

NORTH CAROLINA EDUCATION LOTTERY

POPULAR ANNUAL
FINANCIAL REPORT
FISCAL YEAR 2008

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ABOUT THE POPULAR ANNUAL FINANCIAL REPORT

The North Carolina Education Lottery (NCEL) finance division is proud to present you its Popular Annual Financial Report (PAFR) for the fiscal year (FY) ended June 30, 2008. This report provides an overview of the NCEL's financial condition and a brief analysis of where the money comes from and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the NCEL's FY 2008 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principals (GAAP) and was audited by an independent accounting firm, receiving an unqualified (clean) opinion. The financial data in this report also conforms with GAAP. The CAFR, PAFR and the NCEL's Annual Report are available for viewing on the NCEL's website at:

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

Commission Chair's Note



In fiscal year 2008, the North Carolina Education Lottery transferred more than \$350 million to support education in our state, a twelve percent increase over last year. These dollars are supporting four important programs identified by the General Assembly, including More at Four, pre-kindergarten for at-risk four year olds; class size reductions for grades K-3; school construction; and financial

need-based college scholarships.

Our success in 2008 was driven in part by additional flexibility granted by the legislature to better manage instant ticket payouts. This flexibility allowed us to increase sales and increase the amount of support for education despite a downturn in the economy.

In addition to our focus on maximizing sales and revenue, we also focus on integrity and security. Both our financial year financial audit and security audit resulted in clean audits with no material findings. These audits are an indication of the hard work and dedication of the staff and a source of great pride for the organization.

Our first performance audit, completed by the North Carolina State Auditor in April, identified four minor recommendations related to business operations. We are implementing a plan to address these recommendations which should be completed by the end of 2008.

The North Carolina Education Lottery Commission is dedicated to continuing our excellent track record. The commission members and staff will continue to work collaboratively with the Governor and the Legislature to ensure that our state's lottery program operates with the highest standards of integrity and security while providing as much money as possible to support education at all levels.

In closing, I would like to give special thanks to the North Carolina Education Lottery staff and especially to Tom Shaheen, whose excellent management skillfully guides the operations. They work tirelessly to ensure that our lottery program is among the best in the country from an operational and ethical standpoint. Their hard work and dedication drive increasing lottery sales each year, bringing additional resources to education in our state. They deserve to be proud of the continuing success of the North Carolina Education Lottery.



Executive Director's Note



It's hard to believe that the North Carolina Education Lottery has completed its second full year. The days...and nights of long "to do" lists and heavy schedules don't seem that far away.

We passed several major milestones and had some fun along the way. By June 30, 2008 we had transferred over \$350 million to education, meeting the amount appropriated by the North Carolina Legislature. This brought the transfer since inception to over \$725 million. On May 3, 2008 total sales topped \$2 billion and on June 7, 2008 fiscal year sales topped \$1 billion.

Our focus in FY2008 was on sales. To that end, we added several new features. We conducted two vehicle giveaways: five Ford Mustangs and six Harley-Davidson® Fatboys®. The Mustangs were part of a Carolina Cash 5 special promotion and proved to be extremely popular. Three of the Fatboys® were prizes on our Harley-Davidson® instant scratch-off ticket and three were prizes in a second chance drawing. This ticket flew off the shelves.

The 2007 legislature provided us the opportunity to increase our instant ticket prize payout. We began to change the prize structure on tickets in the fall but it was January before we felt the full impact. We launched the \$100 Million Cash Spectacular ticket on January 8 and saw immediate results with superior sales of this ticket. February, 2008 was the first month where sales for the month topped \$100 million.

On March 31, 2008 we added a mid-day draw to our popular Carolina Pick 3 game. This addition boosted Carolina Pick 3 sales and did not detract from sales for the evening draw. And on May 16, 2008 the NCEL 200 NASCAR® Craftsman Truck Series race took place at the Lowe's Motor Speedway in Concord.

Again, all of this could not have been accomplished without the support of our retailers. They continue to promote and sell lottery tickets with enthusiasm.

We really don't know how to slow down at the lottery. Staff is dedicated, energized, and always looking for ways to boost sales and raise money for education. We are proud of FY08 and look forward to FY 09 as another good year for sales.



NCEL Commission



John McArthur - Commission Chair

Senior Vice President, Progress Energy

Bob Farris

Attorney, Wilson

Max Cogbuen

Attorney, Asheville

Bridget-Anne Hampden

President and CEO of JHR & Associates, LLC
Charlotte

Pamela Whitaker

President, Key Resources, Inc.

