiscal Years (000's)



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

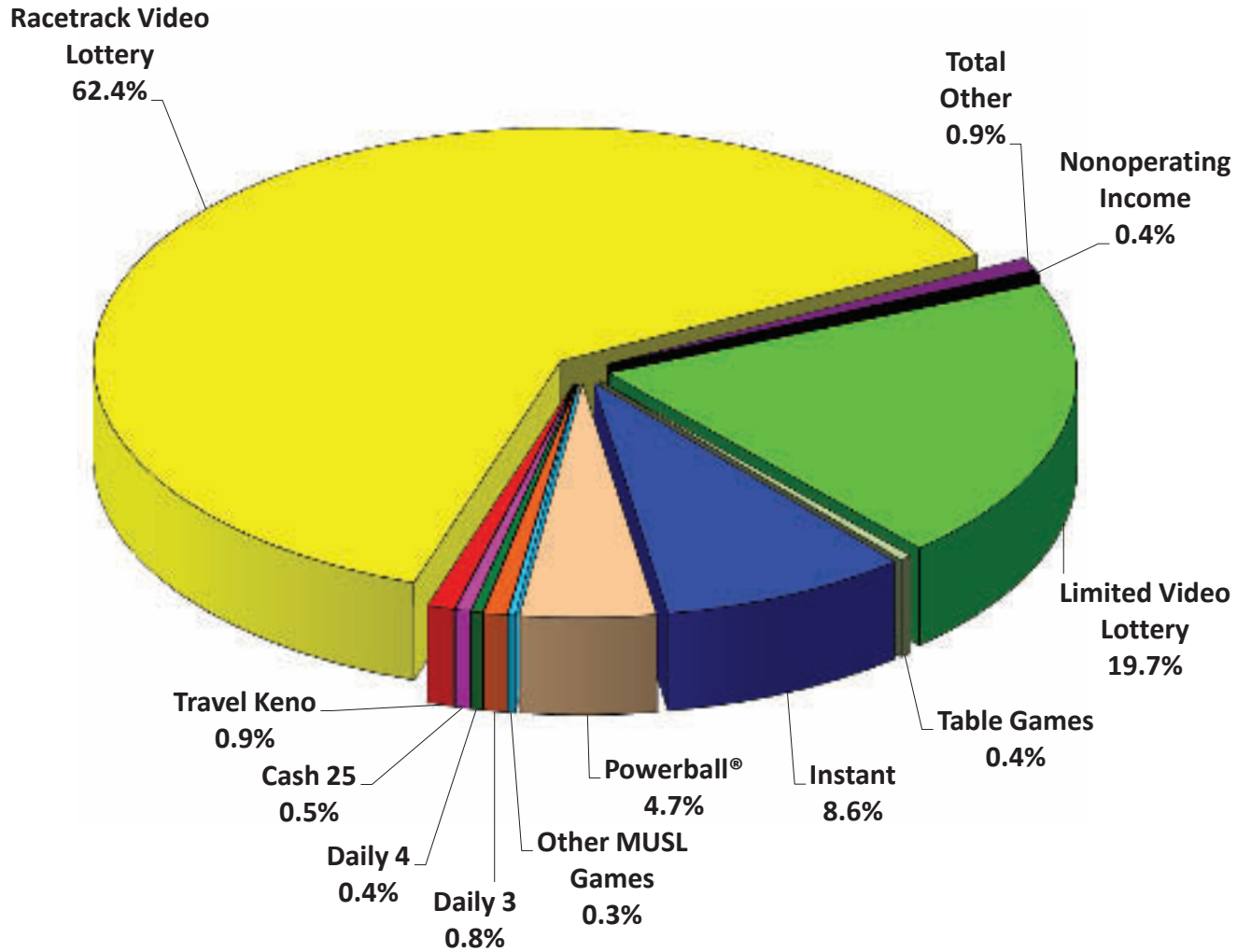
Sales By Product Last Ten Fiscal Years (000's)



