

BUREAU OF STATE LOTTERY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2025 AND 2024



BUREAU OF STATE LOTTERY

An Enterprise Fund of the State of Michigan

Annual Comprehensive Financial Report

For the Fiscal Years Ended September 30, 2025 and 2024

Prepared by Financial Gaming Services & Accounting Division

Bureau of State Lottery, State of Michigan
Annual Comprehensive Financial Report
for the fiscal years ended September 30, 2025 and 2024

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INTRODUCTORY SECTION

A MISSION STATEMENT OF THE BUREAU OF STATE LOTTERY

-To maximize net revenues to supplement state education programs.

-To provide fun and entertaining games of chance.

-To operate all games and bureau functions with nothing less than total integrity.

MICHIGAN LOTTERY™

GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
BUREAU OF STATE LOTTERY
LANSING

JOSEPH FROEHLICH
ACTING COMMISSIONER

February 20, 2026

The Honorable Gretchen Whitmer, Governor
Members of the Legislature
Citizens of the State of Michigan

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the Bureau of State Lottery (Lottery) for the fiscal years ending September 30, 2025 and 2024. Lottery management is responsible for the accuracy of the financial data and the completeness of the contents of this report.

The Lottery is an enterprise fund within the State of Michigan and its financial statements are included in the State's ACFR. This report presents only the activity of the Lottery as a single enterprise fund and is an overview of the Lottery's operations.

The mission statement of the Lottery is:

> To maximize net revenues to supplement state K-12 public education programs;
> To provide fun and entertaining games of chance;
> To operate all games and bureau functions with nothing less than total integrity.

Within the financial section of this ACFR, the Lottery's Management Discussion and Analysis (MD&A) provides a detailed narrative of activities that occurred over this time period. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with the MD&A.

The enabling legislation of the Lottery requires biannual and special post audits of all accounts and transactions of the Lottery by the Auditor General or by an independent public accounting firm appointed by the Auditor General. The Auditor General has contracted with an independent public accounting firm for these audits. The financial statements have been audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Fiscal Year 2025 Highlights

Significant School Aid Fund Contributions. The Lottery contributed over $1,163,800,000 to the School Aid Fund in fiscal year 2025 -- its seventh consecutive contribution of more than $1 billion.

Sales and Prizes. Total sales in fiscal year 2025 were $4.6 billion. Prizes in fiscal year 2025 were $2.9 billion.

Retailer Commissions and Incentives. Lottery retailers, many of which are small, family-owned businesses, received more than $333.3 million in commissions and incentives.

Responsible Gaming Commitment. Michigan was the first State Lottery to receive Internet Compliance Assessment Program certification from the National Council on Problem Gambling and has continued to be certified since 2015. Lottery also maintains its Responsible Gaming Verification from the North American Association of State and Provincial Lotteries and the National Council on Problem Gambling and has continued to be certified since 2017.

Profile of the Lottery

History

The Lottery was established under the authority of Public Act 239 of 1972 to generate funds to support Michigan's public school system. The first lottery game was called the Green Ticket and went on sale November 13, 1972. On October 7, 1975, the Lottery began selling instant games. Draw game sales began June 6, 1977 with the introduction of the Daily 3. The first multi-jurisdictional draw game, called The Big Game, included 10 states, and went on sale August 31, 1996. The Lottery began selling lottery games over the internet on August 11, 2014. Since the Lottery was established, it has contributed more than $31.0 billion to the School Aid Fund.

Lottery Products

The Lottery offers a variety of games in several different styles of play, including Instant Tickets, Pull Tabs, Draw Games, and Fast Cash. Digital versions of many games may also be purchased online.

Instant Ticket Games

Instant games are played by scratching off the latex covering on each ticket to reveal prize symbols. A variety of games with different themes, play styles, price points, and prize structures are available with over 40 games released each year. The games are priced between $1 and $50 and top prizes range from $1,000 to $6.0 million.

Pull Tabs

Pull Tab games are similar to instant tickets, but players pull a perforated tab instead of scratching off a latex covering. A variety of different Pull Tab games are offered and range in price from $0.50 to $5 with top prizes ranging from $50 to $30,000.



Draw Games

Draw game tickets are printed by a retailer terminal connected to a central gaming system. Players can select their numbers or have numbers randomly selected. Drawings are conducted to select winning numbers and players win based on how many numbers they matched. The frequency of the drawings varies depending on the game. Draw games currently offered are Mega Millions, Powerball, Lucky for Life, Lotto 47, Fantasy 5, Daily 3, Daily 4, Poker Lotto, Keno!, Club Keno, and Cash Pop. Many draw games can also be purchased online.

Mega Millions and Megaplier

Mega Millions is a multi-jurisdictional draw game with forty-seven participating jurisdictions. Players select five of seventy white ball numbers and one of twenty-five gold ball numbers for a chance to win a progressive jackpot prize. The jackpot starts at $20 million. Players may win any of nine prizes including the jackpot and eight set prize amounts ranging from $2 to $1 million. The Megaplier is an add-on wager that allows players to increase their non-jackpot prize. On April 5 of 2025, Mega Millions game underwent modifications increasing the price point to $5 and replacing the Megaplier with every play multiplier ranging from 2X to 10X applied to non-jackpot wins. Starting jackpots were increased to $50 million. Mega Millions drawings are conducted twice a week on Tuesday and Friday.

Powerball and Power Play, and Double Play

Powerball is a multi-jurisdictional draw game with forty-eight participating jurisdictions. Players select five of sixty-nine white ball numbers and one of twenty-six red ball numbers for a chance to win a progressive jackpot prize. The jackpot starts at $20 million. Players may win any of nine prizes including the jackpot and eight set prize amounts ranging from $4 to $1 million. Power Play is an add-on wager that allows players to increase their non-jackpot prize. Double Play is an add-on game that was launched in August 2021 and uses a player's Powerball numbers for an additional draw that takes place after the regular drawing. Powerball drawings are conducted three times per week on Monday, Wednesday, and Saturday.

Lucky for Life

Lucky for Life is a multi-jurisdiction draw game with twenty-three participating jurisdictions. Players select five of forty-eight white ball numbers and one of eighteen yellow ball numbers for a chance to win lifetime prize payments. Players may win one of ten prizes including the top prize of $1,000 a day for life, the second prize of $25,000 a year for life, or one of eight set prize amounts ranging from $3 to $5,000. Lucky for Life drawings are conducted daily.



Lotto 47, EZMatch, and Double Play

Lotto 47 is a draw game in which players select six of forty-seven numbers for a chance to win a progressive jackpot prize. The jackpot starts at $1 million and is guaranteed to increase by a minimum of $50,000 after each drawing if the jackpot is not won. Players may win any of four prizes including the jackpot and three set prize amounts ranging from $5 to $2,500. EZMatch is an add-on game that offers players a chance to win instantly. Double Play is an add-on game that was launched in January 2019 and uses a player's Lotto 47 numbers for an additional draw that takes place after the regular drawing. Lotto 47 drawings are conducted twice a week on Wednesday and Saturday.



Fantasy 5, EZMatch, and Double Play

Fantasy 5 is a draw game in which players select five of thirty-nine numbers for a chance to win a progressive jackpot prize. The jackpot starts at $100,000 and increases by a minimum of $5,000 after each drawing if the jackpot is not won. Players may win any of four prizes including the jackpot and set prize amounts ranging from $1 to $100. EZMatch is an add-on game that offers players a chance to win instantly. Double Play is an add-on game that was launched in January 2019 and uses a player's Fantasy 5 numbers for an additional draw that takes place after the regular drawing. Fantasy 5 drawings are conducted daily.



Daily 3 and Daily 4

The Daily 3 and Daily 4 are the Lottery's longest running and most consistently popular draw games. Players select three numbers ranging from zero to nine for the Daily 3 and four numbers ranging from zero to nine for the Daily 4. Numerous wager options are offered such as straight (match each number in order drawn), boxed (match numbers in any order for a reduced prize), and wheeled (match numbers in any order for full prize). Drawings for both games are conducted twice a day, every day of the week.



Poker Lotto

Poker Lotto offers players a chance to win instantly and again during a drawing. Players randomly are assigned five of fifty-two cards at the time of purchase. If the player's cards form one of the eligible winning poker hands, the player instantly wins a prize of $2 to $5,000. In addition to the instant game, the player's cards are also eligible for a drawing. Five cards are drawn and players may win prizes ranging from $3 to $100,000 based on the number of cards matched. Poker Lotto drawings are conducted daily.



Keno!

Keno! is a draw game in which players select ten of eighty numbers. The Lottery draws twenty-two numbers and players matching ten of those numbers win the jackpot prize of $250,000. Players may win any of six prizes including the jackpot and lower-tier prizes ranging from a free $1 instant ticket to $2,500. Keno! drawings are conducted daily.

Club Keno, Kicker, The Jack, and Extra

Club Keno is a draw game predominantly played in bars, restaurants, and bowling facilities. Players select from one to ten of eighty numbers. The Lottery draws twenty numbers. Prizes are based on how many numbers the player matches and the selected ticket price. The Kicker is an add-on wager that allows players to multiply their prizes by as much as ten times. The Jack is an add-on wager that allows players to participate in a progressive jackpot starting at $10,000. Extra is an add-on wager where an additional drawing takes place after each Club Keno drawing. Ten "Extra" numbers are drawn from the remaining pool of sixty. Players can win in both drawings but cannot combine numbers from both drawings. Club Keno and Extra drawings are conducted every 3.5 minutes, and the results are displayed both in-store and online. Modifications to Club Keno add-on games took effect on January 5, 2025. Plus 3 replaced Extra, giving players an opportunity to double their Club Keno and Kicker wager. The new Kicker no longer includes the 10X multiplier, increasing the number of times 2x-5x is drawn.

Fast Cash

Fast Cash tickets print from the Lottery terminal and offer players instant-win opportunities along with a progressive jackpot that can be won at any time. Games with different themes are offered at price points of $1, $2, $5, $10, and $20. Players can win set prizes ranging from $1 to $250,000. All Fast Cash games feature a progressive jackpot that grows based on sales, so no game has a static top prize. Two of the $20 price point games offer a top prize of $250,000 plus the jackpot. Each game contributes 10% of sales to the jackpot and players can win either a share or the entire jackpot, depending on the price of their ticket.

Cash Pop

Cash Pop is a draw game with drawings every 14 minutes throughout the day. Players select 1 or up to 15 Cash Pop Numbers. They also select the dollar amount they want to wager per Cash Pop Number. They can wager $1, $2, $5, or $10 per number. The dollar amount determines the cash prize they could win. Their cash prize amount(s) will appear on their ticket directly underneath their Cash Pop Number(s). Players win by matching one Cash Pop Number on their ticket to the winning Cash Pop Number drawn. The prize amount underneath the matching Cash Pop Number is the prize they win. The prize amounts range from $5 to $5,000.

Budgetary System and Controls

The Lottery works with the Department of Technology, Management and Budget, the State Budget Office, and the Legislature to create an annual appropriated budget for the Lottery's administrative costs. The Legislature reviews and approves the Lottery's budget each year. This approved budget becomes a spending cap for administrative expenses and ticket revenues provide funding for operations.

Revenue and net income forecasts are prepared throughout the fiscal year comparing estimates and forecasts to actual sales and expenses. This information is provided to the State Budget Office and other state agencies in order to ensure Lottery projections are reflected accurately in State budgetary planning.

Economic Condition and Financial Information

Local Economy

The University of Michigan Research Seminar in Quantitative Economics provides the following highlights in its most recent Michigan forecast issued on November 21, 2025:

> Gauging the health of Michigan's economy was difficult even before the federal government shutdown interfered with key data releases. The two key measures of employment, from the payroll and household surveys, have generally trended in opposite directions this year. Furthermore, preliminary data suggests a large downward revision is in store for Michigan's payroll employment. The shutdown has not clarified matters.
>
> The projections show Michigan's payroll job count to edge lower in 2026, with 2,000 job losses, before growth of 11,300 jobs returns in 2027. Michigan's manufacturing sector sheds about 3,000 jobs next year before adding 4,500 the following year with a boost from a looser regulatory environment. Job growth in the government sector slows down but remains positive in each of the next two years.
>
> Michigan's unemployment rate edges up from an estimated 5.3 percent in the fourth quarter of this year to 5.6 percent by the second quarter of 2026 before ticking back down to 5.5 percent in 2027.
>
> Personal income per capita grew at a healthy annual pace in the first half of 2025, and we expect it to finish the year with a respectable performance of 3.9 percent growth. That pace slows to 3.0 percent next year and 3.2 percent in 2027 amid tepid employment growth.
>
> Local consumer price inflation, as measured by the growth rate of the Detroit CPI, expected to slow to 2.0 percent this year, its slowest pace since 2020. Local inflation picks back up to the 2.9–3.0 percent range over the next two years as tariffs continue to work their way into consumer prices.
>
> The combination of slower inflation and healthy nominal income growth boosts real disposable income per capita with 1.6 percent growth this year, well above the recent average. Real disposable income growth slows over the next two years as inflation picks up and job growth slows, but federal tax cuts help to offset some of that drag. We project growth of 0.2–0.3 percent per year over the next two years. Our forecast brings Michigan's personal income per capita to $70,300 in 2027, when real disposable income per capita stands 7.3 percent above its 2019 level.

The complete forecast and analysis from the University of Michigan Research Seminar in Quantitative Economics is available at https://lsa.umich.edu/econ/rsqe.html.

In September 2025, Michigan's seasonally adjusted unemployment rate decreased by one-tenth of a percentage point over the month to 5.1 percent in September. Employment fell by 2,000 over the month, and the number of unemployed people decreased by 5,000, resulting in a workforce decline of 7,000 in September. The national unemployment rate increased by one-tenth of a percentage point over the month to 4.4 percent. Michigan's September jobless rate was 0.7 percentage points above the U.S. rate. The national jobless rate advanced by three-

tenths of a percentage point over the year, while Michigan's unemployment rate was unchanged since September 2024.

Michigan's September 2024 total unemployment rate receded by 0.1 percent over the month, while the national unemployment level rose by 0.3 percent. Michigan's quarterly average jobless rate was reduced from 5.4 to 5.2 percent since the second quarter of 2025.

According to the Department of Technology, Management and Budget, eleven Michigan labor market areas exhibited unemployment rate declines over the year, with a median rate decrease of 0.2 percentage points. Four regions demonstrated jobless rate gains over the year, and unemployment rates in the Ann Arbor, Bay City, and Kalamazoo MSAs remained unchanged since September 2024. Fifteen Michigan regions displayed employment reductions over the year, with a median decrease of 7.0 percent. Employment rose in the Upper Peninsula, Northeast Lower Michigan region, and the Lansing metro area since September 2024. Regional labor force levels fell in 75 regions over the year, with a median reduction of 0.9 percent. The largest over-the-year labor force decrease occurred in the Monroe MSA (-7.6 percent).

Financial Information

The sale of Lottery tickets provides all funding for operations and the net income is disbursed to the School Aid Fund for public education.

Operations involve the sale of paper and digital tickets, determination of winning tickets, payment of prizes, compensation to retailers, and administrative functions. The Lottery also provides $2 million a year to the Department of Health and Human Services for responsible gaming programs.

The Lottery's Commissioner is responsible to the Governor, Legislature, and the citizens of the State for Lottery operations.

The Lottery's goals and objectives ensure ongoing efforts to achieve operational efficiencies and maximize contributions to the School Aid Fund. Operational results are included in the Financial and Statistical Sections.

The Charitable Gaming Division's net proceeds are dedicated to the state's General Fund. These activities are discussed in the MD&A.

Accounting Systems and Policies

As an enterprise fund of the State of Michigan, the Lottery operates as a business within state government structure. The Lottery uses the accrual basis of accounting following Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements.