Eddie Speas (not pictured)

Attorney, Raleigh

Bryan Beatty

Secretary, Crime Control and Public Safety
Raleigh

Bob Appleton

Associate Professor Emeritus of Accounting,
UNC at Wilmington, Wilmington

Jim Woodward (not pictured)

Chancellor Emeritus
UNC at Charlotte, Charlotte

NCEL Senior Staff

Tom Shaheen

Executive Director

Margaret Spindola-Bode

Director, Human Resources

Nikki Howard

Internal Auditor

Sam Hammett

Deputy Executive Director, Sales

Terri Avery

Director, Sales

Deborah Doty

Deputy Executive Director, Management Information
and Gaming Systems

Tony Chung

Director, MIS

Joe Norman

Director, Gaming Systems

Fenita Shepard

Deputy Executive Director, Legal and Security

Jerry Carter

Director, Security

Quan Kirk

Director, Legal Services

Alice Garland

Deputy Executive Director, Legislative and Corporate
Communications

Pamela Walker

Director, Corporate Communications

Lou Ann Russell

Deputy Executive Director, Marketing and Advertising

Penny Railey

Director, Marketing

Robin Diehl

Deputy Executive Director, Finance and Administration

Bill Enlow

Director, Administration

Jim Knight

Director, Finance



Beneficiaries

The NCEL has completed its second full year of operations. The NCEL finished the fiscal year with sales of \$1.078 billion and transfers of more than \$350 million, which was the legislative budget for the year. Transfers from launch to date at the end of the fiscal year were over \$725 million.

All of this is good news for the beneficiaries of lottery proceeds. As outlined in the North Carolina Lottery Act, the North Carolina Legislature has the authority to determine how the education lottery net proceeds will be spent. They have not changed the initial four programs designated to receive funds in the 2005 lottery act. One hundred percent of the net proceeds go to education programs. The dollars are divided in the following manner: 50 percent go to More at Four and class size reduction, 40 percent to school construction, and 10 percent to need based college scholarships.

Dollars raised by the NCEL are dollars that do not have to be funded by state or local taxes. The NCEL transfers proceeds four times a year to the Office of State Budget and Management. This office then distributes the dollars to the individual programs based on statutory requirements.



More at Four:

The More at Four pre-kindergarten program serves at-risk four-year-olds. It is an award-winning program that has been duplicated by other states. All 100 counties benefit from this program. In FY08, the NCEL funded 18,582 slots for four-year olds.

Class-Size Reduction:

The Governor and the Legislature set a goal of one teacher per 18 students in grades K-3. NCEL proceeds fund the teaching positions needed to reduce class size. In FY08, 1,692 teaching positions were funded. Every county received these teaching position dollars.



School Construction:

School construction dollars may be used by the counties for any capital project. Dollars are allocated to the counties based on student population and average property tax. In FY08, counties initiated 176 construction projects. Since inception, the number of projects at the end of the fiscal year comes to 246. Schools have used the dollars for large projects like purchasing land, building schools, or building additions to schools; and for small projects like new gym floors,

cafeteria expansion, auditorium renovations, bathroom renovations, new roofs, stadium repairs, and the list goes on. Counties may bank their dollars in order to amass significant funds for a larger project, or they may spend the dollars as they are transferred to the capital accounts. Counties may also use the proceeds to pay down school bonds.

Need-Based College Scholarships:

For the 07/08 school year, 29,497 students received education lottery college scholarships to attend 114 different institutions of higher education. In order to receive an education lottery scholarship, the student must first qualify for the Pell Grant, which is a federal grant available to students whose families cannot afford to pay for college. Students must be residents of North Carolina and attend an institution in North Carolina.