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

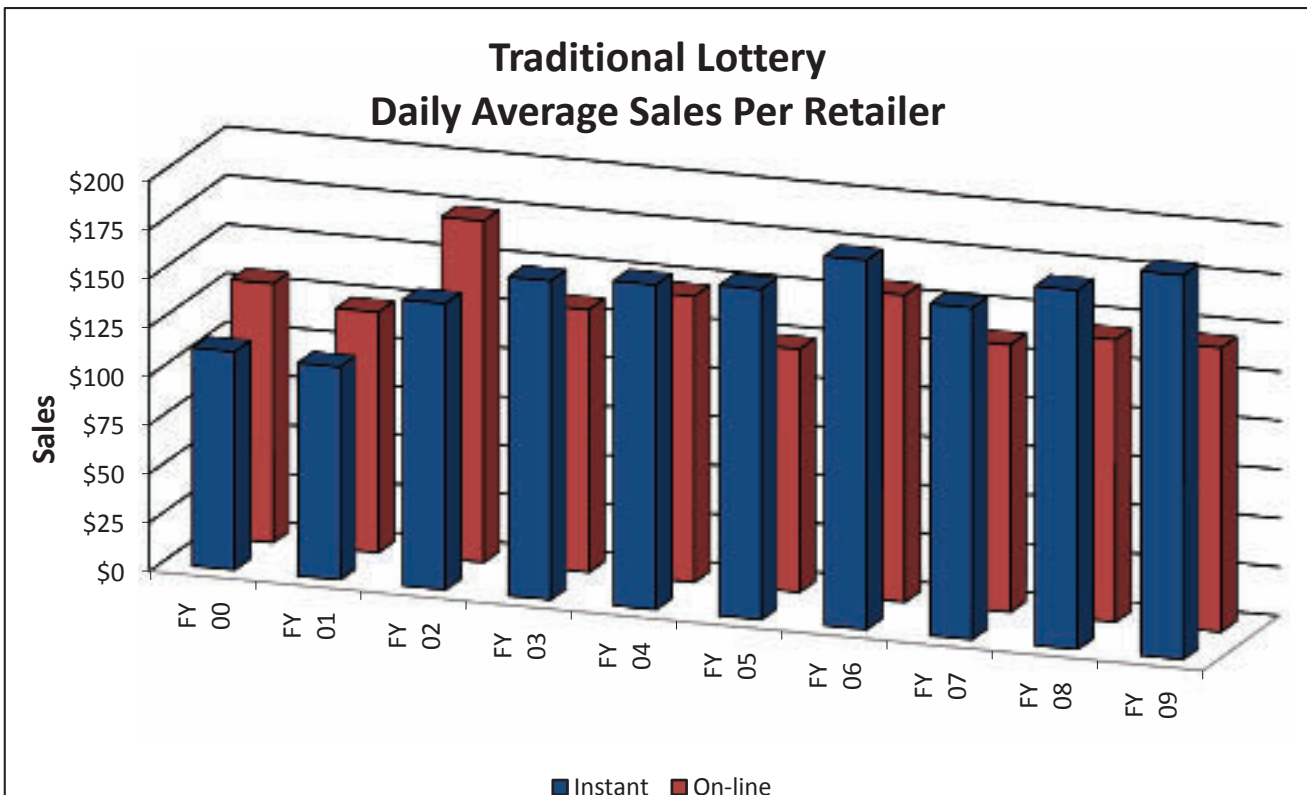
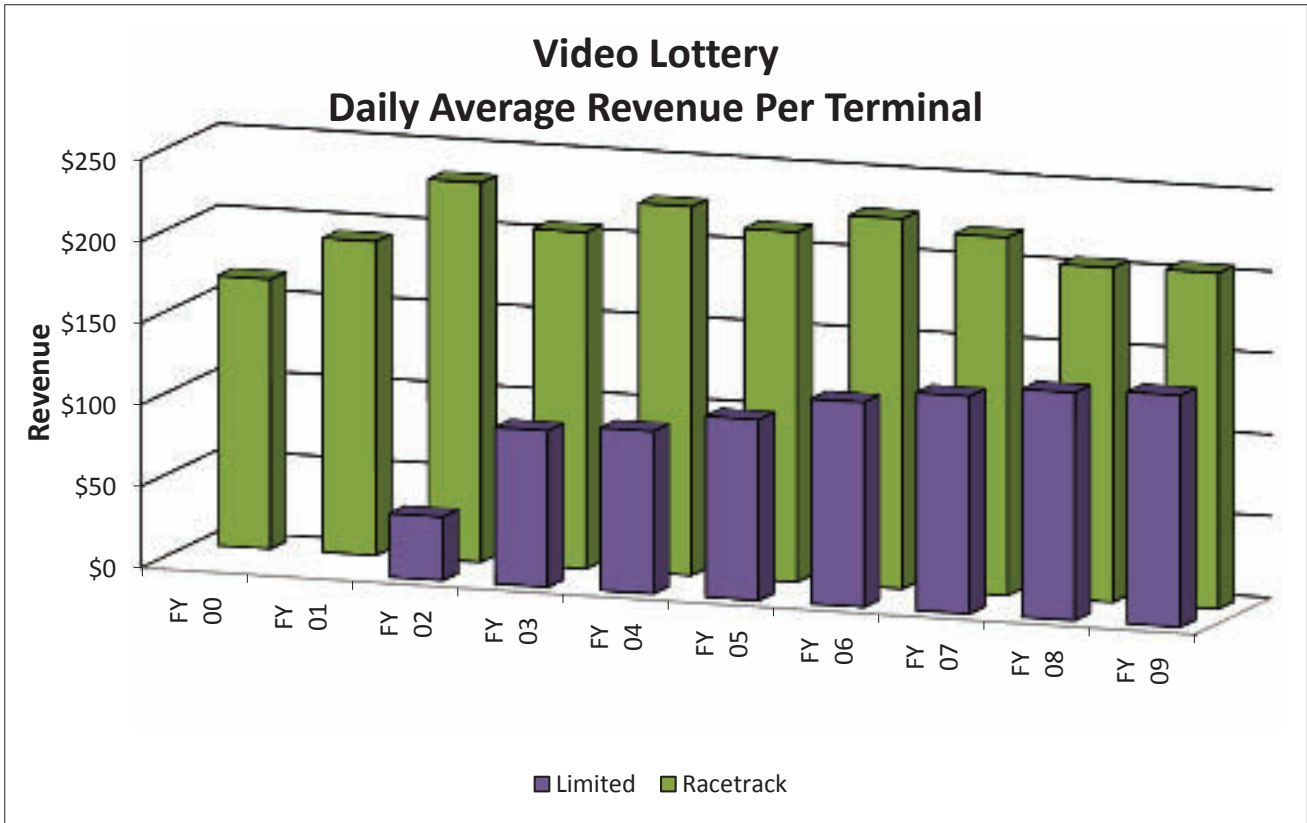
Total Revenues \$11,925,564,399
Last Ten Fiscal Years