The Lottery voluntarily follows the recommendations of the Government Finance Officers Association of United States and Canada (GFOA) for the contents of government financial reports and participates in GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting. The Lottery also adheres to financial reporting policies and procedures issued by the Michigan Department of Technology, Management and Budget.

Internal Controls

The Lottery and State of Michigan policies and procedures tightly control assets, inventory, computer systems, drawings, and accounting. Separation of duties, internal control structure, ongoing monitoring, and evaluation of information as well as stringent employee, retailer, and contractor standards all minimize risk of loss or theft. All employees, retailers, and contractor employees must pass a security background check prior to being hired or licensed.

The system of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the costs and benefits require estimates and judgments by management.

Debt Administration

Long-term liabilities for the Lottery are for installment payments owed to certain prize winners. These prize liabilities are funded by investments in U.S. Treasury zero-coupon bonds and State of Michigan General Obligation Capital Appreciation Bonds, which are held to maturity.

Long-Term Financial Planning

The Lottery continuously works to increase sales. Each year, a strategic marketing plan is developed that identifies new product initiatives, promotions, and advertising programs. Additionally, expenditures related to these product investments are continuously reviewed and analyzed so that net return to the School Aid Fund is maximized.

In the retail channel, the Lottery plans to introduce forty-two new retail instant games, twenty-seven new Pull Tabs games, and several promotions for its Club Keno, Daily 3, and Daily 4 games in fiscal year 2026. In the second quarter of fiscal year 2026, Daily 3 & 4 will be available for purchase through the iLottery channel. In addition, Lucky For Life will be merged with Cash For Life and rebranded as Millionaire For Life in second quarter of 2026. The Millionaire For Life game will feature larger lifetime prizes and a $5 price point. Unlike the current $2 Lucky For Life game, which awards a top prize of $1,000 a day for life and a second-tier prize of $25,000 a year for life, the new game increases these significantly to $1,000,000 a year for life and $100,000 a year for life, respectively. In April of 2026, the Lottery is considering changes to Cash Pop game by increasing the number of drawings per hour. In the fourth quarter of 2026, online Raffle games will have new functionality to offer progressive prizes.

Lottery's digital gaming team plans to introduce approximately twenty-nine new digital instant games from different game studios. This is intended to provide more variation in game play and themes to better cater to the wants of customers. Players will be surveyed, and sales data will be analyzed to help guide the portfolio decisions. Retail and online integrations will continue as part of a holistic player engagement strategy.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Lottery a Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2024 ACFR. To receive this prestigious award, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report that meets GAAP and applicable legal requirements. The Lottery is proud to have received a Certificate of Achievement from the GFOA for 20 consecutive years and will submit this report to the GFOA for consideration.

Acknowledgement

Preparation of this report would not be possible without the hard work and dedication of Lottery's Financial Gaming Services and Accounting division as well as the entire Lottery team. Their tremendous efforts and teamwork make this informative document possible.

Respectfully submitted,



Kristi L.B. Thompson
Deputy Commissioner of Administration & CFO



Joseph Froehlich
Acting Commissioner

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Michigan Lottery

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

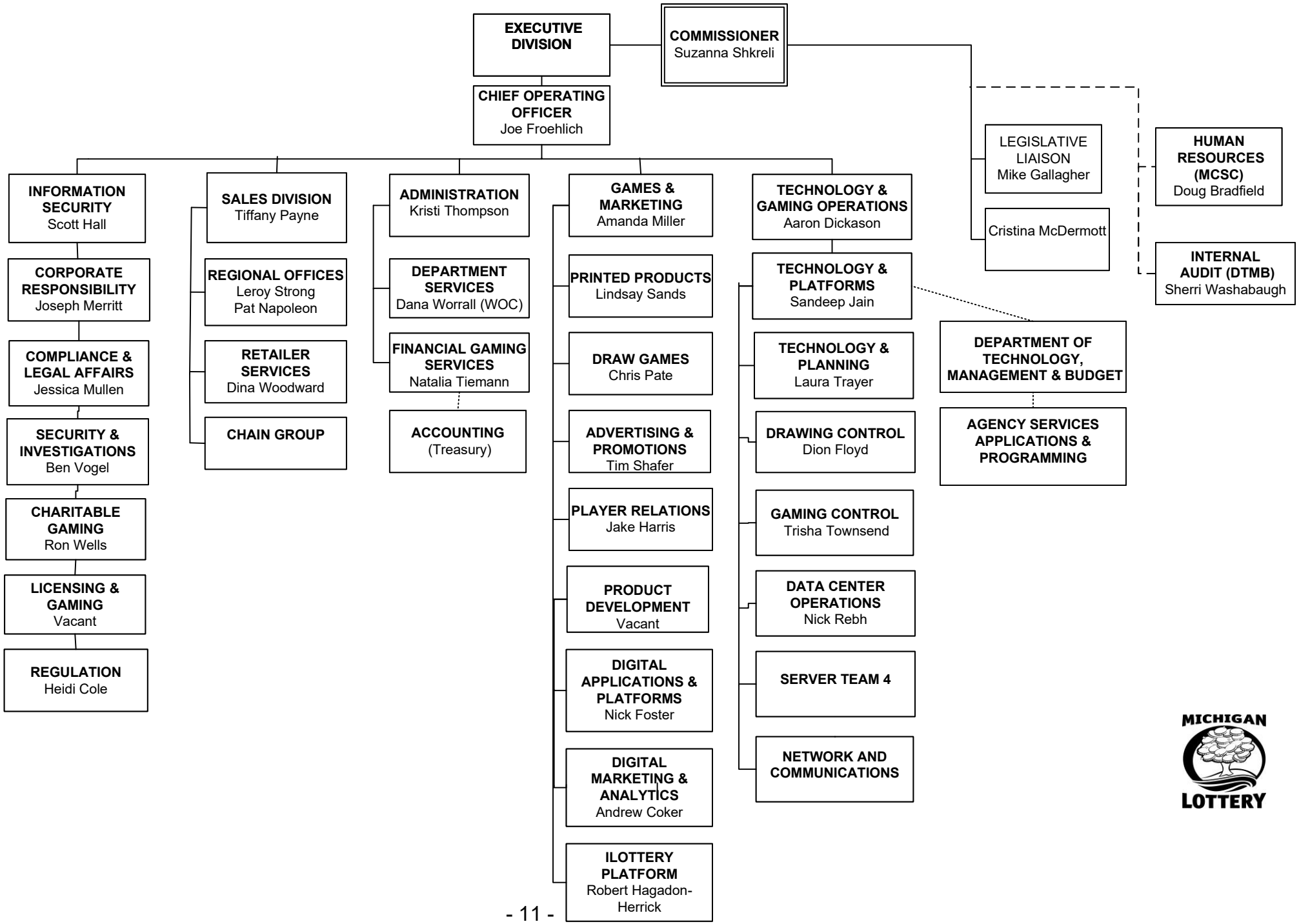
Christopher P. Morrill

Executive Director/CEO

Michigan State Lottery

Organization Chart and Principal Officials

September 30, 2025



FINANCIAL SECTION

MICHIGAN LOTTERY

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To Mr. Joseph Froehlich, Acting Commissioner,
the Bureau of State Lottery, State of Michigan,
and Mr. Doug Ringler, CPA, CIA,
Auditor General, State of Michigan
Bureau of State Lottery, State of Michigan

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of the Bureau of State Lottery, State of Michigan (the "Lottery"), an enterprise fund of the State of Michigan, as of and for the six-month periods and years ended September 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lottery as of September 30, 2025 and 2024 and the changes in its financial position and its cash flows for the six-month periods and years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only the Bureau of State Lottery, State of Michigan and do not purport to, and do not, present fairly the financial position of the State of Michigan as of September 30, 2025 and 2024 or the changes in its financial position and the changes in its cash flows thereof for the six-month periods and years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To Mr. Joseph Froehlich, Acting Commissioner,
the Bureau of State Lottery, State of Michigan,
and Mr. Doug Ringler, CPA, CIA,
Auditor General, State of Michigan
Bureau of State Lottery, State of Michigan

Supplementary Information

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2026 on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 20, 2026

The following discussion provides an overview of the Lottery's financial performance and activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the financial statements, which begin on page 30.

Using This Report

The Lottery is accounted for as an enterprise fund, much like a private business entity, reporting on all of the entity's assets and liabilities using the accrual basis of accounting. Thus, this Annual Comprehensive Financial Report consists of a series of financial statements, along with explanatory notes to the financial statements and supplementary schedules. The Statement of Net Position on page 30 and the Statement of Revenues, Expenses and Changes in Net Position on page 31, report the Lottery's net position and its changes.

By law, the Lottery is required to deposit all its net income each fiscal year into either the State School Aid Fund (for income related to Lottery gaming activities) or the General Fund (for income related to Charitable Gaming activities). The net position of the Lottery consists of capital assets, unrealized gains or losses on investments held to fund annuitized prize payments, as well as the change in pension and other postemployment benefits (OPEB) liabilities, deferred inflows, and outflows related to pension and OPEB. To assess the Lottery's financial position and financial health, the reader of these statements should pay particular attention to changes in the components of assets and liabilities as set forth in the Statement of Net Position, and to changes in operating revenues, expenses, and disbursement expenses to other funds as set forth in the Statement of Revenues, Expenses and Changes in Net Position. In addition, the reader should refer to the accompanying notes to the financial statements.

Financial Highlights

Compared to the fiscal year ended September 30, 2024:

- Total revenues for all activities decreased by $210.9 million, or 4.4%.
  - Operating revenues for Lottery gaming activities decreased by $190.0 million, or 4.0%.
  - Non-operating revenues decreased by $20.9 million, or 74.7%, primarily due to a decrease in common cash interest rates and increase in unrealized loss on investments.

- Total expenses decreased $204.6 million, or 4.3%.
  - Operating expenses decreased $120.1 million, or 3.4%, consisting of a decrease in net prize awards of $111.7 million and a decrease in direct game and administrative expenses of $8.4 million.
  - Non-operating expenses decreased by $84.5 million, or 6.7%, reflecting a decrease in disbursements to the School Aid Fund of $85.1 million, a decrease in prize amortization of $0.3 million, a decrease in disbursements to the General Fund of $0.1 million, and an increase in disbursements to the Community Health of $1.0 million.

Net Position

A summary of the Lottery's net position is presented below:

Table 1 - Net Position
(in millions)

	September 30		
	2025*	2024	2023
Current and other assets	$ 287.7	$ 268.3	$ 277.0
Investments - non-current	99.5	108.5	108.4
Other assets	12.8	15.5	1.1
Capital assets (net of accumulated depreciation)	1.3	1.6	1.3
Total assets	401.3	393.9	387.8
Deferred Outflows of Resources:			
Deferred outflows related to pensions	3.4	3.2	3.1
Deferred outflows related to OPEB health	4.7	6.8	8.4
Deferred outflows related to OPEB life insurance	1.0	0.7	0.7
Total deferred outflows of resources	9.1	10.7	12.2
Current liabilities	289.0	276.6	272.3
Non-current liabilities	139.2	152.2	167.9
Total liabilities	428.2	428.8	440.2
Deferred Inflows of Resources:			
Deferred inflows related to pensions	4.5	0.9	0.3
Deferred inflows related to OPEB health	14.7	16.3	14.0
Deferred inflows related to OPEB life insurance	1.3	1.8	2.1
Total deferred inflows of resources	20.5	19.0	16.4
Net position:			
Net investment in capital assets	0.3	0.4	0.1
Unrestricted (deficit)	(38.6)	(43.6)	(56.6)
Total net position	$ (38.3)	$ (43.2)	$ (56.5)

*As described in Note 1, there was a restatement of beginning of year net position for fiscal year 2025 related to the implementation of GASB 101. This change is not reflected in the 2024 or 2023 columns.

As shown in Table 1 above, the Lottery's net position increased from September 2024 to 2025 by $4.9 million and increased from September 2023 to 2024 by $13.3 million. Most of the increase from September 2024 to September 2025 is attributable to the increase in current and other assets, specifically in accounts receivable. Accounting principles dictate that the Lottery record the gain or loss related to the change in market value of investments. U.S. Treasury zero-coupon bonds and State of Michigan General Obligation Capital Appreciation Bonds have been purchased for the payment of installment prize awards and are generally held to maturity. The difference between the market value of these investments and the amortized book value is considered a restriction for unrealized gains on investments and is not available for disbursement to the School Aid Fund. Additional detailed information on investments may be found in Note 3 in the accompanying financial statements. As of September 30, 2025 and 2024, the Lottery recorded a deficit in the amount restricted for the School Aid Fund, which resulted in a negative overall net

position. This deficit amount has been reported as unrestricted on the Statement of Net Position on page 31 in the financial statements, as a negative balance cannot be considered restricted.

Capital assets consist of equipment and leasehold improvements, plus right-to-use assets under lease arrangements. During fiscal year 2025, net capital assets decreased by $0.3 million due to disposals of obsolete equipment. Capital assets increased $0.3 million from September 2023 to 2024 due to purchase of new equipment. Additional detailed information on capital assets may be found in Note 5 in the accompanying financial statements.

A detail of the Lottery's liabilities is presented in Table 2 below:

Table 2 - Liabilities
(in millions)

	September 30		
	2025	2024	2023
Current:			
Accounts payable and other liabilities	$ 38.3	$ 32.1	$ 29.7
Due to other State agencies	27.6	33.6	32.0
Prize awards payable (net of discount)	223.1	210.9	210.6
Total current	289.0	276.6	272.3
Non-current:			
Prize awards payable (net of discount)	110.5	112.8	117.5
Net pension liability	18.3	25.2	27.4
Net OPEB liability - health	1.5	7.5	16.5
Net OPEB liability - life insurance	4.9	4.2	4.1
Other non-current liabilities	1.0	1.1	1.2
Compensated absences	3.0	1.4	1.2
Total non-current	139.2	152.2	167.9
Total liabilities	$ 428.2	$ 428.8	$ 440.2

Non-current liabilities consist of prize liability for prizes paid in installments over several years, non-current pension recorded as a result of GASB 68, and non-current OPEB obligation allocation recorded as a result of GASB 75. For the fiscal year ended September 2025, non-current prize liability decreased $2.2 million, or 2.0%, from September 2024 and decreased by $4.7 million, or 4.0%, from September 2023 to September 2024. The decreases from September 2024 to September 2025 and September 2023 to September 2024 are attributable to the maturing of some long-term prize liabilities as well as minimal additions to the pool of annuitized installment prizes. Refer to Note 7 in the accompanying financial statements for more information.

A summary of the Lottery's change in net position is presented in Table 3 below:

Table 3 - Changes in Net Position
(in millions)

	September 30		
	2025	2024	2023
Operating revenues	$ 4,587.2	$ 4,777.2	$ 4,939.1
Operating expenses:			
Prizes and direct game expenses			
Prizes less unclaimed prizes	(2,864.5)	(2,976.3)	(3,016.8)
Commissions and game related expenses	(471.4)	(486.6)	(501.8)
Total prizes and direct game expenses	(3,335.9)	(3,462.9)	(3,518.6)
Income before other operating expenses	1,251.3	1,314.3	1,420.5
Other operating expenses	(74.2)	(67.3)	(68.8)
Operating income	1,177.1	1,247.0	1,351.7
Non-operating revenues and (expenses):			
Investment and interest revenues (losses)	7.1	27.9	10.1
Investment and interest expenses	(4.4)	(4.6)	(5.0)
School Aid Fund disbursement expense	(1,163.8)	(1,248.9)	(1,352.0)
General Fund disbursement expense	(7.0)	(7.1)	(7.5)
Health & Human Services disbursement expense	(2.0)	(1.0)	(1.0)
Net non-operating expense	(1,170.1)	(1,233.7)	(1,355.4)
Change in net position	7.0	13.3	(3.7)
Net position - Beginning of period, as previously reported (Note1)	(43.2)	(56.5)	(52.8)
Change in accounting principle (Note 1)	(2.1)	-	-
Net Position - Beginning of year, as restated (Note 1) as restated (Note 1)	(45.3)	-	-
Net Position - End of year	$ (38.3)	$ (43.2)	$ (56.5)

Because the Lottery is required by law to deposit all of its net income into the School Aid Fund or General Fund, change in net position does not reflect the result of the Lottery's operating activities. The $1,163.8 million disbursement expense to the School Aid Fund reflects the Lottery's operating activities for the fiscal year ended September 2025. There was a decrease in disbursement expense of $85.1 million, or 6.8%, from September 2024. For the fiscal year ended September 2024 there was a decrease of $103.0 million, or 7.6%, from September 2023. The disbursement expense to the General Fund reflects Charitable Gaming activities for the fiscal year ended September 2025. Charitable Gaming activities experienced a decrease in net revenues for the fiscal years ended September 2025 compared to September 2024, and September 2024 compared to September 2023. The decrease from September 2025 to September 2024 is due to the increase in operating costs, specifically wages and information technology expenses. The

decrease from September 2023 to September 2024 is due to the increased printing expense of charitable game tickets.