County Totals

FY 2008

Alamance	\$ 4,523,565	Forsyth	12,510,759	Jones	511,761	Nash	4,291,462	Rowan	5,237,727
Alexander	1,173,876	Franklin	1,995,376	Lee	2,834,609	New Hanover	5,558,771	Rutherford	2,306,841
Alleghany	414,853	Gaston	8,964,687	Lenoir	2,734,066	Northampton	1,009,263	Sampson	3,434,821
Anson	1,340,245	Gates	540,621	Lincoln	2,346,218	Onslow	5,166,613	Scotland	2,154,594
Ashe	925,870	Graham	322,174	Macon	1,111,456	Orange	4,214,763	Stanly	2,850,656
Avery	673,432	Granville	2,188,997	Madison	553,786	Pamlico	372,686	Stokes	2,118,513
Beaufort	1,466,243	Greene	981,648	Martin	1,050,457	Pasquotank	1,297,209	Surry	3,203,248
Bertie	1,097,927	Guilford	20,623,374	Mcdowell	1,380,018	Pender	1,616,900	Swain	484,657
Bladen	1,693,442	Halifax	2,452,533	Mecklenburg	32,822,476	Perquimans	403,451	Transylvania	725,761
Brunswick	2,893,474	Harnett	4,320,213	Mitchell	505,936	Person	1,491,079	Tyrrell	177,445
Buncombe	5,261,821	Haywood	1,557,196	Montgomery	1,398,303	Pitt	6,244,547	Union	8,809,969
Burke	3,571,531	Henderson	2,400,251	Moore	1,926,042	Polk	633,185	Vance	2,011,239
Cabarrus	7,583,238	Hertford	1,104,560			Randolph	4,250,560	Wake	23,124,087
Caldwell	2,385,663	Hoke	2,360,160			Richmond	2,381,819	Warren	675,153
Camden	390,789	Hyde	194,311			Robeson	8,207,947	Washington	722,377
Carteret	1,607,033	Iredell	4,610,381			Rockingham	3,732,100	Watauga	1,117,325
Caswell	903,240	Jackson	789,402					Wayne	5,936,639
Catawba	4,628,419	Johnston	7,311,208					Wilkes	3,015,879
Chatham	2,304,806							Wilson	3,093,461
Cherokee	869,460							Yadkin	1,716,639
Chowan	509,532							Yancey	511,102
Clay	331,185							Unknown	111,035
Cleveland	5,000,949							DPI Admin	5,628,567
Columbus	3,195,125							Total	349,658,992
Craven	2,764,202								
Cumberland	16,626,570								
Currituck	654,068								
Dare	942,838								
Davidson	4,931,253								
Davie	1,810,258								
Duplin	2,333,312								
Durham	7,941,340								
Edgecombe	2,466,364								



Total to Date:

Alamance	7,738,301	Chowan	1,043,496	Guilford	36,629,526	Mitchell	898,536	Rutherford	4,459,974
Alexander	1,994,247	Clay	630,262	Halifax	4,429,530	Montgomery	2,634,227	Sampson	6,116,369
Alleghany	808,790	Cleveland	9,560,432	Harnett	8,271,078	Moore	3,445,921	Scotland	4,163,130
Anson	2,544,397	Columbus	5,967,462	Haywood	2,513,397	Nash	7,690,628	Stanly	5,259,503
Ashe	1,897,510	Craven	4,979,713	Henderson	4,412,884	New Hanover	10,783,607	Stokes	4,077,951
Avery	1,250,060	Cumberland	29,403,329	Hertford	2,129,923	Northampton	1,885,609	Surry	6,086,779
Beaufort	2,847,313	Currituck	1,214,095	Hoke	4,210,956	Onslow	8,147,027	Swain	925,579
Bertie	1,857,461	Dare	1,635,721	Hyde	341,220	Orange	7,806,777	Transylvania	1,344,570
Bladen	3,713,092	Davidson	9,149,271	Iredell	8,516,839	Pamlico	765,300	Tyrrell	355,321
Brunswick	4,790,550	Davie	3,134,310	Jackson	1,655,679	Pasquotank	2,347,298	Union	13,820,008
Buncombe	9,505,954	Duplin	4,475,581	Johnson	13,566,828	Pender	2,886,496	Vance	3,594,378
Burke	6,902,320	Durham	14,730,665	Jones	1,033,657	Perquimans	753,480	Wake	41,048,524
Cabarrus	13,887,891	Edgecombe	4,570,413	Lee	5,140,008	Person	2,833,906	Warren	1,278,899
Caldwell	4,177,210	Forsyth	23,035,725	Lenoir	5,025,865	Pitt	11,020,537	Washington	1,382,311
Camden	873,998	Franklin	3,517,608	Lincoln	4,419,458	Polk	1,284,225	Watauga	1,920,225
Carteret	3,066,407	Gaston	16,528,029	Macon	1,881,925	Randolph	7,862,416	Wayne	11,395,464
Caswell	1,543,149	Gates	1,051,076	Madison	922,619	Richmond	4,831,304	Wilkes	5,952,632
Catawba	8,206,869	Graham	606,441	Martin	2,043,775	Robeson	14,582,774	Wilson	5,777,626
Chatham	3,842,176	Granville	3,999,666	Mcdowell	2,515,089	Rockingham	6,930,385	Yadkin	3,200,967
Cherokee	1,606,703	Greene	1,881,931	Mecklenburg	61,212,018	Rowan	9,363,912	Yancey	1,013,662
								Unknown	111,035
								DPI Admin	9,808,344
								Total	642,518,077

Total to date county information consists of FY2007 and FY2008 funds transferred to counties. The majority of the FY2006 funds were transferred to the education lottery reserve fund.