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

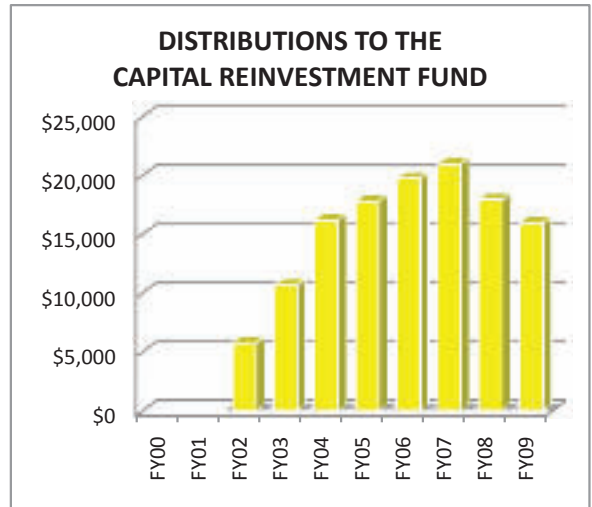
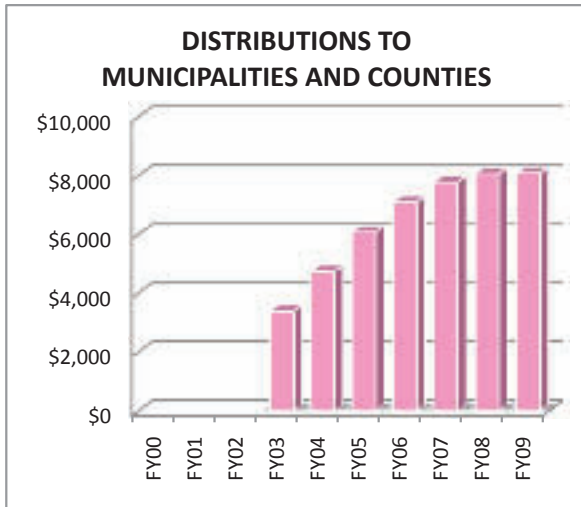
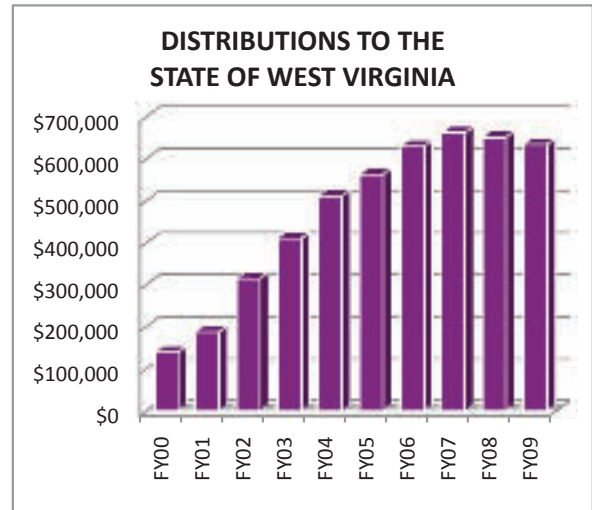
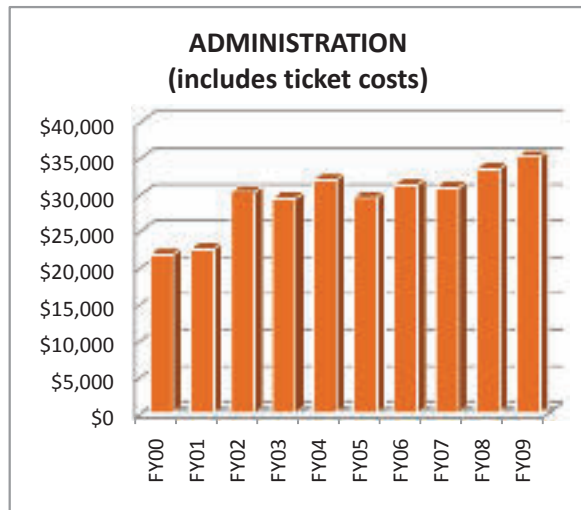
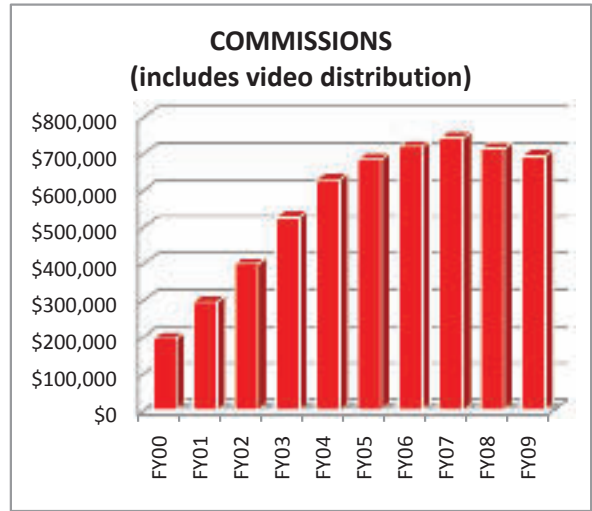
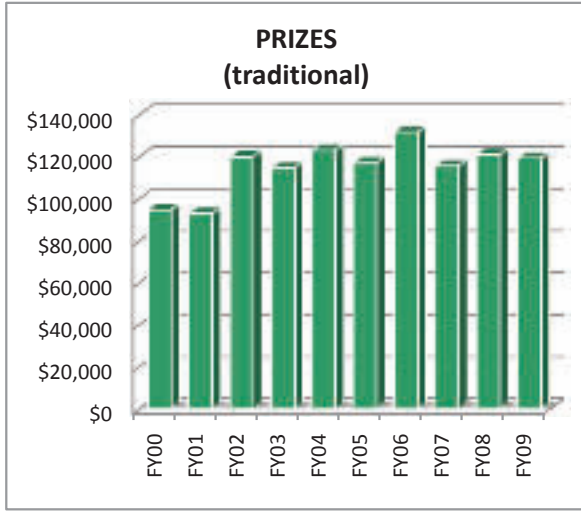
Daily Averages Last Ten Fiscal Years