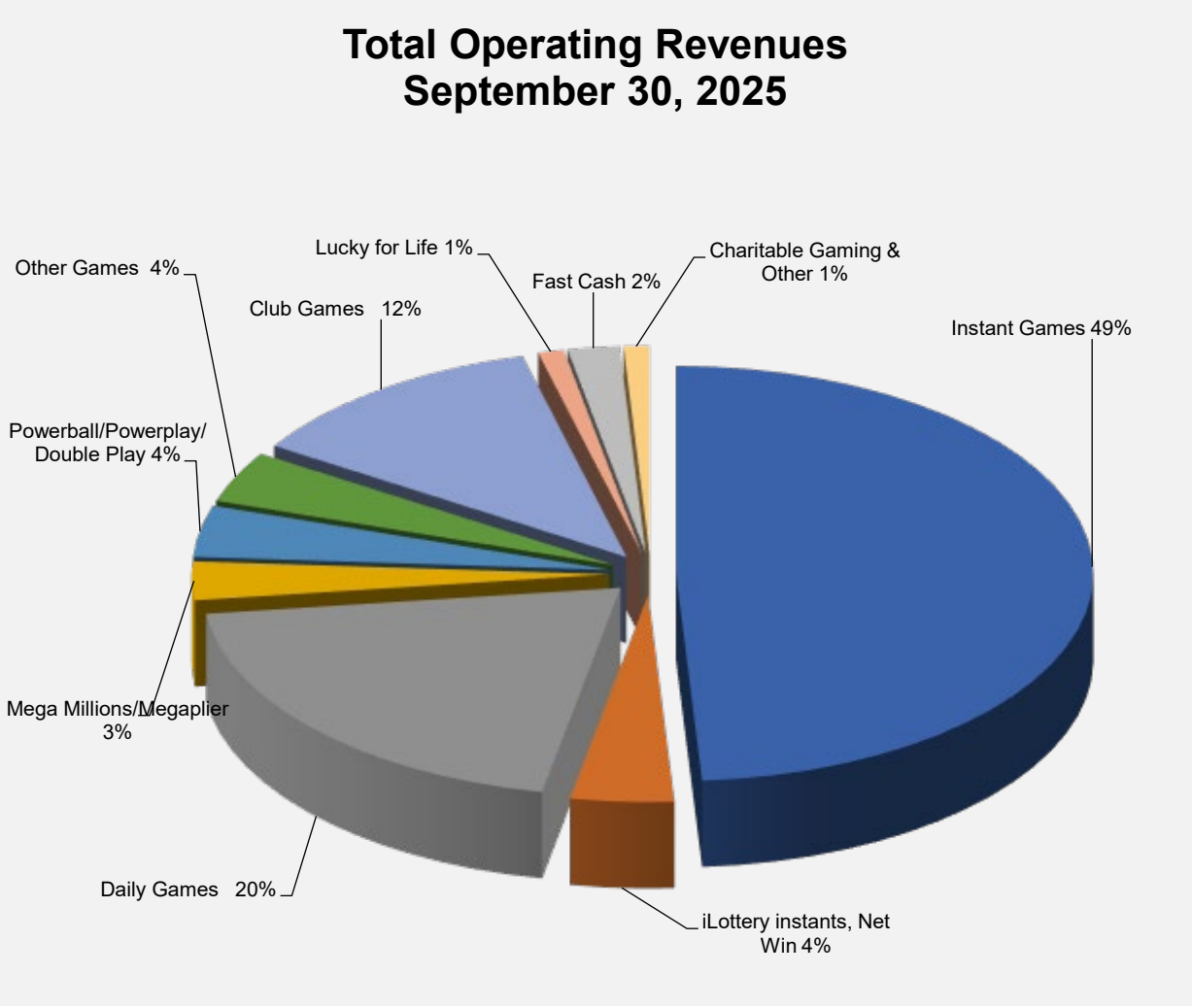
Disbursements to other funds are detailed in Table 4 below:

Table 4 - Disbursements to Other Funds
(in millions)

	September 30,		
	2025	2024	2023
School Aid Fund	$ 1,163.8	$ 1,248.9	$ 1,352.0
General Fund	7.0	7.1	7.5
Health & Human Services	2.0	1.0	1.0
Total Disbursements to Other Funds	$ 1,172.8	$ 1,257.0	$ 1,360.5

Revenues

The following chart shows the major sources and the percentages of operating revenues for the fiscal year ended September 30, 2025:



A detail of the Lottery's revenues is presented in Table 5 below:

Table 5 - Revenues
(in millions)

	September 30		
	2025	2024	2023
Operating revenues:			
Instant tickets	$ 2,265.0	$ 2,319.1	$ 2,364.7
iLottery Instants, Net Win	168.5	190.9	200.1
Daily games	950.9	965.8	967.8
Mega Millions/Megaplier	145.0	167.6	227.5
Powerball/Power Play/Powerball Double Play	185.1	220.2	281.5
Lucky for Life	38.3	40.1	36.8
Fast Cash	74.3	69.5	83.2
Club games	558.7	634.2	642.0
Other games and promotions	186.2	157.2	119.2
Other operating revenue	15.2	12.6	16.3
Total operating revenues	4,587.2	4,777.2	4,939.1
Non-operating revenues:			
Unrealized (loss) gain on investments	(2.1)	6.4	(5.8)
Amortization on bonds	5.0	5.4	5.6
Other income	4.2	16.1	10.3
Total non-operating revenue	7.1	27.9	10.1
Total revenues	$ 4,594.3	$ 4,805.1	$ 4,949.2

Operating revenues, primarily Lottery ticket sales, for the fiscal year ended September 2025 decreased from September 2024 by $190.0 million, or 4.0%, and decreased $161.9 million, or 3.3%, for the fiscal year ended September 2024 compared to September 2023.

Instant game ticket sales decreased by $54.1 million, or 2.3%, for the fiscal year ended September 2025 compared to September 2024 and decreased by $45.7 million, or 1.9% for the fiscal year ended September 2024 over September 2023. The sales decrease for the year ended September 30, 2025 and 2024 is primarily due to continuing increase in competition from casinos offering sports betting and online gaming (including significant marketing expenditures), as well as reduction of disposable income caused by inflationary pressures.

iLottery instant ticket net win, as described in Note 8, decreased $22.4 million, or 11.7%, for the fiscal year ended September 2025 compared to September 2024, and decreased $9.2 million, or 5.0%, for the fiscal year ended September 2024 compared to September 2023. Refer to Note 8 in the accompanying financial statements. The iLottery sales decrease for the fiscal years ended September 2025 and 2024 is due to continuing increase in competition from casinos now offering sports betting and online gaming (including significant marketing expenditures), reduction of disposable income caused by inflationary pressures.

Daily Games sales, as shown in Table 5 above, includes Daily 3 and Daily 4. Daily games sales for the fiscal year ended September 2025 decreased by $14.9 million, or 1.5%, from September

2024. Sales for the fiscal year ended September 2024 decreased $2.0 million, or 0.2%, over September 2023. The sales decrease for the fiscal years ended September 2025 and 2024 is primarily due to continuing increase in competition from casinos now offering sports betting and online gaming (including significant marketing expenditures), and reduction of disposable income by inflationary pressures.

Mega Millions sales for the fiscal year ended September 2025 decreased by $22.6 million, or 13.5%, compared to the fiscal year ended September 2024. Sales for the fiscal year ended September 2024 decreased by $59.8 million, or 26.3%, compared to September 2023. The decrease in sales for the fiscal years ended September 2025 and 2024 can be primarily attributed to a decrease in the number of jackpot rolls as well as the number of jackpots over $100.0 million. In addition, the Mega Millions game underwent changes increasing ticket price to $5 in April of 2025. This change also could have contributed to the decrease in sales as player interest and preference shifted to other games offered by the Lottery.

Powerball sales for the fiscal year ended September 2025 decreased by $35.1 million, or 15.9%, over September 2024, and decreased by $61.3 million, or 21.8%, for the fiscal year ended September 2024 compared to September 2023. The decrease in sales for the fiscal year ended September 2025 over the fiscal year ended September 2024 is attributable to a decrease in the number of jackpot rolls as well as the number of jackpots over $100.0 million, with 2025 only having one jackpot over a billion in comparison to two in 2024. The decrease in sales for the fiscal year ended September 2024 over the fiscal year ended September 2023 is primarily due to a decrease in the number of jackpot rolls as well as the number of jackpots over $100.0 million.

Lucky for Life sales decreased by $1.7 million, or 4.3%, for the fiscal year ended September 2025 over September 2024, and increased by $3.2 million, or 8.7%, for the fiscal year ended September 2024 over September 2023. The sales decrease for the fiscal year ended September 2025 is attributable to the decrease in second-tier winners, seven in comparison to seventeen in 2024, shifting player interest to other games. The sales increase for the fiscal year ended September 2024 can be primarily attributed to increases in second-tier winners which helps to generate awareness and excitement about the game. In addition, Lucky for Life digital platform sales have grown with increased player engagement.

Fast Cash sales increased by $4.8 million, or 6.9%, for the fiscal year ended September 2025 over September 2024, and decreased by $13.7 million, or 16.5%, for the fiscal year ended September 2024 compared to September 2023. The sales increase for the fiscal year ended September 2025 is attributable to an increase in the number of jackpots over $1.0 million, particularly a $2.4 million jackpot that was won on March 1, 2025. In addition, the launch of new games with higher price point and changes to progressive jackpot grid going from 1 in 500,000 to 1 in 600,000 has allowed for larger jackpot runs also contributed to the sales increase. The sales decrease for the fiscal year ended September 2024 is attributable to the lack of jackpot growth, which is the main driver for Fast Cash sales. There were 14 Fast Cash games on sale during this fiscal year ended September 2025.

Club games, as shown in Table 5 above, include Club Keno, Club Keno add-ons (Kicker, The Jack, and Extra), and Pull Tabs. Club Games sales for the fiscal year ended September 2025 decreased by $75.6 million, or 11.9%, over September 2024. Sales for the fiscal year ended September 2024 decreased by $7.7 million, or 1.2%, compared to September 2023. The majority of the decrease in fiscal year 2025 is attributed to $82.8 million, or 14.1%, decrease in Club Keno related games due to less promotions offered during the period and continuing increase in

competition from casinos offering sports betting and online gaming (including significant marketing expenditures). Pull Tab sales for the fiscal year ended September 2025 increased by $7.2 million, or 14.9% due to the continuing effort to place new and upgraded vending machines (increasing the number of functionable facings for players and adding to the overall retailer count), as well as two successful Detroit sports licensed property launches. The sales decrease for the fiscal year ended September 2024 is primarily due to continuing increase in competition from casinos now offering sports betting and online gaming (including significant marketing expenditures), and reduction of disposable income by inflationary pressures.

Other games consist of Lotto 47, Lotto 47 EZ Match, Lotto 47 Double Play, Fantasy 5, Fantasy 5 EZ Match, Fantasy 5 Double Play, Keno, Raffle, Poker Lotto, Cash Pop, Online Game Cards, and iLottery promotions. Other game sales for the fiscal year ended September 30, 2025 increased by $29.0 million, or 18.4%, compared to September 2024, and sales increased by $38.0 million, or 31.9%, for the fiscal year ended September 2024 over September 2023. The sales increase for the fiscal year ended September 2025 is attributable to the full year of Cash Pop sales as well as the new Super Raffle game launched on June 22, 2025. Only 350,000 Easy Pick $50 Raffle tickets were offered for sale at the Lottery retailer locations with drawing to be held on November 19, 2025. The Raffle offers highest payout of any raffle game offered by the Michigan Lottery and the best odds at winning one $6 million grand prize, two prizes of $1 million, twelve prizes of $100,000, and 18,500 additional cash prizes. The sales increase for the fiscal year ended September 30, 2024 over September 2023 is due to the sales launch of Cash Pop on April 14, 2024 offering players a chance to win prizes ranging from $5 up to $5,000. Cash Pop offers four chances to win every hour with drawings conducted every 14 minutes. If the player matches the Cash Pop number to the number drawn, they will win the cash prize underneath the matching number indicated on the ticket.

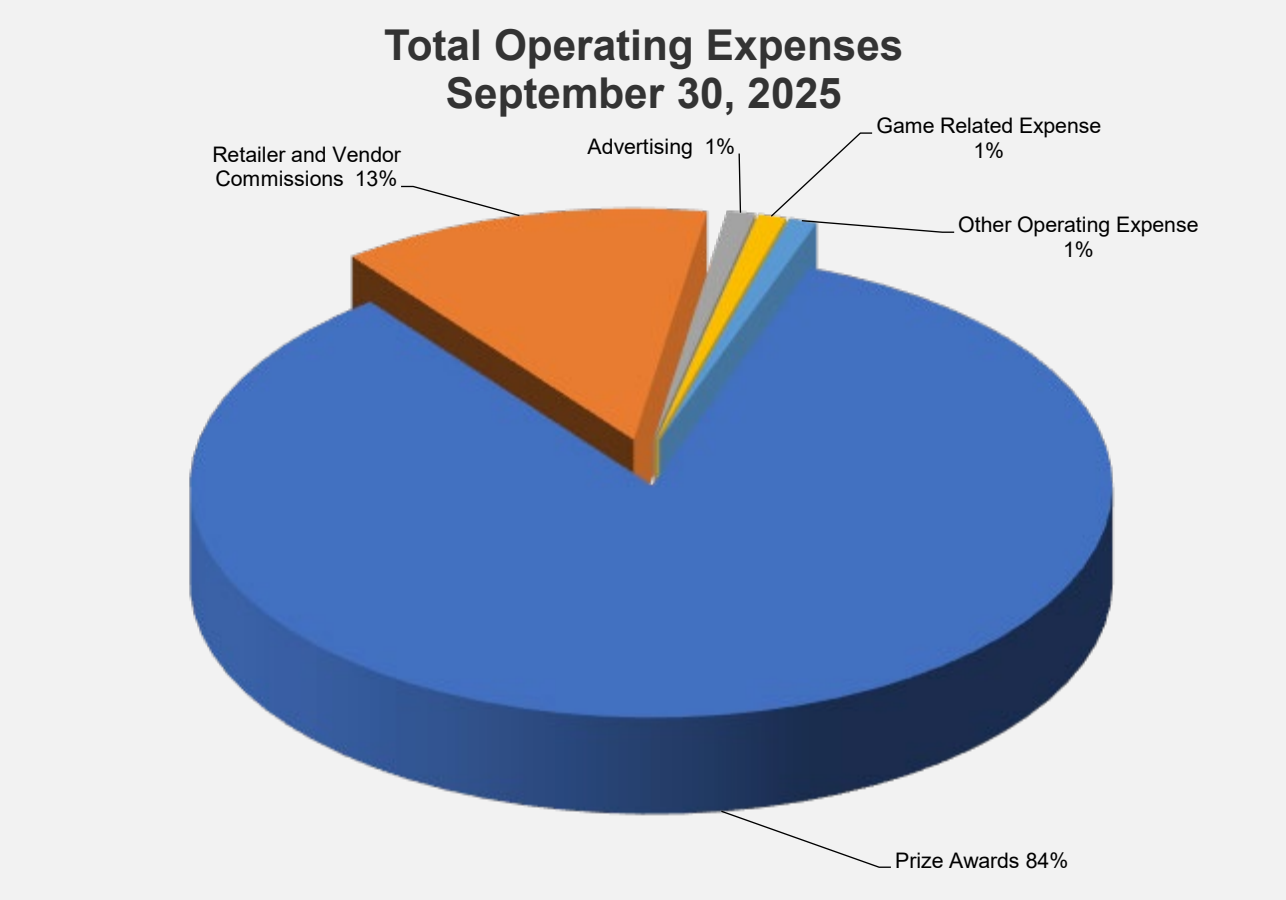
The decrease in non-operating revenues for the fiscal years ended September 2025 compared to September 2024 is attributable to the decrease in common cash interest revenue and an unrealized loss on investments. The increase in non-operating revenues for the fiscal year ended September 2024 compared to September 2023 resulted primarily from an increase in common cash interest revenue and an increase in unrealized gain on investments. As previously discussed, the unrealized gain or loss on investments is a reflection of the market value of the investments and does not impact the disbursement to the School Aid Fund.