Games & Sales



Instant Scratch Offs

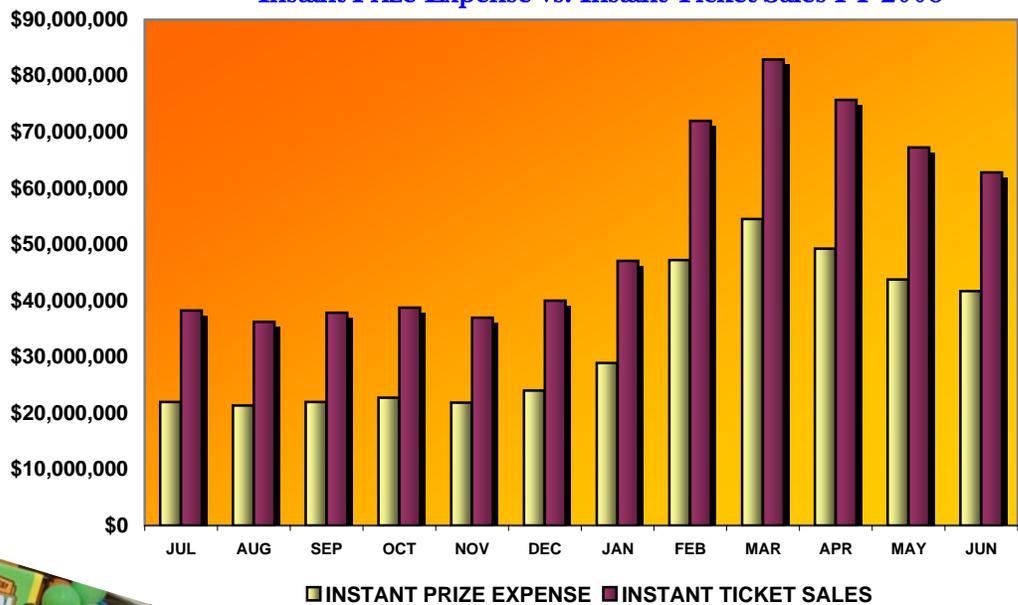
For the total year, instant scratch-off tickets represented 59 percent of total sales and brought in \$635,880,115 in revenue.

Instant scratch-off games became much more exciting in FY08 due to a change approved by the North Carolina Legislature, allowing the NCEL to pay out more in prizes.

In January, 2008 the full impact of this change was felt immediately with our \$10 ticket, "\$100 Million Cash Spectacular." This was our first ticket to award a top prize of \$1 million, paid as an annuity with 20 installments of \$50,000.

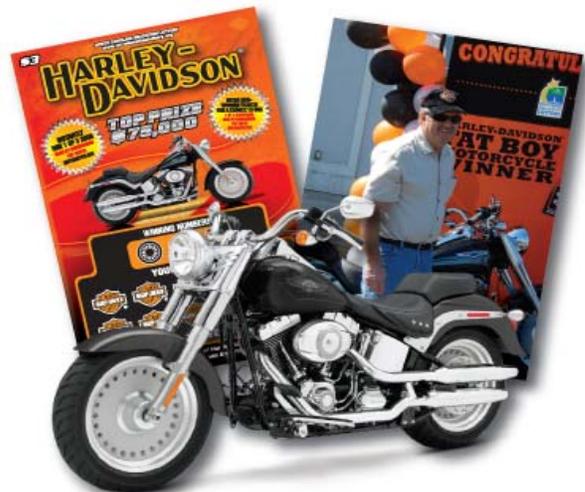
Instant Prize Expense vs. Instant Ticket Sales FY 2008

This ticket contributed to a 79 percent increase in sales of instant scratch-off tickets from the first half of the year to the second half, due to the increase in the allowed prize payout. For the first half of the year, instant ticket sales represented 51 percent of total sales. For the second half, they represented 64 percent of total sales.



The Harley-Davidson® ticket quickly followed the \$100 Million Cash Spectacular ticket and included three Harley - Davidson® Fat Boy® motorcycles as prizes on the ticket and three more available through second chance drawings. Retailers could hardly keep this ticket on their shelves.

Players also had fun with our Big Ol' Bucks series of tickets, including Big Ol' Bucks, Jingle Big Ol' Bucks and Junior Big Ol' Bucks. BOB the pirate and his trusty parrot showcased these tickets for us in a series of advertisements.



Carolina Cash 5

Carolina Cash 5 experienced Mustang Madness. In a highly successful promotion, players who purchased a \$5 Carolina Cash 5 ticket received an entry into one of five drawings for Ford Mustangs. Altogether the NCEL received 403,000 entries for one of the five mustangs. Each Mustang was delivered to the player at the store where the player purchased the winning entry. In addition, the store received a banner announcing that they sold the winning Mustang ticket.



Carolina Cash 5 drawings take place nightly, seven nights a week. The top prize begins at \$50,000 and increases with each draw when no player matches the five numbers drawn. The top prize was hit 86 times from \$50,000 to \$856,998. Melvin Smith of Greenville won the record Carolina Cash 5 top prize to date and record payout to a single winner on November 11, 2007.