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

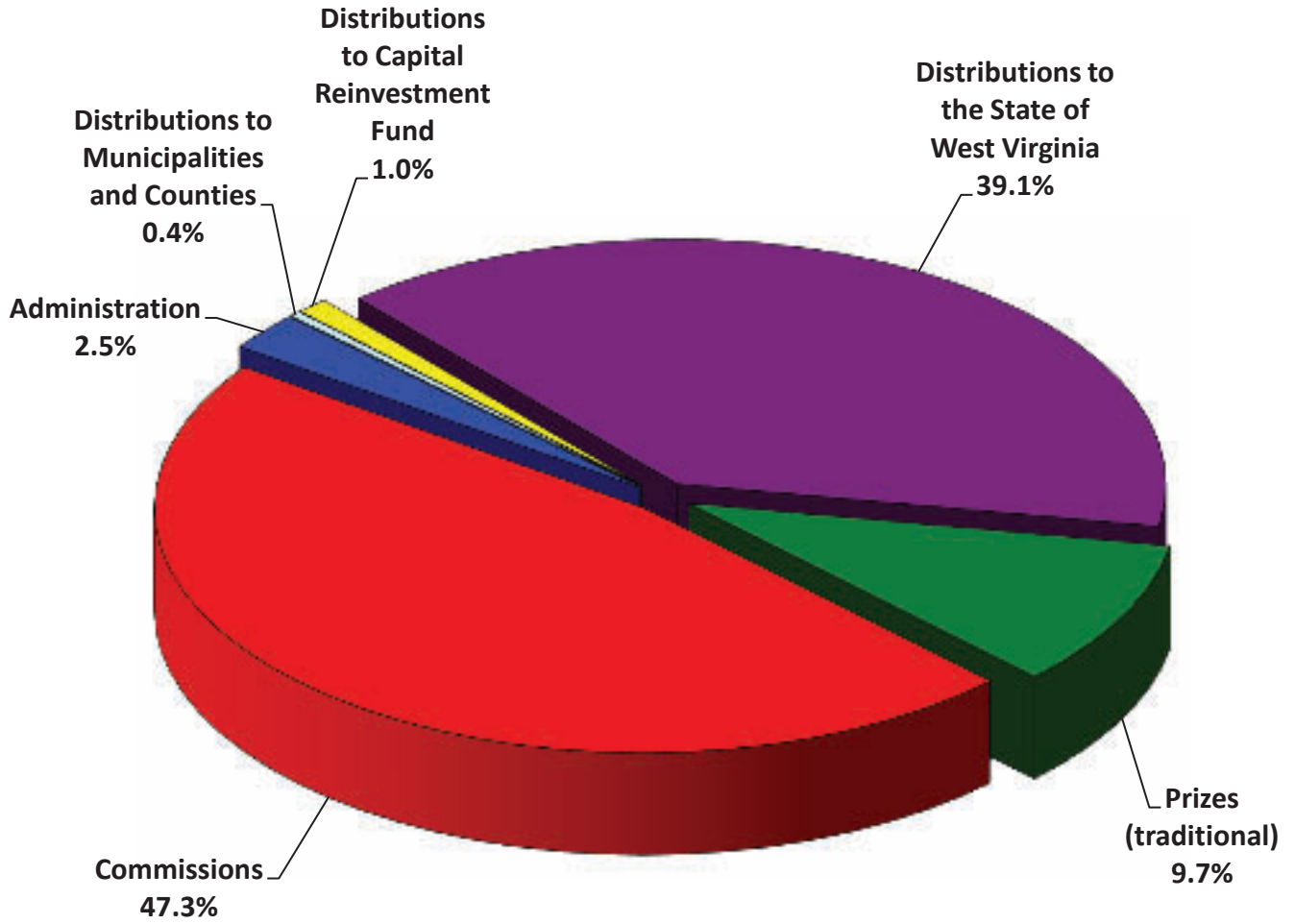
Expenses and Nonoperating Distributions Last Ten Fiscal Years (000's)



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

Total Expenses and Nonoperating Distributions \$11,843,094,030
Last Ten Fiscal Years



Source: West Virginia Lottery

WEST VIRGINIA LOTTERY

U.S. Lotteries Unaudited Sales For Fiscal Year 2009 (\$ millions) Excludes VLT Sales

	Sales	Prizes	Net Income	Population	Sales/Capita
Arizona	\$484.5	\$282.5	\$129.1	6.5	\$74.54
California	\$2,954.8	\$1,556.1	\$1,020.7	36.8	\$80.29
Colorado	\$493.4	\$301.7	\$119.6	4.9	\$100.69
Connecticut	\$991.3	\$604.7	\$283.0	3.5	\$283.23
Delaware	\$123.2			0.9	\$136.89
D.C. (end 6/30)	\$246.2			0.6	\$410.33
Florida	\$3,938.1	\$2,412.1	\$1,284.8	18.3	\$215.20
Georgia	\$3,663.1	\$2,148.7	\$872.1	9.7	\$377.64
Idaho	\$139.8	\$85.0	\$35.0	1.5	\$93.20
Illinois	\$2,095.5	\$1,199.1	\$625.0	12.9	\$162.44
Indiana	\$732.7	\$453.2	\$178.9	6.4	\$114.48
Iowa	\$243.4	\$137.9	\$60.6	3.0	\$81.13
Kansas	\$241.8			2.8	\$86.36
Kentucky	\$810.5	\$515.9	\$204.4	4.3	\$188.49
Louisiana	\$378.5	\$193.3	\$135.9	4.4	\$86.02
Maine	\$210.9	\$125.7	\$49.8	1.3	\$162.23
Maryland	\$1,698.1	\$1,023.9	\$493.2	5.6	\$303.23
Massachusetts	\$4,425.5	\$3,218.2	\$858.4	6.5	\$680.85
Michigan ^{1,6}	\$2,379.0	\$1,437.4	\$727.5	10.0	\$237.90
Minnesota	\$481.3	\$295.0	\$119.6	5.2	\$92.56
Missouri	\$967.2		\$259.0	5.9	\$163.93
Montana	\$44.0	\$23.1	\$10.1	1.0	\$44.00
Nebraska	\$123.1	\$71.9	\$30.2	1.8	\$68.39
New Hampshire	\$239.0	\$142.1	\$68.0	1.3	\$183.85
New Jersey	\$2,503.3	\$1,450.7	\$849.5	8.7	\$287.74
New Mexico	\$142.3	\$78.3	\$40.8	2.0	\$71.15
New York ^{2,4}	\$6,695.1	\$4,003.8	\$2,544.0	19.5	\$343.34
North Carolina	\$1,293.1	\$811.9	\$414.1	9.2	\$140.55
North Dakota	\$21.8	\$11.3	\$6.4	0.6	\$36.33
Ohio	\$2,416.3	\$1,459.0	\$702.3	11.5	\$210.11
Oklahoma	\$193.2	\$95.9	\$69.2	3.6	\$53.67
Oregon ^{2,3}	\$313.8	\$205.3	\$635.0	3.8	\$82.58
Pennsylvania	\$3,088.2	\$1,852.5	\$910.5	12.4	\$249.05
Rhode Island ^{2,3}	\$238.6	\$144.9	\$344.3	1.1	\$216.91
South Carolina	\$1,003.9	\$633.2	\$261.2	4.5	\$223.09
South Dakota ^{2,3}	\$41.3	\$23.3	\$118.2	0.8	\$51.63
Texas ⁵	\$3,720.1	\$2,353.5	\$1,046.7	24.3	\$153.09
Vermont	\$96.0	\$60.7	\$20.9	0.6	\$160.00
Virginia	\$1,365.6	\$781.0	\$439.1	7.8	\$175.08
Washington	\$487.7			6.5	\$75.03
West Virginia ^{2,3,7}	\$198.1	\$119.4	\$556.7	1.8	\$110.06
Wisconsin	\$473.3			5.6	\$84.52
Total	\$52,396.6	\$30,312.2	\$16,523.8	279.4	\$7,151.79

2009 data source: La Fleur's Magazine/Vol. 17, No. 1 Sept/Oct 2009

¹Estimated Sales

⁵Fiscal Year ends 8/31

²Doesn't include VLT prizes

⁶Fiscal Year ends 9/30

³Includes traditional and VLT profit

⁷Gross sales were \$1,493.0, including VLT sales of \$1,260.7

WEST VIRGINIA LOTTERY

U.S. Lotteries Unaudited Sales For Fiscal Year 2008 (\$ millions)