The decrease in bond amortization for the fiscal years ended September 2025 and September 2024 is due to a decreasing bond portfolio from maturing investments, as well as the fact that most prize winners have elected the cash option instead of installment payments.

Other income decreased for the fiscal year ended September 2025 compared to September 2024 and increased for the fiscal year ended September 2024 compared to September 2023. This is due to fluctuations in interest rates on common cash investments from year to year as well as the common cash balance.

Expenses

The following chart shows prizes, game costs, and other operating expenses as a percentage of total operating expenses for the fiscal year ended September 30, 2025:



A detail of the Lottery's expenditures is presented in Table 6 below:

Table 6 - Expenses
(in millions)

	September 30		
	2025	2024	2023
Prizes:			
Instant prizes	$ 1,722.9	$ 1,763.4	$ 1,793.7
Draw Game prizes	837.6	839.1	853.7
Club game prizes	365.1	422.8	426.5
Total prizes	2,925.6	3,025.3	3,073.9
Less: unclaimed prizes	61.1	49.0	57.1
Net prize awards	2,864.5	2,976.3	3,016.8
Direct game expenses:			
Retailer commissions	333.4	348.7	354.7
Vendor commissions and other expenses	91.3	96.2	98.9
Game related expenses	46.7	41.7	48.2
Total direct game expenses	471.4	486.6	501.8
Other operating expenses:			
Salaries, wages and benefits	20.7	22.1	25.6
Other professional services	5.8	5.3	5.4
Printing and supplies	2.4	2.4	2.5
Other general and administrative	4.4	3.5	3.5
Promotion and advertising	40.9	34.0	31.8
Total other operating expenses	74.2	67.3	68.8
Total operating expenses	3,410.1	3,530.2	3,587.4
Non-operating expenses:			
Amortization of prize discount	4.4	4.6	5.0
School Aid Fund disbursement	1,163.8	1,248.9	1,352.0
General Fund disbursement	7.0	7.1	7.5
Health & Human Services disbursement	2.0	1.0	1.0
Total non-operating expenses	1,177.2	1,261.6	1,365.5
Total expenses	$ 4,587.3	$ 4,791.8	$ 4,952.9

Instant games overall payout for the fiscal year ended September 2025 increased to 76.1% from 76.0% in September 2024 and from 75.9% in September 2023. The games vary in payout percentage depending on ticket price. Instant game prize payouts range from 60.0% for a $1 game to 80.0% for a $50 game for the fiscal year ended September 2025.

The combined Daily Games prize payout increased overall to 50.0% for the fiscal year ended September 2025 compared to 48.1% for the fiscal year ended September 2024. Daily 3 prize payout decreased to 49.4% for the fiscal year ended September 2025, compared to 50.1% for the fiscal year ended September 2024 and increased compared to 48.2% % in September 2023.

Daily 4 prize payout increased to 50.6% for the fiscal year ended September 2025, compared to 46.3% for the fiscal year ended September 2024 and 43.9% in September 2023. Daily games are designed to yield an average prize payout of 50.0%.

The Club Games prize payout percentage decreased to 65.3% for the fiscal year ended September 2025, compared to 66.7% for the fiscal year ended September 2024 and 66.4% for September 2023. The other draw games have an anticipated payout between 50.0% and 80.1%.

Retailer and vendor commissions have decreased commensurate with lower overall sales. Total overall decrease of $15.3 million, or 4.4%, for the fiscal year ended September 2025 compared to September 2024 and decreased by $8.7 million, or 1.9%, for the fiscal year ended September 2024 compared to September 2023.

Other operating expenses have increased by $6.8 million, or 10.2%, for the fiscal year ended September 2025 compared to September 2024 and decreased by $1.5 million, or 2.2%, for the fiscal year ended September 2024 compared to September 2023. The increase for the fiscal year ended September 2025 is largely due to an increase in promotion and advertising as well as increase in the bad debt expense. The decrease in operating expenses for the fiscal year ended September 2024 can be contributed to the decrease in salaries and benefits due to employee retirements and departures, and change of insurance providers, as well as the number of unfilled vacancies.

Unclaimed Prizes

By law, draw game prizes not claimed within one year of their drawing date and instant and pull tab game prizes not claimed prior to game expiration are to be disbursed to the State School Aid Fund.

The Lottery recognizes the value of unclaimed prizes using an allowance methodology. Under this method, a 2-year historical average of retail game sales and actual unclaimed prizes are utilized to estimate the amount of prizes awarded during the current year that will not be paid out due to claims not being filed for those prizes. Refer to Note 1 for further details.

Unclaimed prizes for the fiscal year ended September 2025 increased by $12.0 million compared to September 2024 and decreased by $8.1 million for the fiscal year ended September 2024 compared to September 2023. The increase in unclaimed prizes for the fiscal year ended September 2025 can be attributed to an expiration of several large instant games, as well as $4.4 million in multi-state game prizes. The decrease in unclaimed prizes for the fiscal year ended September 2024 can be attributed to a fewer expiring large instant games.

Charitable Gaming

A detail of the Lottery's charitable gaming revenues, expense, and net income for the fiscal years ended September 30 are presented in Table 7 below:

Table 7 - Charitable Gaming Revenue, Expense, and Net Income
(in millions)

	September 30		
	2025	2024	2023
Gross revenue	$ 13.5	$ 13.4	$ 13.1
Operating expenses	(6.5)	(6.3)	(5.6)
Net income	$ 7.0	$ 7.1	$ 7.5

The mission of the Charitable Gaming Division is to maintain the integrity of charitable gaming activities. Revenues received through the issuance of licenses and from the distribution of charity-game tickets cover the costs of oversight. Any revenue in excess of program costs is disbursed annually to the State's General Fund.

Charitable gaming activities overseen by the Lottery include the licensing and regulation of qualifying nonprofit organizations to conduct bingos, raffles, charity game ticket sales, and other charitable gaming events for fundraising purposes. The Lottery also oversees the distribution and sale of charity-game tickets (also for fund-raising purposes) to licensed suppliers. Charitable Gaming launched a program in February 2015 to sell charity tickets through specialized vending machines at 20 different licensed non-profit organizations. There are currently 18 locations selling charity game tickets through these specialized vending machines.

Each year, qualifying nonprofit organizations generate millions of dollars in revenue through their charitable gaming activities. In FY25, 434 nonprofit organizations were qualified by the Charitable Gaming Division to engage in charitable gaming activities. 10,047 license applications were processed and 9,384 licenses were issued, including 412 regular bingo licenses, 404 special bingo licenses, 5,250 large raffle licenses, 1,976 small raffle licenses, 728 combination raffle licenses, 546 annual charity game ticket licenses, 23 special charity game ticket licenses, 33 hall licenses and 12 supplier licenses.

The Charitable Gaming Division conducted 1,233 inspections of qualified nonprofit organizations and investigated 51 complaints. Inspections ensure proceeds are accounted for by the qualified licensed nonprofit organizations and used for lawful purposes and assist qualified organizations in maximizing proceeds for their charitable cause. Abuses encountered by the Charitable Gaming Division include improper management of gaming proceeds and failure to obtain appropriate charitable gaming licenses.

Other Potentially Significant Factors Impacting Next Year

In the retail channel, the Lottery plans to introduce forty-two new retail instant games in fiscal year 2026. Of these forty-two games thirty-seven will consist of new titles and designs vetted by players in online surveys. The remaining five will consist of reliably high-selling Blowout, Cashword and Wild Time games. These games will continue to utilize unique themes, play styles, new innovations as well as tailored prize structures that provide players with the best play experience. Two $50 game launches are planned for the upcoming fiscal year. The first $50 game will launch early first quarter of fiscal 2026 and will be attractive to all players alike with its high payouts offering two top prizes of $6,000,000 and twelve additional prizes of $1,000,000. It will also employ a second chance where players can win one of two additional $1,000,000 prizes. With the addition of the second chance promotion this game offers the most $1,000,000 prizes ever in an Instant Game. The second $50 game will set itself apart by having an increased top prize amount of $8,000,000 and also having no breakeven prizing. Prizes will start at $75 and give retailers ample opportunity for increased validation and selling commissions. Both $50 planned launches will incorporate a payout of over 79%, low odds ranging from 1 in 3.05 to 1 in 3.10. In addition, three $30 and five new $20 games are anticipated in fiscal year 2026.

Fiscal year 2026 should be a strong year for Instant Games with a balanced portfolio offering dependable core games and families as well as games designed for distinct player segments. Game concepts will be carefully chosen by exploring new themes, playstyles, and adapting high performing games from other jurisdictions. Most concepts will be selected based on research findings from qualitative and quantitative testing. In fiscal year 2026, approximately six research studies are planned to support future game development initiatives. The insights generated from these studies will guide decisions on which concepts to advance to market. One of the key studies will be conducted in partnership with a third-party research firm and will employ both qualitative and quantitative methodologies. This study will specifically explore emerging playstyles, innovative game mechanics, and potential prize structures.

On the Pull Tab side, the Lottery plans to launch twenty-seven Pull Tab games in fiscal year 2026. Fiscal year 2026 Pull Tabs will be converted to digital printing which will offer opportunities and advancement for the product line providing players with new play styles, increased variety of design within each game, and promotional engagement though the use of second chance entries. The implementation of digital printing press will modernize Pull Tabs and create unique opportunities that like those found in Instant Games, ultimately enhancing player experience and driving increased revenue for the state of Michigan.

On the draw games side, the Lottery is planning three, one-month-long Club Keno bonus payout promotions in fiscal year 2026. Bonus payout promotions are a proven driver of incremental sales. The Lottery will run Tripler Time with a Plus 3 purchase requirement in October, and two bonus payout promotions in February and August of 2026. In an ongoing effort to enhance the look and feel of Club Keno, the Lottery will develop new animations for the Kicker feature, the Club Keno winning numbers drawing, and the Plus 3 winning numbers. These updates aim to deliver a more engaging and visually dynamic player experience.

In January and June of fiscal year 2026 the Lottery is planning to run Daily 3 and 4 bonus payout promotions. As always with Daily Game promotions, the objective will be to stimulate winning experiences with short-term ratcheted payouts to increase excitement and sales for the Daily 3 and 4. Promotions will only be implemented if natural payouts for the games are lower than the designed 50% payout.

In the second quarter of fiscal year 2026, Daily 3 & 4 will be available for purchase through the iLottery channel. Bringing these popular draw games online creates a more consistent player experience across both digital and retail channels, offering access to games that were previously only available in-store. This expansion reflects evolving consumer expectations—players increasingly want the convenience of purchasing the same games online that they can buy at retail. Making Daily 3 & 4 available digitally also presents an opportunity to introduce these mature games to a broader, slightly younger iLottery audience. Overall, this move supports the continued modernization of the Michigan Lottery, helps drive revenue, provides valuable player behavior insights, and strengthens the Lottery's relevance in the digital world.

Throughout fiscal year 2026 the Lottery will be evaluating the introduction of a new five-digit daily numbers game, Daily 5, with a targeted launch in fiscal year 2027. Daily 5 would also be available for online play at launch, aligning with the Lottery's broader digital strategy. The goal of this initiative is to diversify the draw game portfolio and enhance player engagement by offering a new style of daily play.

Lucky For Life will be merged with Cash For Life and rebranded as Millionaire For Life in the second quarter of 2026. The Millionaire For Life game will feature larger lifetime prizes and a $5 price point. Unlike the current $2 Lucky For Life game, which awards a top prize of $1,000 a day for life and a second-tier prize of $25,000 a year for life, the new game increases these significantly to $1,000,000 a year for life and $100,000 a year for life, respectively. The cost per play rises from $2 to $5, and the number pool expands from 5/48 + 1/18 to 5/58 + 1/5, making it easier to win the top prize (odds shift from 1 in 30.8 million to 1 in 22.9 million). However, the new game offers nine prize tiers starting at $8, with overall odds of winning any prize at 1 in 8.47. Millionaire For Life will also be available for online play, providing added convenience and accessibility for players.

In April of 2026, the Lottery is considering changes to the Cash Pop game by increasing the number of drawings per hour. Currently, drawings take place every 14 minutes. The proposed change would increase the frequency to one drawing every 7 minutes, with the goal of making higher sales by offering more opportunities to play.

In the fourth quarter of 2026, online Raffle games will have new functionality to offer progressive prizes. The first raffle planned to launch with this prize type will be a time-based 50/50 raffle, where one player wins a prize plus 50% of all dollars wagered during the entry period. The inclusion of progressive prizes allows the Lottery more freedom with creating time-based raffles, as prize liability is tied less to a minimum number of ticket purchases. Other raffle concepts include seasonally exclusive games such as a "Winning 2026" raffle, with attainable multiple top prizes of $2,026, and low tier wins of $26. Using raffles as a limited time promotional tool can help increase incremental revenue.

In fiscal year 2026, Lottery is planning to introduce twenty-nine new online instant games. Of the twenty-nine games, two will be licensed property games aimed at attracting casual and first-time players. In addition, in fiscal year 2026, the Lottery will begin retiring select online instant games. The current portfolio includes over 250 titles, some of which have been available since online instant games first launched in 2014. Many of these older games no longer align with current design standards and may negatively impact the overall player experience. By sunsetting outdated titles, the Lottery can maintain a high-quality, modern portfolio that meets player expectations, especially important as digital competition continues to grow in Michigan. As always, players will be surveyed, and sales data will be analyzed to help guide the portfolio

decisions. The main focus will be on maximizing awareness of available products and jackpots to all players visiting Lottery's website and mobile applications to drive sales. Additionally, the improved use of communication channels, relevant promotions, and content personalization will increase player engagement.

Management continuously reviews and explores new game concepts and features, promotions, and opportunities to engage retailers.

Contacting the Lottery's Financial Management

This financial report is designed to provide the legislature, the executive branch, the public, and other interested parties with an overview of the financial results of the Lottery's activities and to show the Lottery's accountability for the money it receives. Percentages presented in the Management's Discussion and Analysis are based on the rounded figures presented in the tables. If you have questions about this report or need additional financial information, contact the Deputy Commissioner for Administration at the Michigan Lottery, P.O. Box 30023, Lansing, Michigan 48909.