Carolina Cash 5 sales topped at \$58,516,249 for the fiscal year, representing five percent of total sales.



Carolina Pick 3

The big news in FY 2008 was the addition of a daytime Carolina Pick 3 draw. From the beginning of the game, players asked for a daytime draw in addition to the nightly draw. On March 31 we answered the request of players and added a 3pm draw.

Just like the existing 11:22pm nightly draw, the midday draw is conducted at WRAL-TV studios in Raleigh, our draw partner. However, the midday draw does not occur on Sundays and is not televised. Instead, players can watch a video of the draw online within minutes of the draw taking place or obtain the draw results through a variety of outlets including the player hotline, the NCEL web page, drawing station web pages or lottery retailers. In addition to WRAL-TV in Raleigh, our draw station network includes WITN-TV Greenville, WCNC-TV Charlotte, WILM-TV Wilmington, and WYCW-TV Western NC.

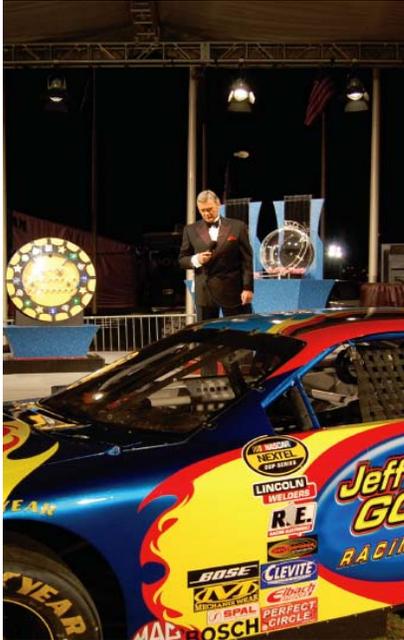
We experienced an immediate increase in sales with the addition of the midday draw, a bump that has continued throughout the remainder of the fiscal year. Through March 30, 2008 Carolina Pick 3 sales averaged \$369,281 per day. From March 31 through the end of the fiscal year, sales averaged \$499,732 per day and the Carolina Pick 3 sales topped out at \$147,158,304 for the fiscal year, representing 14 percent of total sales.



Powerball

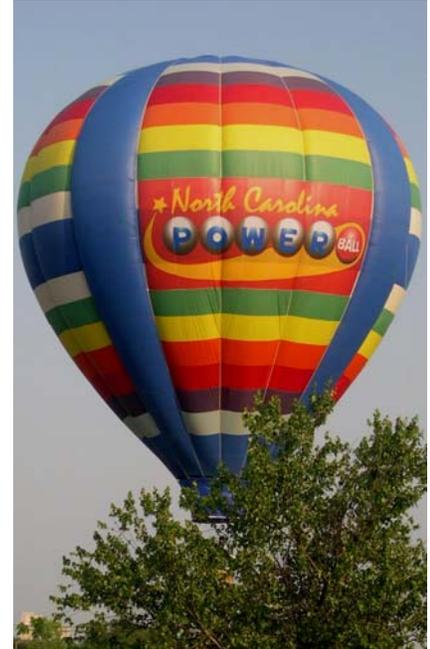
Powerball is the big jackpot game. We had two large jackpots during the fiscal year: \$300 million on August 25, 2007 and \$275 million on March 15, 2008. These large jackpots had an immediate impact on sales. The largest single day was August 25, 2007 with Powerball sales that day of over \$5 million.

Over the fiscal year, 370 players won top tier prizes.



Fifty-two players matched all five white balls to win at least \$200,000. Fourteen of those players purchased the Power Play option for an additional dollar. Power Play is a feature that multiplies winnings from two to five times, increasing winnings to between \$400,000 and \$1 million. One lucky winner picked all five white balls and Power Played during our "10X" promotion when there was a "10" on the multiplier wheel so his \$200,000 winnings multiplied to \$2 million.

For the second time, Powerball came to North Carolina for a live Powerball draw. On May 17, 2008 at Lowe's Motor Speedway, Powerball conducted the draw live during the All Star weekend. This event was part of our promotion of a new instant scratch-off ticket, Speedway Riches, and our sponsorship of the NCEL 200 Craftsman Truck Series race.



Powerball sales reached \$229,255,174 for the fiscal year, representing 21 percent of total sales.

Raffle

As additional online offerings, on July 4, 2007 the NCEL conducted the Sizzlin' Millionaire Raffle and then on December 27, 2007 the NCEL conducted the Merry Millionaire Raffle. These raffles offered the best odds for a player to win \$1 million. In both raffles, there were five \$1 million winners.