	Sales	Profit	Population	Sales/Capita
Arizona	\$472.90	\$144.60	6.5	\$72.75
California	\$3,049.60	\$1,069.40	36.8	\$82.87
Colorado	\$505.80	\$122.30	4.9	\$103.22
Connecticut	\$998.10	\$285.10	3.5	\$285.17
Delaware ¹	\$736.40	\$252.50	0.9	\$818.22
District of Columbia	\$252.33	\$70.43	0.6	\$420.55
Florida	\$4,170.00	\$1,280.00	18.3	\$227.87
Georgia	\$3,520.00	\$867.70	9.7	\$362.89
Idaho	\$136.80	\$36.20	1.5	\$91.20
Illinois	\$2,078.20	\$657.00	12.9	\$161.10
Indiana	\$822.80	\$217.10	6.4	\$128.56
Iowa	\$249.00	\$57.00	3.0	\$83.00
Kansas	\$236.70	\$71.00	2.8	\$84.54
Kentucky	\$778.20	\$192.10	4.3	\$180.98
Louisiana	\$373.70	\$131.80	4.4	\$84.93
Maine	\$228.52	\$49.49	1.3	\$175.78
Maryland	\$1,673.04	\$529.40	5.6	\$298.76
Massachusetts	\$4,709.00	\$913.00	6.5	\$724.46
Michigan	\$2,330.20	\$740.70	10.0	\$233.02
Minnesota	\$461.52	\$116.27	5.2	\$88.75
Missouri	\$995.50	\$266.60	5.9	\$168.73
Montana	\$43.80	\$11.00	1.0	\$43.80
Nebraska	\$121.91	\$31.03	1.8	\$67.73
New Hampshire	\$261.13	\$75.65	1.3	\$200.87
New Jersey	\$2,538.50	\$882.10	8.7	\$291.78
New Mexico	\$147.10	\$40.80	2.0	\$73.55
New York	\$7,548.40	\$2,556.10	19.5	\$387.10
North Carolina	\$1,078.08	\$350.01	9.2	\$117.18
North Dakota	\$22.12	\$6.07	0.6	\$36.87
Ohio	\$2,325.10	\$672.20	11.5	\$202.18
Oklahoma	\$203.82	\$71.61	3.6	\$56.62
Oregon ¹	\$1,245.50	\$678.70	3.8	\$327.76
Pennsylvania	\$3,089.19	\$928.05	12.4	\$249.13
Rhode Island ²	\$2,398.91	\$355.57	1.1	\$2,180.83
South Carolina	\$992.50	\$263.90	4.5	\$220.56
South Dakota ²	\$704.26	\$122.56	0.8	\$880.33
Tennessee	\$1,065.00	\$286.10	6.2	\$171.77
Texas	\$3,671.15	\$1,038.00	24.3	\$151.08
Vermont	\$102.00	\$22.60	0.6	\$170.00
Virginia	\$1,386.41	\$455.26	7.8	\$177.74
Washington	\$521.10	\$130.30	6.5	\$80.17
West Virginia ¹	\$1,523.00	\$579.00	1.8	\$846.11
Wisconsin ³	\$494.70	\$140.00	5.6	\$88.34
Total	\$60,261.99	\$17,766.30	285.6	\$11,898.85

2009 data source: NASPL website: www.NASPL.org

²Includes gross VLT sales (Cash in)

¹Includes net VLT sales (Cash in less cash out)

³Net Proceeds

WEST VIRGINIA LOTTERY

U.S. Lotteries Unaudited Sales For Fiscal Year 2007 (\$ millions)

	Sales	Profit	Population	Sales/Capita
Arizona	\$462.20	\$139.92	6.3	\$73.37
California	\$3,318.00	\$1,176.93	36.6	\$90.66
Colorado	\$455.93	\$118.99	4.9	\$93.05
Connecticut	\$957.03	\$279.00	3.5	\$273.44
Delaware ¹	\$753.94	\$256.70	0.9	\$837.71
District of Columbia ⁵	\$257.80	\$65.38	0.6	\$429.67
Florida	\$4,122.17	\$1,263.27	18.3	\$225.26
Georgia	\$3,421.70	\$853.55	9.5	\$360.18
Idaho	\$130.53	\$34.00	1.5	\$87.02
Illinois	\$2,021.33	\$626.68	12.9	\$156.69
Indiana	\$789.05	\$215.98	6.3	\$125.25
Iowa	\$235.10	\$58.10	3.0	\$78.37
Kansas	\$240.00	\$71.02	2.8	\$85.71
Kentucky	\$744.22	\$196.29	4.2	\$177.20
Louisiana	\$354.19	\$128.35	4.3	\$82.37
Maine		\$50.62	1.3	
Maryland	\$1,577.31	\$494.12	5.6	\$281.66
Massachusetts	\$4,460.91	\$892.20	6.4	\$697.02
Michigan ⁵	\$2,342.60	\$748.90	10.1	\$231.94
Minnesota	\$422.61	\$112.36	5.2	\$81.27
Missouri	\$935.10	\$257.80	5.9	\$158.49
Montana	\$41.56	\$11.42	1.0	\$41.56
Nebraska	\$114.49	\$29.19	1.8	\$63.61
New Hampshire	\$263.94	\$78.91	1.3	\$203.03
New Jersey	\$2,350.89	\$826.32	8.7	\$270.22
New Mexico	\$148.03	\$34.83	2.0	\$74.02
New York ^{1,3}	\$7,175.10	\$2,358.00	19.3	\$371.77
North Carolina	\$889.32	\$314.35	9.1	\$97.73
North Dakota	not reported	not reported	0.6	
Ohio	\$2,259.40	\$669.30	11.5	\$196.47
Oklahoma	\$215.10	\$69.38	3.6	\$59.75
Oregon ¹	\$1,221.94	\$656.46	3.7	\$330.25
Pennsylvania	\$3,076.34	\$950.10	12.4	\$248.09
Rhode Island ²	\$1,806.22	\$321.00	1.1	\$1,642.02
South Carolina	\$988.16	\$277.11	4.4	\$224.58
South Dakota ²	\$692.50	\$121.07	0.8	\$865.63
Tennessee	\$1,058.36	\$284.20	6.0	\$175.23
Texas ⁴	\$3,774.18	\$1,034.10	23.9	\$157.92
Vermont	\$104.52	\$23.42	0.6	\$174.20
Virginia	\$1,362.34	\$437.10	7.7	\$176.93
Washington	\$492.59	\$117.89	6.5	\$75.78
West Virginia ¹	\$1,562.26	\$639.00	1.8	\$867.92
Wisconsin	\$492.57	n/a	5.6	\$87.96
Total	\$58,091.53	\$17,293.31	283.5	\$11,030.95