Bureau of State Lottery, State of Michigan
Statement of Net Position
September 30, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Equity in State Treasurer's Common Cash Fund	**$ 17,608,463**	$ 14,519,455
Investments, at fair value	**11,776,758**	11,504,232
Accounts receivable - net	**231,349,230**	210,494,543
Inventory	**26,981,549**	31,751,371
Total current assets	**287,716,000**	268,269,601
Non-current assets:		
Investments, at fair value	**99,488,692**	108,529,738
Other assets	**12,844,480**	15,530,784
Capital assets:		
Leasehold improvements and equipment	**4,633,062**	5,146,533
Right-to-use assets	**1,471,245**	1,471,245
Accumulated depreciation	**(4,762,636)**	(5,026,709)
Total capital assets	**1,341,671**	1,591,069
Total non-current assets	**113,674,843**	125,651,591
Total assets	**401,390,843**	393,921,192
Deferred Outflows of Resources:		
Deferred outflows related to pensions	**3,398,705**	3,226,068
Deferred outflows related to OPEB health	**4,714,580**	6,765,450
Deferred outflows related to OPEB life insurance	**953,583**	754,351
Total deferred outflows of resources	**9,066,868**	10,745,869
Liabilities		
Current liabilities:		
Accounts payable and other liabilities	**38,270,067**	32,119,341
Due to School Aid Fund	**27,588,404**	33,577,256
Prize awards payable - net of discount	**223,130,237**	210,940,024
Total current liabilities	**288,988,708**	276,636,621
Non-current liabilities:		
Prize awards payable - net of discount	**110,543,951**	112,768,360
Net pension liability	**18,306,229**	25,240,410
Net OPEB liability - health	**1,522,418**	7,497,397
Total OPEB liability - life insurance	**4,847,075**	4,245,323
Lease liability - net of current portion	**940,248**	1,050,225
Accrual for compensated absences, less current portion	**3,032,848**	1,355,618
Total non-current liabilities	**139,192,769**	152,157,333
Total liabilities	**428,181,477**	428,793,954
Deferred Inflows of Resources:		
Deferred inflows related to pensions	**4,527,300**	946,876
Deferred inflows related to OPEB health	**14,709,676**	16,296,594
Deferred inflows related to OPEB life insurance	**1,306,309**	1,827,279
Total deferred inflows of resources	**20,543,285**	19,070,749
Net Position		
Net investment in capital assets	**291,445**	431,919
Unrestricted (deficit)	**(38,558,496)**	(43,629,561)
Total net position	**$ (38,267,051)**	$ (43,197,642)

See Accompanying Notes to Financial Statements

Bureau of State Lottery, State of Michigan
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months and Years Ended September 30, 2025 and 2024

	Six Months Ended		Years Ended	
	2025	2024	**2025**	2024
Operating revenues				
Ticket sales	**$ 2,308,249,689**	$ 2,342,441,091	**$ 4,572,008,767**	$ 4,764,567,269
Charitable gaming and other	**7,606,272**	6,830,864	**15,169,937**	12,591,194
Total operating revenues	**2,315,855,961**	2,349,271,955	**4,587,178,704**	4,777,158,463
Operating expenses				
Prize awards	**1,485,295,842**	1,505,318,058	**2,925,630,726**	3,025,337,095
Less - unclaimed prizes	**(35,821,693)**	(21,992,232)	**(61,127,470)**	(49,079,137)
Net prize awards	**1,449,474,149**	1,483,325,826	**2,864,503,256**	2,976,257,958
Retailer and vendor commissions and other expenses	**214,201,571**	220,510,606	**424,728,920**	444,846,737
Game related expenses	**20,584,127**	20,111,441	**46,655,279**	41,742,707
Depreciation expense	**123,936**	141,167	**249,398**	254,100
Other operating expenses	**37,088,041**	34,678,828	**73,915,669**	67,067,836
Total operating expenses	**1,721,471,824**	1,758,767,868	**3,410,052,522**	3,530,169,338
Operating income	**594,384,137**	590,504,087	**1,177,126,182**	1,246,989,125
Non-operating revenues				
Investment revenue - net	**3,139,041**	5,801,976	**2,867,813**	11,810,176
Interest on equity in State Treasurer's Common Cash Fund	**2,673,057**	9,658,261	**4,207,890**	16,139,323
Total non-operating revenues	**5,812,098**	15,460,237	**7,075,703**	27,949,499
Non-operating expenses				
Bank fees	**(715)**	(860)	**(1,258)**	(1,532)
Lease interest expense	**(10,973)**	(11,877)	**(19,138)**	(20,685)
Amortization of prize award obligation discount	**(2,190,476)**	(2,280,957)	**(4,355,614)**	(4,619,901)
Total non-operating expenses before disbursements	**(2,202,164)**	(2,293,694)	**(4,376,010)**	(4,642,118)
Disbursement to School Aid Fund	**(583,421,745)**	(589,596,456)	**(1,163,847,931)**	(1,248,974,216)
Disbursement to General Fund	**(3,791,105)**	(3,604,384)	**(7,002,167)**	(7,072,687)
Disbursement to Health & Human Services	**(995,000)**	(495,000)	**(1,990,000)**	(990,000)
Total disbursements	**(588,207,850)**	(593,695,840)	**(1,172,840,098)**	(1,257,036,903)
Total non-operating expenses	**(590,410,014)**	(595,989,534)	**(1,177,216,108)**	(1,261,679,021)
Net non-operating expense	**(584,597,916)**	(580,529,297)	**(1,170,140,405)**	(1,233,729,522)
Change in net position	**9,786,221**	9,974,790	**6,985,777**	13,259,603
Net Position - Beginning of period, as previously reported (Note 1)	**(45,998,086)**	(53,172,432)	**(43,197,642)**	(56,457,245)
Change in Accounting Principle (Note 1)	**(2,055,186)**		**(2,055,186)**	
Net Position - Beginning of year, as restated (Note 1)	**(48,053,272)**		**(45,252,828)**	
Net Position - End of year	**$ (38,267,051)**	$ (43,197,642)	**$ (38,267,051)**	$ (43,197,642)

See Accompanying Notes to Financial Statements

Bureau of State Lottery, State of Michigan
Statement of Cash Flows
For the Six Months and Years Ended September 30, 2025 and 2024

	Six Months Ended		Years Ended	
	2025	2024	**2025**	2024
Cash Flows From Operating Activities				
Cash collections from customers	**$ 2,299,757,195**	$ 2,369,860,903	**$ 4,565,507,987**	$ 4,786,881,938
Payments to employees	**(14,663,747)**	(14,145,624)	**(29,248,620)**	(28,792,222)
Payments to suppliers	**(70,383,532)**	(75,327,130)	**(89,139,769)**	(91,948,961)
Payments to prize winners	**(1,418,150,362)**	(1,902,744,105)	**(2,858,893,067)**	(2,985,278,771)
Payments for retailer and vendor commissions and other expenses	**(212,858,419)**	(219,167,453)	**(422,042,614)**	(459,249,717)
Net cash provided by operating activities	**583,701,135**	158,476,591	**1,166,183,917**	1,221,612,267
Cash Flows From Noncapital Financing Activities				
Disbursements to School Aid Fund	**(696,259,527)**	(765,396,959)	**(1,169,836,783)**	(1,247,378,380)
Disbursements to General Fund	**(7,002,167)**	(7,072,687)	**(7,002,167)**	(7,072,687)
Disbursements to Health & Human Services	**(1,990,000)**	(990,000)	**(1,990,000)**	(990,000)
Net cash used for noncapital financing activities	**(705,251,694)**	(773,459,646)	**(1,178,828,950)**	(1,255,441,067)
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	**-**	-	**-**	(537,165)
Principal on leases	**(54,657)**	(53,881)	**(108,923)**	(107,378)
Net cash used for capital and related financing activities	**(54,657)**	(53,881)	**(108,923)**	(644,543)
Cash Flows From Investing Activities				
Proceeds from the sale and maturity of investment securities	**2,818,333**	4,218,333	**11,636,333**	13,620,334
Purchase of investments	**-**	-	**-**	-
Interest received	**3,674,683**	14,868,605	**4,207,890**	16,139,323
Bank fees	**(716)**	(860)	**(1,258)**	(1,532)
Net cash provided by investing activities	**6,492,300**	19,086,078	**15,842,965**	29,758,125
Net (decrease) increase in cash and cash equivalents	**(115,112,916)**	(595,950,858)	**3,089,009**	(4,715,218)
Cash and cash equivalents at beginning of period	**132,721,379**	610,470,313	**14,519,455**	19,234,673
Cash and cash equivalents at end of period	**$ 17,608,463**	$ 14,519,455	**$ 17,608,464**	$ 14,519,455

Continued

See Accompanying Notes to Financial Statements

Bureau of State Lottery, State of Michigan
Statement of Cash Flows
For the Six Months and Years Ended September 30, 2025 and 2024

	Six Months Ended		Years Ended	
	2025	2024	**2025**	2024
Reconciliation of net operating income to net cash provided by operating activities				
Operating income	**$ 594,384,134**	590,504,087	**$ 1,177,126,182**	1,246,989,125
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	**123,936**	141,167	**249,398**	254,100
Pension expense	**(127,689)**	1,690,443	**(127,689)**	1,690,443
OPEB expense	**(4,288,597)**	(3,076,118)	**(4,288,597)**	(3,076,118)
Deferred Outflows - Contributions subsequent to measurement date	**(2,321,898)**	(2,612,085)	**(4,744,287)**	(5,442,014)
Bad debt expense and other reconciling items	**272,005**	278,632	**820,732**	559,335
Interest on capital leases	**(10,973)**	(11,877)	**(19,138)**	(20,685)
Amortization of prize award obligation discount	**(2,190,475)**	(2,280,957)	**(4,355,614)**	(4,619,901)
Net Changes in Assets and Liabilities:				
Inventory	**(144,733)**	(2,430,789)	**4,769,822**	(8,214,497)
Receivables	**(16,098,765)**	20,588,949	**(21,670,717)**	9,723,475
Compensated absences, accounts payable, and other liabilities	**(20,753,224)**	(28,520,692)	**5,771,716**	2,572,896
Prize awards payable	**33,514,262**	(417,137,322)	**9,965,803**	(4,400,912)
Other assets	**1,343,152**	1,343,153	**2,686,306**	(14,402,980)
Net cash provided by operating activities	**$ 583,701,135**	$ 158,476,591	**$ 1,166,183,917**	$ 1,221,612,267
Schedule of noncash investing, capital, and financing activities				
Increase (decrease) in fair value of investments	**630,350**	3,148,394	**(2,170,095)**	6,433,207
Disbursements to other funds (accrual)	**(27,588,404)**	(33,577,256)	**(27,588,404)**	(33,577,256)
Total noncash investing, capital, and financing activities	**$ (26,958,054)**	$ (30,374,981)	**$ (29,758,499)**	$ (27,036,670)

Concluded

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bureau of State Lottery (the "Lottery") was established by Michigan Compiled Laws Section 432.5 under authority of Article 5, Section 4, of the State Constitution.

Public Act 95 of 1996 allows the Lottery to participate in joint enterprises, such as multi-state lotteries, with other sovereignties. Michigan, a Mega Millions state, participates in Powerball and Power Play, and Lucky for Life multi-state lottery games, with the Multi-State Lottery Association (MUSL), an association of governmental lotteries. The association is comprised of a combination of MUSL Lotteries and Mega Millions Lotteries. Michigan also participates in Mega Millions, a jointly operated multi-state lottery comprised of 9 states: California, Georgia, Illinois, Massachusetts, Michigan, New Jersey, Ohio, Virginia, Washington and MUSL. Net income from Mega Millions, Megaplier, Powerball, Power Play, and Lucky for Life is disbursed to the School Aid Fund.

Basis of Presentation

The Lottery is classified as an enterprise fund of the State of Michigan. Accordingly, the Lottery's financial statements are included in the State's Annual Comprehensive Financial Report. The accompanying financial statements are not intended to present the financial position and results of operations of the State of Michigan or its enterprise funds.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Lottery distinguishes operating revenue and expenses from non-operating items. The principal operating revenue of the Lottery is primarily comprised of sales from instant and draw game tickets and iLottery net wins. Operating expenses mainly consist of payments to instant and draw game prize winners and commissions to retailer agents and vendors. All other revenues and expenses are reported as non-operating. Excess revenue over expenses is designated for payment to the State School Aid Fund in the current year, except for unrealized gains on investments, and the cumulative impact of allocating the net pension liability and other postemployment benefit liability, which are included in amounts reserved for future state aid transfers, and the excess of revenue over expenses from charitable gaming activities and up to $2 million per year to the Department of Health and Human Services for gambling addiction programs, which are both designated for payment to the State General Fund.

The accounting policies of the Lottery conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Lottery.

Revenue Recognition

Revenue is recognized for Instant and Pull Tab games when tickets are activated by retailers.

For draw games, revenue is recognized and the related direct expenses of ticket sales are accrued based upon the known relationship of the amount of ticket sales to the amount of prizes for each game. This method of measuring revenue is necessary in order to properly match revenues and expenses.

Revenues for iLottery instant games are recognized when sales to the public occur and are reported net of prizes awarded which are recognized as game play completes and prizes are known (refer to Note 8 for more information on iLottery instant games revenue and expense). All revenues are reported net of free plays, discounts, and allowances. Receivables represent amounts due from retailers and amounts due from members of multi-state lotteries related to jackpot prizes won in the State of Michigan.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Lottery considers equity in the State Treasurer's Common Cash pool to be cash equivalents.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity in State Treasurer's Common Cash Fund

The State Treasurer manages the State's Common Cash pool, which is used by the Lottery. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool and presented in this report as "Equity in State Treasurer's Common Cash."

Investment policies and risk categorization are included in the State of Michigan's Annual Comprehensive Financial Report.

Investments

Investments are reported at fair value. Investments are in U.S. Treasury zero-coupon bonds and State of Michigan General Obligation Capital Appreciation Bonds, Series 2009B (Michigan CAB Bonds). These investments are purchased to meet future installment payments to prize winners. Gains and losses are generally not realized on investments, as it is the Lottery's and State Treasurer's policy to hold the Lottery's investments to maturity or liquidation. The difference between the fair value and the amortized cost is reported as restricted for school aid fund on the Statement of Net Position.

Inventory

Inventory consists of Instant game tickets, Pull Tab game tickets and charity game tickets on hand and for sale at year end as well as merchandise prizes for games that have not started as of September 30, 2025 and 2024. The inventory is valued at cost, primarily using the weighted average method.

Provision for Doubtful Accounts

The Lottery establishes an allowance for bad debt for retailer receivables greater than 90 days old. A bad debt expense is recorded when the allowance is established for these receivables. The amount of the

allowance for doubtful accounts totaled $3,556,436 as of September 30, 2025, and $2,740,407 as of September 30, 2024.

Capital Assets

The Lottery has established a $5,000 threshold for capitalization of purchases of assets, which include equipment, leasehold improvements, and right-to-use assets and are reported in the Statement of Net Position. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Depreciation of equipment is computed using the straight-line method over the estimated useful life of the assets. The Lottery has established a $5 million threshold for intangible assets such as constructed computer software.

Information technology equipment including constructed computer software is depreciated over five years, the estimated useful life of the assets. Right-to-use assets are depreciated over the shorter of the useful life of the asset or the lease term. Building leasehold improvements are depreciated over the lesser of eight years, the estimated useful life of the improvements, or the lease term. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Advance Wagers

All draw games may be played on an advance wager basis. An associated liability is recognized for all wagers received for drawings to be conducted after the end of the reporting period.