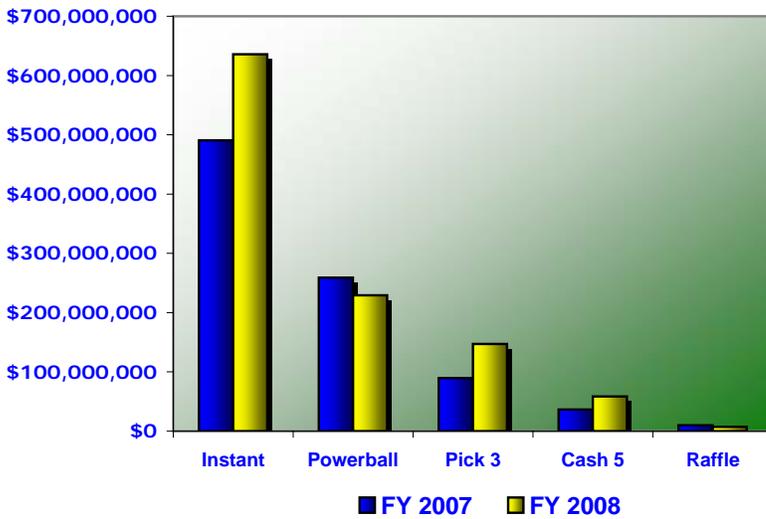
Sales

Sales by Region



Region	Instant	Powerball	Pick 3	Cash 5	Raffle	Total
Ashville	\$50,132,761	\$15,502,057	\$2,906,485	\$3,256,854	\$354,260	\$72,152,417
Greensboro	97,955,265	36,545,601	16,933,130	8,977,179	1,188,860	161,600,035
Charlotte	174,580,209	65,242,481	21,363,648	14,143,607	1,975,840	277,305,785
Raleigh	233,830,070	87,104,298	73,044,717	23,710,199	3,175,040	420,864,324
Greenville	79,381,810	24,860,737	32,910,324	8,428,410	675,240	146,256,521
Total	635,880,115	229,255,174	147,158,304	58,516,249	7,369,240	1,078,179,082
% of Sales	58.98%	21.26%	13.65%	5.43%	0.68%	100.00%

Sales by Game FY 2007 vs. FY 2008



Comparison FY 2007 to FY 2008 Sales

	FY 2007	FY 2008
Instant	\$490,564,474	\$635,880,115
Powerball	258,967,883	229,255,174
Pick 3	89,541,216	147,158,304
Cash 5	36,501,699	58,516,249
Raffle	10,000,000	7,369,240
Total	885,575,272	1,078,179,082



Financials

Statement of Net Assets

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

Condensed Statement of Net Assets (in thousands)				
	FY 2008		FY 2007	
ASSETS				
Total current assets	\$	79,443	\$	118,760
Capital assets, depreciable (net)		1,487		1,282
Total Assets		80,930		120,042
LIABILITIES				
Total current liabilities		79,835		119,258
Noncurrent Liabilities		1,095		784
Total Liabilities		80,930		120,042
NET ASSETS				
Invested in capital assets		1,487		1,282
Unrestricted net assets		(1,487)		(1,282)
Total Net Assets	\$	-	\$	-

The decrease in current assets resulted from transfers to the State Education Fund before the end of the fiscal year.

Current liabilities consist primarily of trade payables to vendors, instant ticket prize liability, Powerball low-tier liability and obligations under State Treasurer's Lending Agreements. In addition Current liabilities consist of "Due to Other Funds" which represents the amount of net revenues for the fiscal year not yet transferred to the NC Education Fund as of June 30, 2008 but will be transferred during fiscal year 2009. The remainder is due to other state agencies for services provided to the NCEL.

**Readers wanting more detailed financial information should refer to the NCEL's FY 2008 Comprehensive Annual Financial Report (CAFR) available on the NCEL's website at: <http://www.nc-educationlottery.org/about.aspx>*

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

The majority of capital asset investments were during our first full year of operation in 2007. The investment in capital assets includes game equipment, data processing equipment, telephone equipment, software and fixtures. The capitalization of all items including equipment, computers, and furniture follows North Carolina's Office of State Controller's policies.