2008 data source: NASPL website: www.NASPL.org

³Fiscal Year ends 3/31

¹Includes net VLT sales (Cash in less cash out)

⁴Fiscal Year ends 8/31

²Includes gross VLT sales (Cash in)

⁵Fiscal Year ends 9/30

WEST VIRGINIA LOTTERY

State Demographic and Economic Information

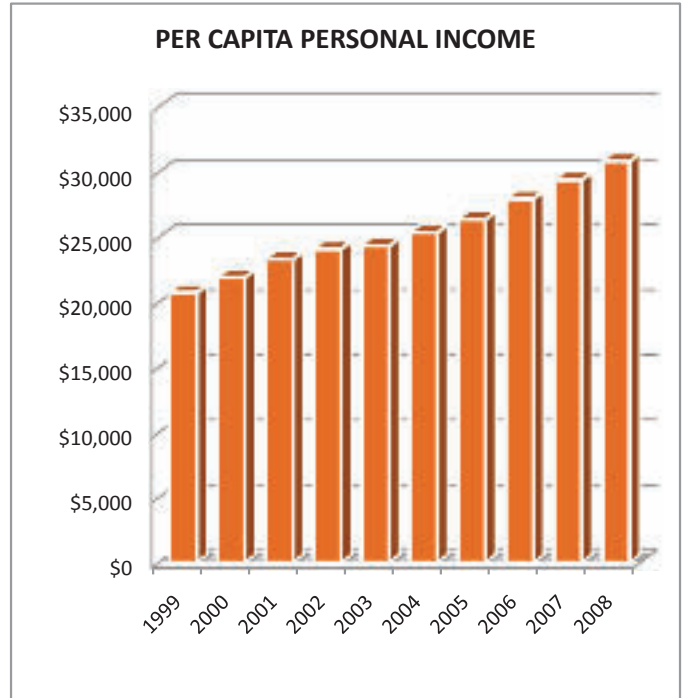
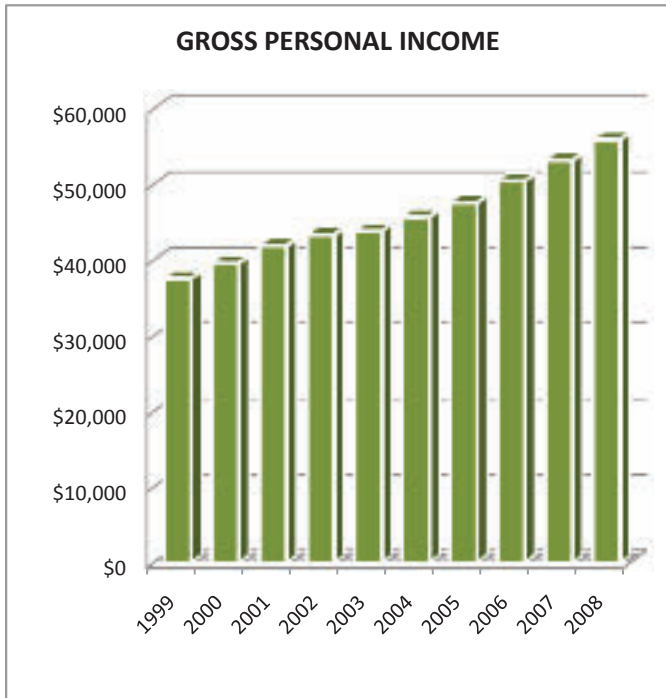
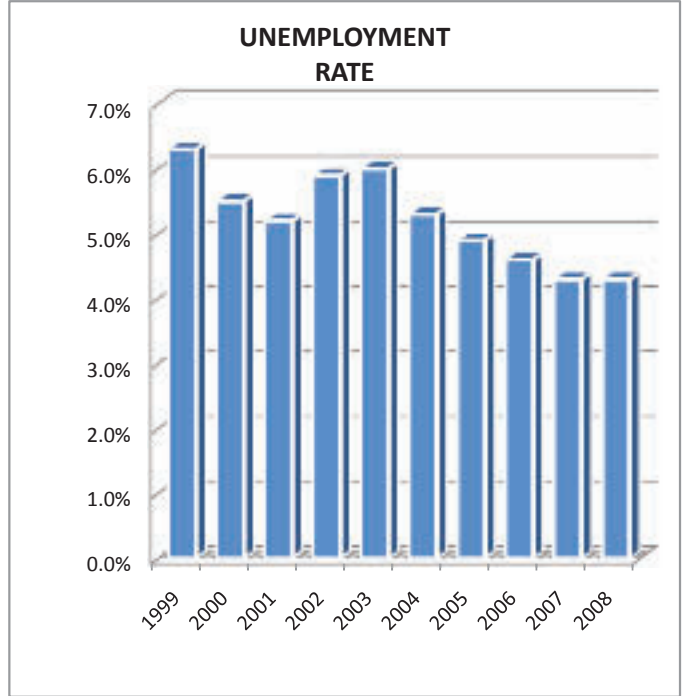
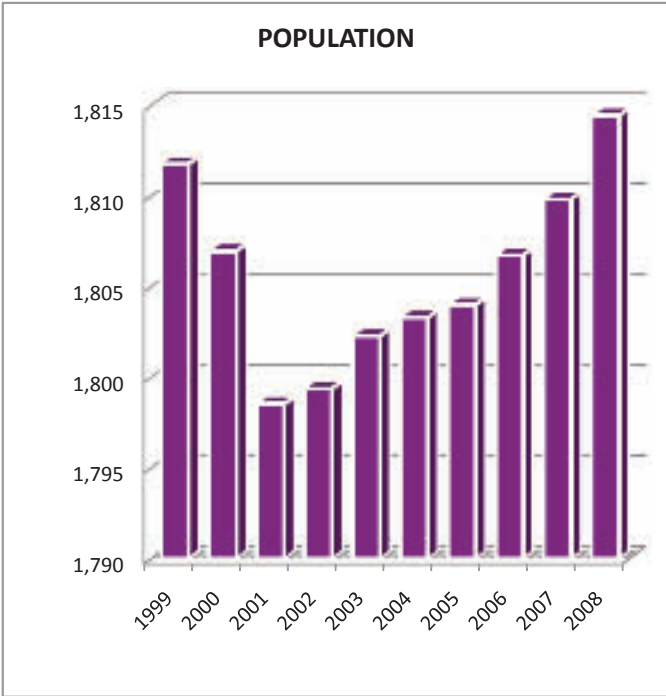
YEAR	POPULATION	PERSONAL INCOME (in millions)	PER CAPITA PERSONAL INCOME	UNEMPLOYMENT RATE
2008	1,814,468	\$55,941	\$30,831	4.3%
2007	1,809,836	\$53,181	\$29,385	4.3%
2006	1,806,760	\$50,472	\$27,935	4.6%
2005	1,804,020	\$47,565	\$26,366	4.9%
2004	1,803,312	\$45,686	\$25,334	5.3%
2003	1,802,287	\$43,841	\$24,325	6.0%
2002	1,799,392	\$43,312	\$24,070	5.9%
2001	1,798,540	\$41,902	\$23,298	5.2%
2000	1,806,977	\$39,582	\$21,905	5.5%
1999	1,811,799	\$37,557	\$20,729	6.3%