Unclaimed Prizes

Prizes not claimed within one year after the drawing date or after the expiration date indicated on the back of the Instant and Pull Tab tickets, are forfeited by the ticket holder. The Lottery estimates the amount of winning draw game, Instant and Pull Tab tickets which will not be claimed within one year after the drawing date for draw tickets or after the expiration date for Instant and Pull Tab tickets. All unclaimed prizes, including expired iLottery claims, are disbursed to the State School Aid Fund as provided by State statute.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Lottery reports deferred outflows of resources related to pensions and other postemployment benefit costs in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future period and so will not be recognized as an inflow of resources (revenue) until that time. The Lottery reports deferred inflows of resources related to pensions and other postemployment benefits in this category.

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For the purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information

about fiduciary net position and additions to/deductions from fiduciary net position of the State Employees' Retirement System (SERS) or the postemployment life insurance benefits plan (the "Plan") have been determined on the same basis as they are reported by SERS or the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

The Lottery is a lessee for noncancellable leases of equipment and buildings. The Lottery recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. At the commencement of a lease, the Lottery initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The Lottery uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Lottery generally uses the Published Prime Rate as of the beginning of the fiscal year. The lease term includes the noncancellable period of the lease. If the lease contains an option to extend and it is reasonably certain, based on all relevant factors, that the option will be exercised, then the lease term includes that additional period.

Lease payments included in the measurement of the lease liability are composed of fixed payments. The Lottery monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Net investment in capital assets consists of equipment, leasehold improvements, and right-to-use assets less lease obligations. The difference between the fair value of investments and the amortized book value of investments is considered restricted for School Aid Fund and is not available for disbursement to the School Aid Fund until realized in accordance with Public Act 239. Additionally, the pension and OPEB liabilities recorded in accordance with GASB Statement No. 68 and Statement No. 75, as well as the change in net pension and OPEB liability and deferred inflows and outflows related to pensions and OPEB are also considered restricted for School Aid Fund. As of September 30, 2025 and 2024, the impact of the various amounts restricted for the School Aid Fund resulted in a negative net position. This negative position has been reported as unrestricted on the Statement of Net Position since restricted amounts cannot be negative. This created an overall deficit net position for the Lottery.

Accounting Changes and Error Corrections

Adoption of New Accounting Pronouncements

During the current year, the Lottery adopted GASB Statement No. 101, *Compensated Absences*. As a result,

the accounts payable and other liabilities and accrual for compensated, less current portion lines within the statement of net position has been calculated to comply with this new pronouncement. The beginning of period net position for both the six-month period ended and year ended September 30, 2025 have been restated in order to adopt GASB Statement No. 101. The comparative period was not restated due to the lack of availability of information. The restatement was accounted for in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections.* The effects of this adoption of a new accounting pronouncement are shown in the table below.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, the changes noted above resulted in restatements of beginning net position as follows:

	As Previously Reported	Adoption of New Accounting Pronouncement	As Restated
Enterprise Fund - Six-month period ended	$ 45,998,086	$ 2,055,186	$ 48,053,272
Enterprise Fund - Year ended	43,197,642	2,055,186	45,252,828

NOTE 2 - EQUITY IN STATE TREASURER'S COMMON CASH

The Lottery participates in the State Treasurer's Common Cash pool. The investment authority for the pool is found in Michigan Compiled Laws Sections 21.141 – 21.147. The pooling of cash allows the State Treasurer

to invest monies not needed to pay immediate obligations so the investment earnings on available cash are maximized.

The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidence of indebtedness of the United States Government and its agencies and in prime commercial paper. The Treasurer invests excess cash in short-term investments or cash equivalents.

The following paragraphs provide disclosures about deposits and investments of the State Treasurer's Common Cash Fund:

Common Cash Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

a. Uncollateralized

b. Collateralized with securities held by the pledging financial institution

c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The State Treasurer's policy requires the following criteria to lessen the custodial credit risk: all financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits to secure the State's fund. A bank, savings and loan association, or credit union holding State funds must be organized under the laws of Michigan or federal law and maintain a principal office or branch office in the State of Michigan. No deposit in any financial organization may be in excess of 50 percent of the net worth of the organization.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits. Michigan Compiled Laws Section 487.714 requires State deposits to be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. No deposits were exposed to foreign currency risk, as is precluded by State policy.

Common Cash Investments

Risk

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Custodial credit risk, credit risk, and interest rate risk are discussed in the following paragraphs:

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of the outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either:

The counterparty, or

The counterparty's trust department or agent but not in the government's name.

The State Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2025 and 2024, common cash investments were not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations. Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by the two major rating services: Standard and Poor's (A-1); and Moody's (P-1). Borrowers must have at least $400 million in commercial paper outstanding, and the State Treasurer may not invest in more than 10% of the borrower's outstanding debt. The investments are further limited to $200 million in any borrower unless the borrower has an A-1+ rating in which case the investment is not to exceed $300 million. As of September 30, 2025 and 2024, the Lottery does not hold any investments in commercial paper.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk.

NOTE 3 - INVESTMENTS

Investments totaling $111,265,450 at September 30, 2025, and $120,033,970 at September 30, 2024, are in the form of U. S. Treasury zero-coupon bonds and State of Michigan General Obligation Capital Appreciation Bonds, series 2009B (Michigan CAB bonds).

These investments were purchased to fund future payments due to annuity prize winners. The bonds are reported at fair value. The corresponding liability to the prize winners is recorded in prizes payable and is disclosed in Note 7. For the year ended September 30, 2025 and 2024, cash receipts from the maturity of investments totaled $11,636,333 and $13,620,333, respectively. For the six months ended September 30, 2025 and 2024, cash receipts from the maturity of investments totaled $2,818,333 and $4,218,333, respectively.

Investments at September 30 consist of the following:

	2025	2024
U. S. Treasury zero-coupon bonds	$ 96,990,968	$ 104,862,180
Michigan CAB bonds	14,274,482	15,171,790
Total Investments	$ 111,265,450	$ 120,033,970

As reported on the Statement of Net Position:

	2025	2024
Current investments	$ 11,776,758	$ 11,504,232
Non-current investments	99,488,692	108,529,738
Total Investments	$ 111,265,450	$ 120,033,970

Policy Disclosures

Investment authority with regard to the State Lottery Fund is delegated to the State Treasurer per the Michigan Compiled Laws Section 432.41. This authority is the same investment authority with regard to the State's pension (and other employee benefit) trust funds which is found in Michigan Compiled Laws Section 38.1133. The law allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments.

The law has prudence standards and requires that the assets shall be invested solely in the interest of the participants and beneficiaries. The Lottery's policy is to invest solely in U. S. Treasury zero-coupon bonds and Michigan CAB bonds and hold them to maturity.

Interest Rate Risk

Investments for prize annuities at September 30, 2025 and 2024 consist of the following:

September 30, 2025

Maturities in Years	Investments in United States Treasury Zero-Coupon Bonds	Interest Rate Low to High	Investments in Michigan CAB Bonds	Interest Rate Low to High
Less than 1	$ 10,313,440	2.09% to 4.27%	$ 1,463,318	8.31% to 8.31%
1-5	43,087,745	1.79% to 4.55%	12,811,165	8.33% to 8.39%
6-10	33,267,266	2.09% to 4.79%	-	-
11-15	7,147,413	2.45% to 3.36%	-	-
16-20	2,964,320	2.57% to 3.35%	-	-
21-25	210,784	2.39% to 3.05%	-	-
Fair Value	$ 96,990,968		$ 14,274,483	

September 30, 2024

Maturities in Years	Investments in United States Treasury Zero-Coupon Bonds	Interest Rate Low to High	Investments in Michigan CAB Bonds	Interest Rate Low to High
Less than 1	$ 10,044,488	2.01% to 4.79%	$ 1,459,744	8.29% to 8.29%
1-5	44,559,442	1.65% to 4.84%	13,712,046	8.31% to 8.39%
6-10	31,598,324	1.75% to 4.79%	-	-
11-15	14,584,766	2.03% to 4.79%	-	-
16-20	3,814,812	2.57% to 3.68%	-	-
21-25	260,348	2.39% to 3.06%	-	-
Fair Value	$ 104,862,180		$ 15,171,790	

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments. The State does not have a policy regarding interest rate risk for long-term debt investments. The investments are subject to fluctuations in fair value due to interest rate risk, but these bonds are held to maturity to satisfy the annual installment obligations to the prize winners. The fair value at maturity is the face value of the bonds regardless of the fluctuations in value during the time period that the investments are outstanding, thus minimizing the interest rate risk, if held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment grade, as defined in MCL Section 38.1132, includes investments in the top four major grades, as determined by two national rating services. The State Treasurer's policy is to use Standard & Poor's (AAA, AA, A, BBB) and Moody's (Aaa, Aa, A, Baa).

The Lottery's policy is that all long-term fixed income investments, unless unrated, must be investment-grade at the time of purchase unless specific requirements are met.

U. S. Treasury zero-coupon bonds are explicitly guaranteed by the U. S. government and credit quality ratings are therefore not required.

The Lottery's procedure to invest in this type of bond does not require a specific credit rating, but credit quality is inherently high as the bonds are explicitly guaranteed by the U.S. government. As of September 30, 2025 and 2024, the Lottery's investments in Michigan CAB bonds were rated AA by Standard and Poor's and Aa1 by Moody's.

Concentration of Credit Risk

Investments are in U. S. Treasury zero-coupon bonds and Michigan CAB bonds. U. S. Treasury zero-coupon bonds are guaranteed by the United States government. Therefore, there is no concentration of credit risk for those types of bonds. As of September 30, 2025, investments in Michigan CAB bonds account for 12.8% of the total Investments as compared to 12.6% as of September 30, 2024. The ratio has slightly increased due to the larger maturities of U. S. Treasury bonds in the past year in comparison to the CAB bond maturities.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Lottery will not be able to recover the value of the investments that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the entity, and are held by either the counterparty or by the counterparty's trust department or agent, but not in the entity's name. The Lottery does not have any of these types of investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. As of September 30, 2025, and 2024 the Lottery had no investments subject to foreign currency risk.

NOTE 4 – FAIR VALUE MEASUREMENT

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Lottery's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Lottery has the following recurring fair value measurements as of September 30:

	2025	2024
U.S. Treasury zero-coupon bonds	$ 96,990,968	$ 104,862,180
Michigan CAB bonds	14,274,482	15,171,790

The fair value of U.S. Treasury zero-coupon bonds and Michigan CAB bonds at September 30, 2025 and 2024 were determined primarily based on level 2 inputs. The Lottery estimates the fair value of these investments using the matrix pricing technique using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

NOTE 5 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal years ended September 30, 2025 and 2024 is as follows:

September 30, 2025

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	$ 1,955,988	$ -	$ -	$ 1,955,988
Equipment	3,190,545		513,471	2,677,074
Right-to-use assets - buildings	1,471,245	-	-	1,471,245
Total capital assets being depreciated	6,617,778	-	513,471	6,104,307
Less: accumulated depreciation				
Leasehold improvements	1,955,988	-	-	1,955,988
Equipment	2,676,201	124,018	513,471	2,286,748
Right-to-use assets - buildings	394,520	125,380	-	519,900
Total accumulated depreciation	5,026,709	249,398	513,471	4,762,636
Total capital assets being depreciated, net	$ 1,591,069	$ (249,398)	$ -	$ 1,341,671

September 30, 2024

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	$ 1,955,988	$ -	$ -	$ 1,955,988
Equipment	2,653,382	537,163	-	3,190,545
Right-to-use assets - buildings	1,471,245	-	-	1,471,245
Total capital assets being depreciated	6,080,615	537,163	-	6,617,778
Less: accumulated depreciation				
Leasehold improvements	1,955,988	-	-	1,955,988
Right-to-use assets - buildings	2,543,927	132,274	-	2,676,201
Equipment	272,694	121,826	-	394,520
Total accumulated depreciation	4,772,609	254,100	-	5,026,709
Total capital assets being depreciated, net	$ 1,308,006	$ 283,063	$ -	$ 1,591,069

NOTE 6 - DISAGGREGATION OF PAYABLE BALANCE

Accounts payable and other liabilities at September 30, 2025 and 2024 were as follows:

	2025	2024
Accounts payable vendors	$ 28,893,441	$ 21,225,701
Retailer security deposits/accounts payable	6,414,308	8,840,839
Accrued salaries	1,350,281	1,055,096
Compensated absences	1,612,037	997,705
Total	$ 38,270,067	$ 32,119,341

NOTE 7 - PRIZE AWARDS

Installment prize awards are recorded at their present value using discount rates ranging from 1.7% to 6.5%. U.S. Treasury zero-coupon bonds and State of Michigan General Obligation Capital Appreciation Bonds have been purchased to provide for the payment of installment prize awards in addition to cash maintained in the State's common cash fund.

Prize awards payable as of September 30, were as follows:

	2025	2024
Current - at face amount	$ 223,355,468	$ 211,164,902
Less - unamortized discount	(225,231)	(224,878)
Current - at present value	223,130,237	210,940,024
Non-current - at face amount	146,644,485	150,455,930
Less - unamortized discount	(36,100,534)	(37,687,570)
Non-current - at present value	110,543,951	112,768,360
Total	$ 333,674,188	$ 323,708,384

Prize awards payable for the fiscal year ending September 30:

2026	$ 12,230,972
2027	12,286,972
2028	12,028,972
2029	11,826,972
2030	11,626,972
2031-2035	53,576,360
2036-2040	20,107,960
2041-2045	10,422,460
2046-2050	7,061,531
2051-2055	3,976,886
2056-2060	1,415,400
2061-2065	1,020,000
2066-2070	670,000
2071-2075	520,000
2076-2080	104,000
Total	158,875,457
Less - unamortized discount	(36,325,765)
Total installment prize awards payable at present value	122,549,692
Non-installment prize awards payable	211,124,496
Total prize awards payable	$ 333,674,188

Long-term liability activity of installment prize awards payable for the fiscal years ended September 30 was as follows:

Fiscal Year Ending	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year at Present Value
2025	$ 124,611,091	$ 43,043,282	$ 45,104,681	$ 122,549,692	$ 12,005,741
2024	$ 130,442,040	$ 40,696,418	$ 46,527,367	$ 124,611,091	$ 11,842,731

NOTE 8 – iLOTTERY NET WIN

iLottery instant game revenue is reported in ticket sales net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Net Position (refer to Supplementary Schedule of Revenue and Expenses for details of sales and prize awards of each Lottery game). The following schedule details the iLottery instant game sales and prize activity for the fiscal years ended September 30, 2025 and 2024:

	2025	2024
Sales	$ 1,594,359,704	$ 1,731,602,794
Prizes	(1,425,902,791)	(1,540,735,019)
iLottery Net Win	$ 168,456,913	$ 190,867,775

NOTE 9 - COMPENSATED ABSENCES

Employees are granted vacation pay in varying amounts based on length of service. Accumulated unused vacation pay is paid to employees or their beneficiaries upon death, retirement or resignation. Sick leave accrues for all employees at the rate of four hours for each two-week period worked. Up to 50% of accumulated, unused sick leave of employees hired prior to October 1, 1980, is paid to the employees or their beneficiaries upon death, retirement, or resignation. For employees hired after September 30, 1980, unused sick leave is forfeited upon termination of employment. In accordance with state Civil Service Rules, longevity compensation payments, which are separate from regular compensation, are paid based on employee years of service.

The State instituted a banked leave time program October 12, 2003 through November 5, 2005 whereby eligible employees worked a regular schedule but received pay for a reduced number of hours. The banked leave time program was reinstated February 21, 2010 through September 4, 2010 for non-represented employees. Upon an employee's separation, death or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State's 401(k) plans, and if applicable to the State's 457 plans.

Compensated absences are recognized due to leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Compensated absences activity of these benefits for the fiscal years ended September 30 was as follows:

Fiscal Year Ending	Beginning Balance	Beginning Balance Restatement	Additions	Reductions	Ending Balance	Due Within One Year	Non-Current Liability
2025	$ 2,353,323	$ 2,055,186	$ 2,044,811	$ 1,808,435	$ 4,644,885	$ 1,612,037	$ 3,032,848
2024	$ 2,299,069	$ -	$ 1,862,033	$ 1,807,779	$ 2,353,323	$ 997,705	$ 1,355,618

The table above discloses the gross change in compensated absences of the Lottery.