Activity for Capital Assets for Year Ended June 30, 2008 (in thousands)				
Category	Balance July 1, 2007	Increase	Decrease	Balance June 30, 2008
Capital assets, depreciable				
Furniture	\$ 29	\$ -	\$ -	\$ 29
Equipment	1,652	587	-	2,239
Motorized equipment	67	-	-	67
Total capital assets, depreciable	1,748	587	-	2,335
Less accumulated depreciation for				
Furniture	4	7	-	11
Equipment	450	363	-	813
Motorized equipment	12	12	-	24
Total accumulated depreciation	466	382	-	848
Total capital assets, depreciable net	1,282	205	-	1,487
Capital assets, net	\$ 1,282	\$ 205	\$ -	\$ 1,487

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

Statement of Activities

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

Statement of Activates (in thousands)		
	FY 2008	FY 2007
Operating Revenues:		
Gross Sales:	\$ 1,078,082	\$ 885,575
Less: Prize Tickets	(29,733)	(23,901)
Fees and Licenses	4,782	4,521
Total Operating Revenues	1,053,131	866,195
Operating Expenses:		
Salaries, Wages, and Benefits	13,793	12,279
Lottery Prizes	588,485	451,792
Retailer Commissions	75,371	61,932
Gaming Systems Services	17,286	14,315
Advertising	8,619	7,810
Marketing	1,220	953
Other Services	2,576	3,038
Furniture, Fixtures, and Equipment	240	1,433
Depreciation	382	391
Other General and Administrative Expenses	1,674	1,490
Total Operating Expenses	709,646	555,433
Operating Income	343,485	310,762
Nonoperating Revenues (Expenses):		
Investment Earnings and Other Miscellaneous Revenue	8,897	8,544
Miscellaneous Nonoperating Expenses	(3,072)	(3,939)
Income Before Transfers	349,310	315,367
Transfers Out	(349,310)	(315,367)
Change in Net Assets	\$ -	\$ -

Operating Revenues

Total gross lottery ticket sales for the fiscal year 2008 were approximately \$1.078 billion as compared to \$885.5 million in fiscal year 2007. This represents an increase of over \$192.5 million.

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

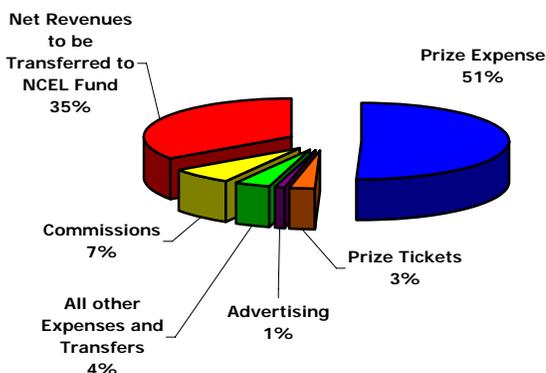
The majority of Fees and Licenses represent a weekly retailer communication fee charged to active retailers for terminal satellite communications and an application fee for new retailers and changes in ownership.

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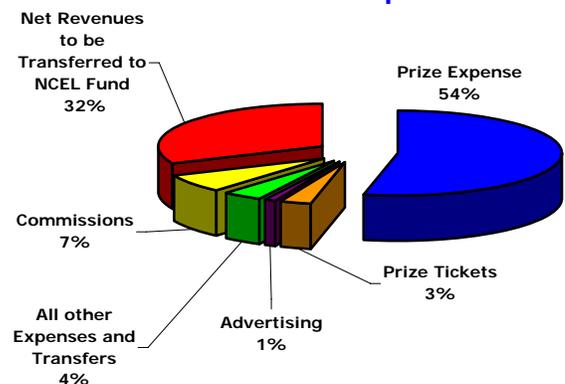
Operating Expenses

The following chart shows the major components of NCEL operating expenses and transfers as a percentage of total revenues for the June 30, 2008 and 2007 fiscal years:

Allocation of Expenses FY 2007



Allocation of Expenses FY 2008

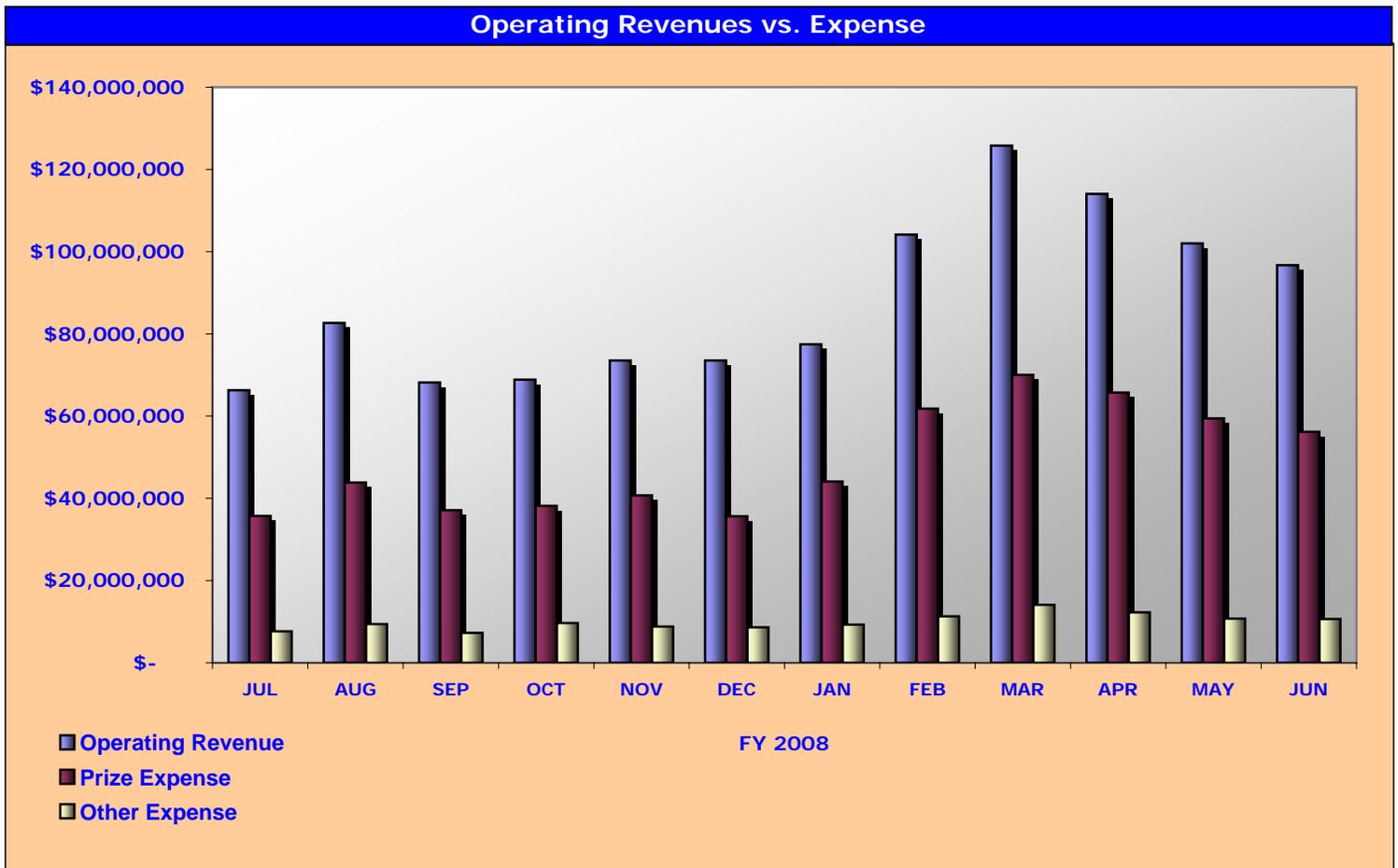


Statement of Activities (continued)

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

Prizes, retailer commissions and gaming vendor charges all directly relate to sales. As expected, as sales have increased and so have these expenses. In fiscal year 2008, prizes, commissions and gaming vendor charges increased to \$681 million from \$528 million in 2007. The other expenses, which consist of advertising, salary and benefits, professional fees, rent, maintenance, bad debt, depreciation and transfers, have remained stable at 5% of Total Annual Revenues over the past two years. Fiscal years 2008 and 2007 administrative expenses were \$50 million and \$47 million respectively.

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



Nonoperating Revenue and Expense

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

The allocable share of the expenses arising from State Treasurer's Securities Lending Collateral program transactions, totaling \$3,072 and \$3,939 for the years ended June 30, 2008 and 2007, respectively, are also included as non-operating expense.

Contact Information

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

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

The screenshot shows the North Carolina Education Lottery website homepage. At the top, there is a navigation menu with links for Home, About Us, Contact, News, Events, and Winners. Below this is a secondary menu with links for Winning Numbers, Top Prizes Remaining, Player Tips, and Vendors. A third menu includes Where The Money Goes, Games, How To Claim, FAQs, and Retailer Information. The main content area features several promotional banners and game information boxes. The largest banner is for 'BIG JACKPOTS BIG FUN' with a 'NEW!' tag, advertising a first drawing on January 7th and a 'POWER PLAY' multiplier of 5. Below this is a news snippet about a 'Gastonia Man to Further his Education with \$1 Million Powerball Win'. To the right, there is a 'Watch the Latest Draw' section with a 'Find Retailer' button and a zip code input field. Below that is a 'DEAL OR NO DEAL' promotion for a second chance drawing. Further down is a 'Receive Lottery Updates!' section with an email or text message input field and a 'CAUTION! LOTTERY SCAMS' warning. The 'WINNERS' BOARD' section displays three winners: a \$10,000 Silver & Gold Winner, a \$1,000 \$200,000 Jackpot Winner, and a \$1,000,000 Powerball Winner. At the bottom, there are links for Legal Disclaimer, Privacy Policy, Site Requirements, Code of Ethics, Winning Numbers (RSS), and Play Responsibly.



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