Source: WV Bureau of Employment Programs and U.S. Bureau of Economic Analysis, based on calendar year.

Note: 2009 information is not available and therefore not presented.

WEST VIRGINIA LOTTERY

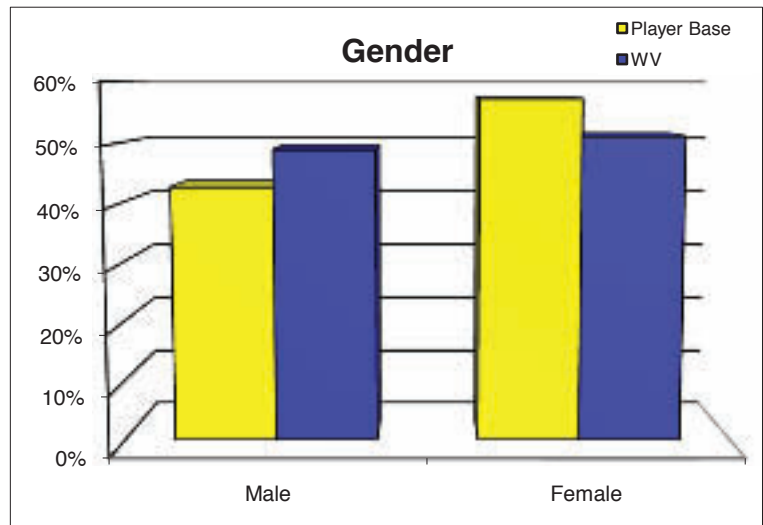
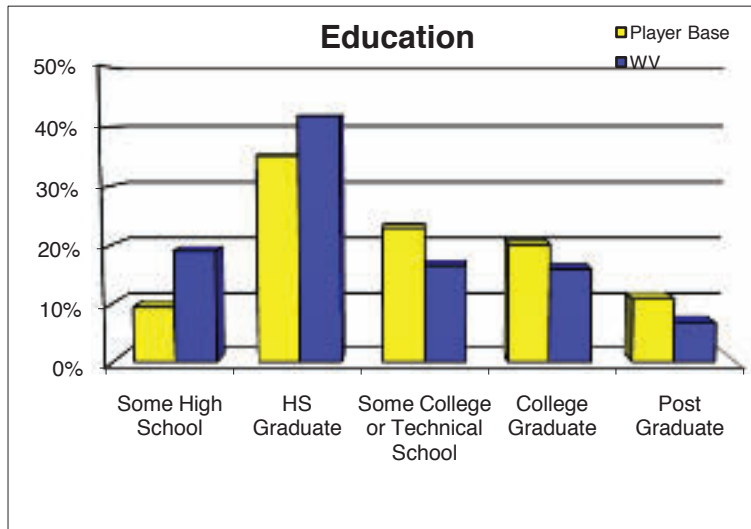
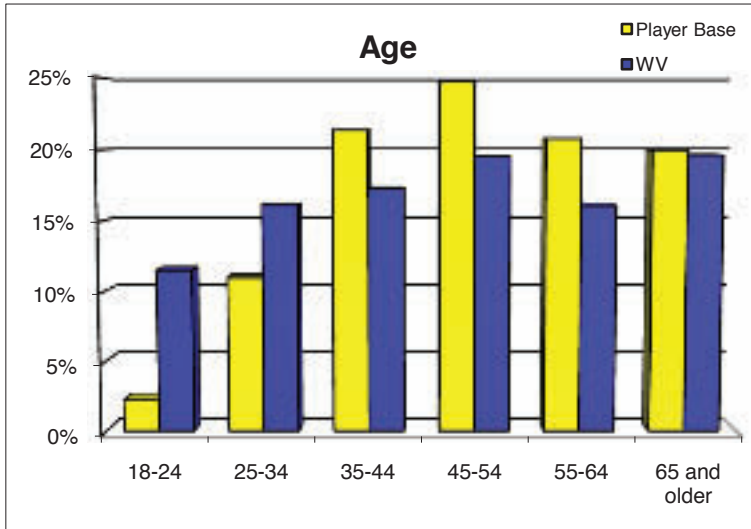
State Demographics



Source: WV Bureau of Employment Programs, U.S. Bureau of Economic Analysis and Bureau of the Census, based on calendar year.