NOTE 10 – PENSION PLAN & OTHER EMPLOYEE BENEFITS

Defined Pension Plan

A. Plan Description

The Michigan State Employees Retirement System (the "System" or "SERS") is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The executive order establishes the board's authority to promulgate or amend the provision of the System.

The board consists of nine members:

- The Attorney General
- The State Treasurer
- The Legislative Auditor General
- The State Personnel Director
- One member or retirant of the State Employees' Retirement System appointed by the Governor
- One member of the Judges Retirement System appointed by the Governor
- One current or former member or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employees' Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to the State's government employees. The System is accounted for in a separate pension trust fund and is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the system. The System's financial statements are available online at michigan.gov/ors.

B. Benefits Provided

Introduction - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 240 of 1943, State Employees' Retirement Act, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides duty disability, non-duty disability and survivor benefits.

A member who has separated from employment may request a refund of his or her member contribution account. A refund may cancel a former member's rights to future benefits. However, former members who return to employment and who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Effective March 31, 1997, Public Act 487 of 1996 closed the plan to new entrants. All new employees become members of the defined contribution plan. The Public Act allows returning employees and

members who left State employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

Pension Reform of 2012 - On December 15, 2011, the Governor signed Public Act 264 of 2011 into law. The legislation granted members a choice regarding their future retirement plan. They had the following options:

- Option 1: DB Classified. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of their annual compensation to the pension fund until they terminate state employment. The 4% contribution began on April 1, 2012.

- Option 2: DB 30. Members voluntarily elected to remain in the DB plan for future service and contribute 4% of pay until they reach 30 years of service. When they reach 30 years of service, they will switch to the State's DC plan. The 4% contribution began April 1, 2012 and continues until they switch to the DC plan or terminate employment, whichever comes first.

- Option 3: DB/DC Blend. Members voluntarily elected not to pay the 4% and therefore became participants in the DC plan for future service beginning April 1, 2012. As a DC plan participant they receive a 4% employer contribution to their 401(k) account and are eligible for an additional dollar-for-dollar employer match of up to 3% of pay to the plan.

Deferred members of the DB plan (with 10 or more years of service) who are reemployed by the State on or after January 1, 2012, become participants in the DC plan. Their pension calculation is determined by their final average compensation (FAC) and years of service as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members of the DB plan (with less than 10 years of service) who are reemployed by the State on or after January 1, 2012 and before January 1, 2014, become participants in the DC plan. When they have earned sufficient service credit for vesting (10 years) they would be eligible for a pension based on their FAC and years of service in the DB plan as of March 31, 2012. They retain their eligibility for the retiree health insurance premium subsidy offered by the State.

Former nonvested members (with less than 10 years of service) of the DB plan who are reemployed by the State on or after January 1, 2014 become members of the DC plan. Any service credit previously earned would count towards vesting for the DC plan. They will not be eligible for any pension or retiree health insurance coverage premium but will become a participant in the Personal Healthcare Fund where they will contribute up to 2% of their compensation to a 401(k) or 457 account, earning a matching 2% employer contribution. They will also receive a credit into a health reimbursement account (HRA) at termination if they terminate employment with at least 10 years of service. The credit will be $2,000 for participants who are at least 60 years old or $1,000 for participants who are less than 60 years old at termination.

Regular Retirement - The retirement benefit is based on a member's years of credited service (employment) and FAC. The normal benefit equals 1.5% of a member's FAC multiplied by the years and partial year of credited service and is payable monthly over the member's lifetime.

Under PA 264 of 2011, FAC is initially determined as the annual average of the highest three years of compensation (including overtime paid before January 1, 2012, but excluding overtime paid after December 31, 2011). If the end date for the initial FAC calculation is between January 1, 2012, and January 1, 2015, then a prorated amount of post-2008 average overtime will be added to the initial FAC

calculation. If the end date for the initial FAC calculation is January 1, 2015, or later, then an annual average of overtime – for the six-year period ending on the FAC calculation date – will be added to that initial FAC calculation to get the final FAC number.

For members who switch to the DC plan for future service, the pension calculation FAC times 1.5% times years of service) will be determined as of the point the member switches to the DC plan. If the FAC period includes the date of the switch to the DC plan, then the FAC will include up to 240 hours of accrued annual leave multiplied by the rate of pay as of the date of the switch. The hours will be paid at separation.

A member may retire and receive a monthly benefit after attaining:

1. age 60 with 10 or more years of credited service; or
2. age 55 with 30 or more years of credited service; or
3. age 55 with at least 15 but less than 30 years of credited service. The benefit allowance is permanently reduced 0.5% for each month from the member's age on the effective date of retirement to the date the member will attain age 60.

Employees in covered positions are eligible for supplemental benefits and may retire after attaining:

1. age 51 with 25 or more years in a covered position; or
2. age 56 with 10 or more years in a covered position.

In either case, the three years immediately preceding retirement must have been in a covered position.

Deferred Retirement - Any member with 10 or more years of credited service who terminates employment but has not reached the age of retirement is a deferred member and is entitled to receive a monthly pension upon reaching age 60, provided the member's accumulated contributions have not been refunded. Deferred retirement is available after five years of service for State employees occupying unclassified positions in the executive and legislative branches and certain Department of Health and Human Services employees subject to reduction in force lay-offs by reason of deinstitutionalization.

Non-Duty Disability Benefit - A member with 10 or more years of credited service who becomes totally and permanently disabled not due to performing duties as a State employee is eligible for a non-duty disability pension.

The non-duty disability benefit is computed in the same manner as an age and service allowance based upon service and salary at the time of disability.

Duty Disability Benefit - A member who becomes totally and permanently disabled from performing duties as a State employee as a direct result of State employment and who has not met the age and service requirement for a regular pension, is eligible for a duty disability pension.

Public Act 109 of 2004 amended the State Employees' Retirement Act to change the calculation of the pension benefit and increase the minimum annual payment. If the member is under age 60, the duty disability allowance is now a minimum of $6,000 payable annually. At age 60 the benefit is recomputed under service retirement.

Survivor Benefit - Upon the death of a member who was vested, the surviving spouse shall receive a benefit calculated as if the member had retired the day before the date of death and selected a survivor pension. Certain designated beneficiaries can be named to receive a survivor benefit. Public Act 109 of

2004 amended the State Employees' Retirement Act to change the calculation of Duty Death benefits and redefines eligibility for deceased member's survivors. The new minimum duty-related death benefit has been increased to $6,000.

Pension Payment Options - When applying for retirement, an employee may name a person other than his or her spouse as a beneficiary if the spouse waives this right. If a beneficiary is named, the employee must choose whether the beneficiary will receive 100%, 75% or 50% of the retiree's pension benefit after the retiree's death. The decision is irrevocable. A description of the options follows.

Regular Pension - The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to beneficiaries.

100% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 100% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

75% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 75% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

50% Survivor Pension - Under this option, after the retiree's death, the beneficiary will receive 50% of the pension for the remainder of the beneficiary's lifetime. If this option is elected, the normal retirement benefit is reduced by a factor based upon the ages of the retiree and of the beneficiary. The reduction factor is lower than the factor used in the 100% or 75% option previously described. If the beneficiary predeceases the retiree, the pension "pops-up" to the regular pension amount; another beneficiary cannot be named.

Equated Pension - An equated pension may be chosen by any member under age 65 except a disability retiree and an early supplemental retiree. Equated pensions provide an additional amount until age 65 and may be combined with Regular, 100%, 75% or 50% option. At age 65 the monthly amount is permanently reduced. The initial and reduced amounts are based on an estimate of social security benefits at age 65, provided by the Social Security Administration Office. In order to calculate this benefit, members choosing this option must provide ORS with an estimate from the Social Security Administration Office. The actual amount received from social security may vary from the estimate.

Post Retirement Adjustments - One-time upward benefit adjustments were made in 1972, 1974, 1976, 1977 and 1987. Beginning October 1, 1988, a 3% non-compounding increase, up to a maximum of $25 monthly, is paid each October to recipients who have been retired 12 full months. Beginning in 1983, eligible benefit recipients share in a distribution of investment income earned in excess of 8% annually. This distribution is known as the supplemental payment. The supplemental payment is offset by one year's cumulative increases received after the implementation of the annual 3% increase in benefits. These

adjustment payments were not issued during fiscal years 1991 through 1994. Members who retired on or after October 1, 1987, are not eligible for the supplemental payment.

C. Contributions

Member Contributions - Under Public Act 264 of 2011, members who voluntarily elected to remain in the DB plan contribute 4% of compensation to the retirement system. In addition, members may voluntarily contribute to the System for the purchase of creditable service, such as military service or maternity leave, or a universal buy-in. If a member terminates employment before a retirement benefit is payable, the member's contribution and interest on deposit may be refunded. If the member dies before being vested, the member's contribution and interest are refunded to the designated beneficiaries.

Employer Contributions - The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-dollar value funding principles, so the contribution rates do not have to increase over time. For fiscal years ending 2025 and 2024, the Lottery's contribution rate was 23.74% and 23.81% of the defined benefit employee wages and 17.56% and 17.44% of the defined contribution employee wages. The Lottery's contribution to SERS for the fiscal years ending September 30, 2025 and 2024 was $3,398,705 and $3,226,068, respectively.

D. Actuarial Assumptions

The Lottery's net pension liability for the year ended September 30, 2025 was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using general accepted actuarial procedures. Net pension liability for the year ended September 30, 2024 was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures.

The total pension liability was determined using the following actuarial assumptions at the measurement dates:

	September 30	
	2024	**2023**
Wage Inflation Rate	2.75%	2.75%
Projected Salary Increases	2.75 - 11.75, including inflation at 2.75	2.75 - 11.75, including inflation at 2.75
Investment Rate of Return	6.00%, net of investment expenses	6.00%, net of investment expenses
Cost-of-Living Pension Adjustment	3% Annual Non-Compounded with Maximum Annual Increase of $300 for those eligible	3% Annual Non-Compounded with Maximum Annual Increase of $300 for those eligible
Mortality	For active members and disabled retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.	For active members and disabled retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
	For retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 104% for males and 115% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.	For retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 104% for males and 115% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Actuarial assumptions used in the September 30, 2023 and September 30, 2022 valuations were based on the results of an actuarial experience study covering the period from October 1, 2017 through September 30, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2024 and September 30, 2023, are summarized in the following tables:

September 30, 2024
Asset Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.3 %
Private Equity Pools	16.0	9.0
International Equity Pools	15.0	6.5
Fixed Income Pools	13.0	2.2
Real Estate & Infrastructure Pools	10.0	7.1
Absolute Return Pools	9.0	5.2
Real Return and Opportunistic Pools	10.0	6.9
Short Term Investment Pools	2.0	1.4
TOTAL	100.0 %	

*Long-term rates of return are net of administrative expenses and 2.3% inflation

September 30, 2023
Asset Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.8 %
Private Equity Pools	16.0	9.6
International Equity Pools	15.0	6.8
Fixed Income Pools	13.0	1.3
Real Estate & Infrastructure Pools	10.0	6.4
Absolute Return Pools	9.0	4.8
Real Return and Opportunistic Pools	10.0	7.3
Short Term Investment Pools	2.0	0.3
TOTAL	100.0 %	

*Long-term rates of return are net of administrative expenses and 2.7% inflation

E. Discount Rate

A single discount rate of 6.00% was used to measure the total pension liability as of September 30, 2024 and 2023. This discount rate was based on the long term expected rate of return on pension plan investments of 6.00% as of September 30, 2024 and 2023. The projection of cash flows used to determine this discount rate assumed that future plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

At September 30, 2025 net pension liability was measured as of September 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The Lottery's proportion of the net pension liability was based on the Lottery's required pension contributions received by SERS during the measurement period October 1, 2023 through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers.

At September 30, 2024 net pension liability was measured as of September 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The Lottery's proportion of the net pension liability was based on the Lottery's required pension contributions received by SERS during the measurement period October 1, 2022 through September 30, 2023, relative to the total required employer contributions from all of SERS's participating employers.

	Proportionate Share $	Proportionate Share %
2025	$ 18,306,229	0.450 %
2024	$ 25,240,410	0.446 %

G. Pension Liability Sensitivity

The following presents the Lottery's proportionate share of the net pension liability calculated using the discount rate as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	September 30, 2025		
	1% Decrease 5.0%	**Current Discount 6.0%**	**1% Increase 7.0%**
Lottery's proportionate share of the net pension liability	$ 26,275,263	$ 18,306,229	$ 11,479,805

	September 30, 2024		
	1% Decrease 5.0%	**Current Discount 6.0%**	**1% Increase 7.0%**
Lottery's proportionate share of the net pension liability	$ 33,448,828	$ 25,240,410	$ 18,221,155

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting michigan.gov/ors.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Lottery recognized pension recovery of $(127,689) for the year ended September 30, 2025 and expense of $1,690,443 for the year ended September 30, 2024. The Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30, 2025		September 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in experiences	$ -	$ -	$ -	$ -
Changes of assumptions	-	-	-	-
Changes in proportions	-	-	-	-
Net difference between projected and actual earnings on investments	-	4,527,300	-	946,876
Lottery's contributions subsequent to the measurement date	3,398,705	-	3,226,068	-
Total	$ 3,398,705	$ 4,527,300	$ 3,226,068	$ 946,876

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

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	Pension Expense Amount
2026	$ (2,112,878)
2027	53,832
2028	(1,365,772)
2029	(1,102,482)

Defined Contribution Plan

The Lottery participates in the State of Michigan's defined contribution plan system. The Lottery is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Lottery are established and may be amended by the State legislature. The State legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. For the six months ended September 30, 2025 and 2024, Lottery contributions to the plan totaled $576,234 and $530,051 respectively. For the years ended September 30, 2025 and 2024, Lottery's contributions to the plan were $1,145,753 and $1,081,510, respectively, and are recorded in salaries and benefits expense.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Defined Benefit OPEB Plan - Health

A. Plan Description

The Michigan State Employees Retirement System (the "System" or "SERS") is a single-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") and created under Public Act 240 of 1943, as amended. Section 2 of this act established the board's authority to promulgate or amend the provisions of the System. Executive Order 2015-13 signed by the Governor on October 27, 2015 established the State of Michigan Retirement Board. The executive order establishes the board's authority to promulgate or amend the provision of the System.

The board consists of nine members:

- The Attorney General
- The State Treasurer
- The Legislative Auditor General
- The State Personnel Director
- One member or retirant of the State Employees' Retirement System appointed by the Governor
- One member of the Judges Retirement System appointed by the Governor
- One current or former member or enlisted person in the Michigan Military Establishment who is a member or retirant under the Military Retirement Provisions appointed by the Governor
- One retirant member of the State Employees' Retirement System appointed by the Governor
- One member of the general public appointed by the Governor

The System's OPEB plan provides all retirees with the option of receiving health, dental, and vision coverage under the Michigan State Employees' Retirement Act. The System is accounted for in a separate OPEB trust fund and is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the system. The System's financial statements are available online at michigan.gov/ors.