WEST VIRGINIA LOTTERY

Player and Population Demographics

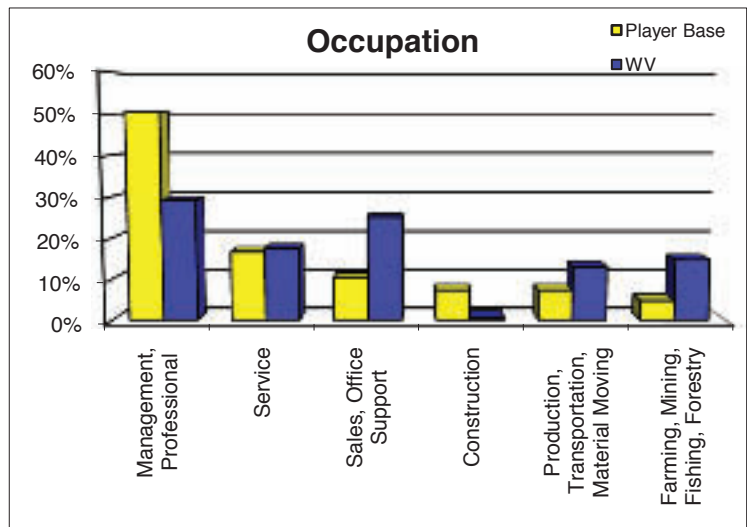
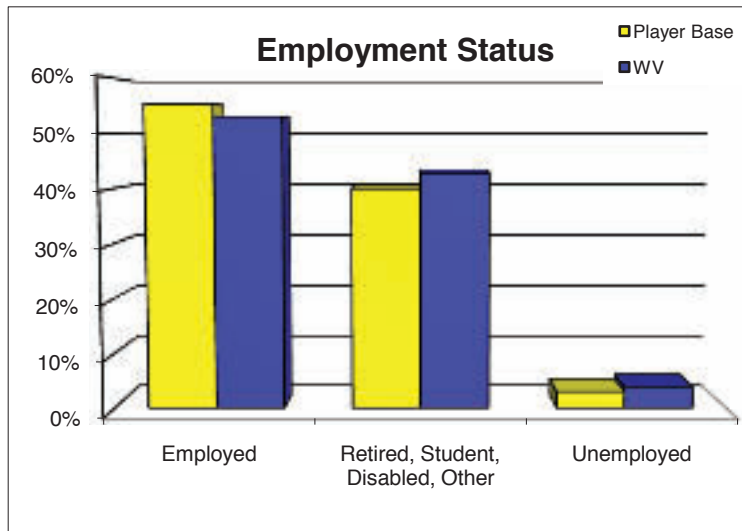
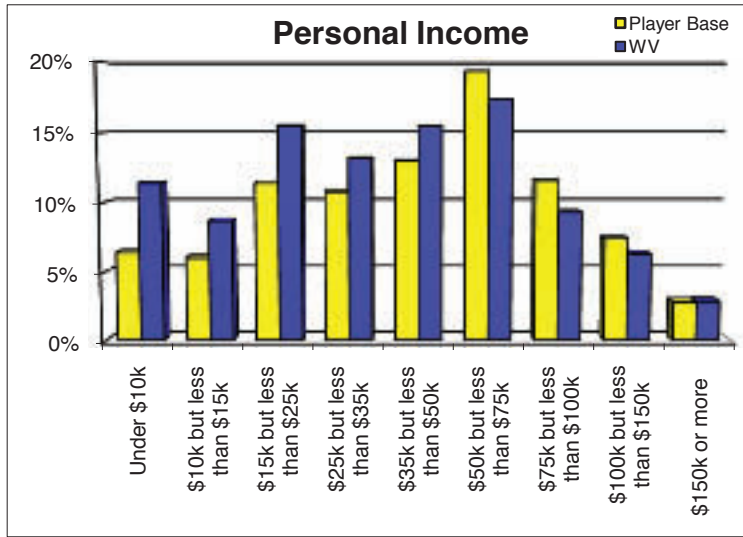


Source: West Virginia Lottery
Tracking Study, March 2009
RL Repass & Partners, Inc.

**ACS Demographic and Housing Estimates:
2005-2007**

WEST VIRGINIA LOTTERY

Player and Population Demographics



Source: West Virginia Lottery
Tracking Study, March 2009
RL Repass & Partners, Inc.

ACS Demographic and Housing Estimates:

WEST VIRGINIA LOTTERY

Number of Employees

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Executive	15	14	15	14	18	20
Finance & Administration	22	21	30	23	23	24
Marketing	8	7	7	7	7	7
Video	27	26	26	28	27	27
Security (traditional & video)	29	31	32	37	46	47
Table Games	-	-	-	-	39	47
Total	101	99	110	109	160	172

Source: State of West Virginia Budget Office

Note: Only six years of data was available.

State of West Virginia Annual Ranking Top Ten Employers

Business Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Allegheny Energy Service Corporation		9	10	9	10					
American Electric Power			9		7	6	6	5	6	5
Appalachian Power Company	10									
Bell Atlantic	8									
Charleston Area Medical Center	3	3	3	3	2	2	3	3	3	3
Consolidation Coal Company						8	8		10	9
CSX / CSX Hotels Inc.	6	4	6	6	5	5	5	8	5	8
E I DuPont De Nemours & Company	5	7	7	7	8	7				
Eldercare Resources Corporation								6	7	6
Hospital Corporation of America, Inc.	7									
ISG Weirton Inc						10				
Kroger	4	6	5	4	4	4	4	4	4	4
Lowe's Home Centers, Inc.							7	7	8	10
Pilgrim's Pride Corporation of West Virginia								9		
St. Mary's Hospital				10			10	10	9	7
Union Carbide Corporation	9	10								
Verizon		8	8	8	9	9	9			
Wal-Mart Associates, Inc.	1	1	1	1	1	1	1	1	1	1
Weirton Steel Corporation	2	5	4	5	6					
West Virginia University Hospitals/United Hospitals		2	2	2	3	3	2	2		
WV United Health System									2	2

Source: Work Force West Virginia website: www.wvbep.org

Note: Number represents the ranking of the employer for the year.

WEST VIRGINIA LOTTERY

Total Net Assets (000's)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net Assets								
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 30,367	\$ 58,487	\$ 69,871
Invested in capital assets	6,195	4,754	3,184	2,024	1,149	1,451	5,251	3,306
Unrestricted (deficit)	(5,945)	(4,504)	(2,934)	(1,774)	(899)	11,671	747	10,011
Total net assets	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 20,250</u>	<u>\$ 43,489</u>	<u>\$ 64,485</u>	<u>\$ 83,188</u>

Note: Net Assets presented since adoption of Governmental Accounting Standards Board Statement No. 34

Source: West Virginia Lottery



West Virginia Lottery 2009 CAFR Project
An in-house production of the West Virginia Lottery

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Lottery Commission by John Sibold
Casino Picture Courtesy of Tri-State Casino and Resort
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