B. Benefits Provided

Benefit provisions of the other postemployment benefit (OPEB) plan are established by State statute, which may be amended. Public Act 240 of 1943, as amended, establishes eligibility and benefit provisions for the OPEB plan. Defined Benefit (Tier 1) members are eligible to receive health, prescription drug, dental, and vision coverage on the first day they start receiving pension benefits. Defined Contribution (Tier 2) participants who elected to retain the graded premium subsidy benefit under the reform elections of Public Act 264 of 2011 are also eligible to receive subsidized health, prescription drug, dental and vision coverage after terminating employment, if they meet eligibility requirements. Retirees with the Premium Subsidy benefit contribute 20% of the monthly premium amount for the health (including prescription coverage), dental and vision coverage. Retirees with a graded premium subsidy benefit accrue credit towards insurance premiums in retirement, earning a 30% subsidy with ten years of service, with an additional 3% subsidy for each year of service thereafter, not to exceed the maximum allowed by statute or 80%. There is no provision for ad hoc or automatic increases. The State Employees' Retirement Act requires joint authorization by DTMB and the Civil Service Commission to make changes to retiree medical benefit plans. Defined Contribution (Tier 2) participants who elected the Personal Healthcare Fund under Public Act 264 of 2011, and those hired on or after January 1, 2012, are not eligible for any subsidized health, prescription drug, dental or vision coverage in retirement, but may purchase it at their own expense (certain conditions apply).

Former nonvested members of the DB plan who are reemployed by the state on or after January 1, 2014 are not eligible for retiree health insurance coverage premium subsidy but will become a participant in the Personal Healthcare Fund.

This plan is closed to new hires.

C. Contributions

The statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the System's actuary and are based upon level-percent of payroll value funding principles, so the contribution rates do not have to increase over time.

For fiscal year ending September 30, 2025, Lottery's contribution rate was 6.22% of the defined benefit and defined contribution employee wages. For the fiscal year ending September 30, 2024, Lottery's contribution rate was 11.43% of the defined benefit and defined contribution employee wages. The Lottery's contribution to SERS for the fiscal years ending September 30, 2025 and 2024 were $1,168,693 and $2,045,769, respectively. Active employees are not required to contribute to SERS OPEB.

D. Actuarial Assumptions

The Lottery's net OPEB liability for the year ended September 30, 2025 was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an

actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. Net OPEB liability for the year ended September 30, 2024 was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures.

The total OPEB liability was determined using the following actuarial assumptions at the measurement dates:

	September 30	
	2024	**2023**
Wage Inflation Rate	2.75%	2.75%
Projected Salary Increases	2.75% - 11.75%, including inflation at 2.75%	2.75% - 11.75%, including inflation at 2.75%
Investment Rate of Return	6.20%, net of investment expenses	6.20%, net of investment expenses
Health Care Cost Trend Rate	Pre-65: 7.25% Year 1 graded to 3.50% in Year 15 Post 65: 6.50% Year 1 graded to 3.50% in Year 15	Pre-65: 7.50% Year 1 graded to 3.50% in Year 15; 3.0% year 120 Post 65: 6.25% Year 1 graded to 3.50% in Year 15; 3.0% year 120
Mortality	For active members and disabled retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.	For active members and disabled retirees, PubG-2010 Male and Female Retiree Morality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Actuarial assumptions used in the September 30, 2023 and September 30, 2022 valuations were based on the results of an actuarial experience study covering the period from October 1, 2017 through September 30, 2022.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2024 and 2023, are summarized in the following tables:

September 30, 2024 Asset Allocation				
Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity Pools	25.0	%	5.3	%
Private Equity Pools	16.0		9.0	
International Equity Pools	15.0		6.5	
Fixed Income Pools	13.0		2.2	
Real Estate & Infrastructure Pools	10.0		7.1	
Absolute Return Pools	9.0		5.2	
Real Return and Opportunistic Pools	10.0		6.9	
Short Term Investment Pools	2.0		1.4	
TOTAL	100.0	%		

*Long-term rates of return are net of administrative expenses and 2.3% inflation

September 30, 2023 Asset Allocation				
Asset Class	Target Allocation		Long Term Expected Real Rate of Return*	
Domestic Equity Pools	25.0	%	5.8	%
Private Equity Pools	16.0		9.6	
International Equity Pools	15.0		6.8	
Fixed Income Pools	13.0		1.3	
Real Estate & Infrastructure Pools	10.0		6.4	
Absolute Return Pools	9.0		4.8	
Real Return and Opportunistic Pools	10.0		7.3	
Short Term Investment Pools	2.0		0.3	
TOTAL	100.0	%		

*Long-term rates of return are net of administrative expenses and 2.7% inflation

E. Discount Rate

A single discount rate of 6.20% was used to measure the total OPEB liability as of September 30, 2024 and 2023. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.20% as of September 30, 2024 and 2023. The projection of cash flows used to determine this single discount rate assumed that in the future, plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member (retiree) rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Net OPEB Liability

At September 30, 2025, the Lottery reported a liability of $1,522,418 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023 and rolled-forward using generally accepted actuarial procedures. The Lottery's proportion of the net OPEB liability was based on Lottery's required OPEB contributions received by SERS during the measurement period October 1, 2023, through September 30, 2024, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2024, Lottery's proportion was 0.449%.

At September 30, 2024, the Lottery reported a liability of $7,497,397 for its proportionate share of SERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022 and rolled-forward using generally accepted actuarial procedures. The Lottery's proportion of the net OPEB liability was based on Lottery's required OPEB contributions received by SERS during the measurement period October 1, 2022, through September 30, 2023, relative to the total required employer contributions from all of SERS's participating employers. At September 30, 2023, Lottery's proportion was 0.446%.

G. Sensitivity of the NET OPEB Liability to Changes in the Discount Rate

The following presents the Lottery's proportionate share of the net OPEB liability calculated using the discount rate as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	September 30, 2025		
	1% Decrease 5.2%	Current Discount 6.2%	1% Increase 7.2%
Lottery's proportionate share of the net OPEB liability	$ 5,021,752	$ 1,522,418	$ (1,452,930)

	September 30, 2024		
	1% Decrease 5.2%	Current Discount 6.2%	1% Increase 7.2%
Lottery's proportionate share of the net OPEB liability	$ 11,159,118	$ 7,497,397	$ 4,388,840

Sensitivity of the NET OPEB Liability to Healthcare Cost Trend Rates

The following table presents the Lottery's proportionate share of the net OPEB liability calculated using the assumed trend rates as well as what the proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current trend rate:

	September 30, 2025		
	1% Trend Decrease	Current Trend Rate	1% Trend Increase
Lottery's proportionate share of the net OPEB liability (asset)	$ (1,594,315)	$ 1,522,418	$ 5,066,529

	September 30, 2024		
	1% Trend Decrease	Current Trend Rate	1% Trend Increase
Lottery's proportionate share of the net OPEB liability	$ 4,239,105	$ 7,497,397	$ 11,209,172

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the SERS Annual Comprehensive Financial Report that may be obtained by visiting michigan.gov/ors.

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2025 and 2024 the Lottery recognized OPEB recovery of $4,342,333 and $3,024,559, respectively. At September 30, 2025 and 2024, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	September 30, 2025		September 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in experiences	$ -	$ 12,199,293	$ -	$ 14,864,448
Changes of assumptions	2,457,977	413,388	3,289,966	628,813
Changes in proportions	1,087,910	463,274	1,329,260	803,333
Net difference between projected and actual earnings on investments	-	1,633,721	100,455	-
Lottery's contributions subsequent to the measurement date	1,168,693	-	2,045,769	-
Total	$ 4,714,580	$ 14,709,676	$ 6,765,450	$ 16,296,594

Amounts reported as deferred outflows of resources related to OPEB resulting from the Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Expense Amount
2026	$ (4,459,938)
2027	(2,455,458)
2028	(2,418,341)
2029	(1,536,155)
2030	(293,897)

Defined Contribution Plan

The Lottery participates in the State of Michigan's defined contribution plan system. The Lottery is required to contribute to the defined contribution plan 4.0 percent of payroll with an additional match of up to 3.0 percent. The contribution requirements of plan members and the Lottery are established and may be amended by the State legislature. The State legislature establishes the extent to which employer and employees are required to make contributions and establishes the benefit provisions for the plan. For the six months ended September 30, 2025 and 2024, Lottery contributions to the plan totaled $84,424 and $73,891, respectively. Lottery's contributions to the plan were $166,356 for the year ended September 30, 2025 and $148,020 for the year ended September 30, 2024 and are recorded in salaries and benefits expense.

Postemployment Life Insurance Benefits

A. Plan Description

The State of Michigan provides postemployment life insurance benefits (the Plan) to eligible individuals upon retirement from State employment. Members of the State Employees Retirement System (SERS), the State Police Retirement System (SPRS), the Judges' Retirement System (JRS), and certain members of the Military Retirement Provisions (MMRP) may receive a life insurance benefit if they meet the benefit eligibility requirements. The Plan is a single-employer, state-wide, defined benefit other postemployment benefits (OPEB) plan. The State contracts with Minnesota Life Insurance Company to administer the payout of life insurance benefits. The Plan is administered by the Michigan Civil Service Commission under Article XI, Section 5 of the Michigan Constitution of 1963, and Michigan Civil Service Commission Rule 5-11.

Activity of the Plan is accounted for in the State Sponsored Group Insurance Fund (Fund), an internal service fund in the State of Michigan Annual Comprehensive Financial Report (SOMACFR). The Fund was administratively established to account for employee insurance benefit programs, which are largely self-funded. Five group insurance programs are offered to State employees: health, dental, vision, long-term disability, and life. The Plan is not a trust and has no assets.

B. Benefits Provided

The State's group policy with Minnesota Life Insurance Company includes any active employee in the category of classified State service with an appointment of at least 720 hours duration, but excluding employees with non-career appointments and those working less than 40% of full time; any active official

or active unclassified employee of the State who has been approved for coverage by the Civil Service Commission; any retired employee or official who was insured under this policy or the prior policies it replaced prior to entry into a State Retirement System; and Wayne County employees who a) were State Judicial Council employees on October 1, 1996 and whose employment was transferred to the Recorder's Court on October 1, 1996 and b) whose employer subsequently became the Wayne County Clerk's Office.

Eligible retirees are provided with life insurance coverage equal to 25% of the active life insurance coverage (which amount is rounded to the next higher $100 provided the retiree retired after July 1, 1974), $1,000 for spouse and $1,000 for each dependent under age 23. The active life insurance amount is either a) two times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $200,000; or b) one times the employee's basic annual salary, the result rounded to the next higher $1,000 if not already a multiple thereof, with a minimum of $10,000 and a maximum of $50,000.

C. Contributions

The State contributes 100% of the premiums for employee and retiree life insurance coverage. The premium rate for fiscal year 2024 and 2023 was $0.32, for each $1,000 of coverage of active payroll per pay period.

The employee contributes 100% of the premiums for dependent life coverage, and an employee must have been enrolled in dependent life insurance to maintain eligibility for dependent coverage as a retiree. The State is liable for benefit payments that exceed premiums paid.

The Michigan Civil Service Commission is responsible for establishing and amending funding policies. More specific information concerning eligibility requirements, benefit level, and funding policies is included in employee collective bargaining agreements, benefit plan booklets, and rules and regulations issued by the Michigan Civil Service Commission.

D. Actuarial Valuations and Assumptions

The Lottery's total OPEB liability as of September 30, 2025 was measured as of September 30, 2024 and is based on an actuarial valuation performed as of September 30, 2023 and rolled forward using generally accepted actuarial procedures. The Lottery's total OPEB liability as of the September 30, 2024 was measured as of September 30, 2023 and is based on an actuarial valuation performed as September 30, 2023 and rolled forward using generally accepted actuarial procedures.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method with these characteristics: a) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and b) each annual normal cost is a constant percentage of the members' year by year projected covered pay.

The total OPEB liability was measured using the following actuarial assumptions:

Wage Inflation Rate:	2.75% per year at September 30, 2024 and 2023
Investment Rate of Return (discount rate):	3.81% per year at September 30, 2024 4.63% per year at September 30, 2023

Mortality: Healthy Life and Disabled Life Mortality, with 110% used in the pension valuations for SERS plan members at September 30, 2024 and 2023.

IBNR: A liability equal to 25.0% of expected first year cash flow was held for postemployment life insurance benefits claims incurred but not reported (IBNR).

Spouse Benefits for Future Retirees: The liabilities for active members were loaded to account for potential postemployment life insurance benefits payable to spouses of future retirees at 1.00% for SERS retirees at September 30, 2024 and 2023.

Spouse Benefits for Current Retirees: The liabilities for retired members were loaded to account for postemployment life insurance benefits payable to the spouses of current retirees at 1.00% for SERS retirees at September 30, 2024 and 2023.

Other: The face values of the plan policies currently in force were requested by the actuary but were not available for use in this valuation. The actuary estimated the value of the postemployment life insurance benefit policies for retirees as follows:

Individuals retired after July 1974: 50% x compensation at retirement (compensation reported for the 2021 retirement system valuations)

Spousal benefits: $1,000
Individuals retired on or before July 1974: A minimum benefit of $1,000 and a maximum benefit of $5,000 for an average of 3,000
Spousal benefits: $1,000

Data for current retiree members of the Plan was not available for use in this valuation. All current retiree members of the retirement plans deemed eligible for postemployment life insurance benefits and reported in connection with the 2023 retirement valuations were included in this valuation of the Plan.

E. Discount Rate

A discount rate of 3.81% and 4.63% was used to measure the ending total OPEB liability for Postemployment Life Insurance Benefits as of September 30, 2024 and 2023, respectively. This discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date since the plan has no assets.

F. Total OPEB Liability for Postemployment Life Insurance Benefits

As of September 30, 2025, the Lottery reported a liability of $4,847,075 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2024 based on an actuarial valuation as of September 30, 2023 and rolled

forward using generally accepted actuarial procedures. The Lottery's proportion of the total OPEB liability was determined by dividing the Lottery's actual contributions to the Plan during the measurement period of October 1, 2023 through September 30, 2024, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2024, the Lottery's proportion was 0.439%.

As of September 30, 2024, the Lottery reported a liability of $4,245,323 for its proportionate share of the State's Postemployment Life Insurance Benefit's total OPEB liability. The total OPEB liability was measured as of September 30, 2023 based on an actuarial valuation performed as of that date. The Lottery's proportion of the total OPEB liability was determined by dividing the Lottery's actual contributions to the Plan during the measurement period of October 1, 2022 through September 30, 2023, by the percent of OPEB actual contributions received from all applicable employers. At September 30, 2023, the Lottery's proportion was 0.417%.

G. Sensitivity of the Total OPEB Liability for Postemployment Life Insurance

The following presents the Lottery's proportionate share of the total OPEB liability calculated using the discount rate as well as what the proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount:

	September 30, 2024		
	1% Decrease 2.81%	Current Discount 3.81%	1% Increase 4.81%
Lottery's proportionate share of the total OPEB liability	$ 5,645,350	$ 4,847,075	$ 4,208,485

	September 30, 2023		
	1% Decrease 3.63%	Current Discount 4.63%	1% Increase 5.63%
Lottery's proportionate share of the total OPEB liability	$ 4,907,471	$ 4,245,323	$ 3,712,637

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for Postemployment Life Insurance Benefits

For the years ended September 30, 2025 and 2024, the Lottery recognized OPEB expense of $53,736 and recovery of $(51,559), respectively.

At September 30, 2025 and 2024, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	September 30, 2025		September 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in experiences	$ -	$ 191,401	$ -	$ 340,861
Changes of assumptions	565,884	$ 1,016,768	301,907	1,360,749
Changes in proportions	210,810	98,140	282,267	125,669
Lottery's contributions subsequent to the measurement date	176,889	-	170,177	-
Total	$ 953,583	$ 1,306,309	$ 754,351	$ 1,827,279

Amounts reported as deferred outflows of resources related to OPEB resulting from Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2026.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	Expense Amount
2026	$ (232,962)
2027	(276,466)
2028	(205,697)
2029	98,541
2030	85,600
Thereafter	1,369

The aggregate amount of OPEB expense or recovery by plan for the fiscal years ending September 30 is as follows:

	2025	2024
Health	$ 4,342,333	$ 3,024,559
Life Insurance	$ (53,736)	$ 51,559
	$ 4,288,597	$3,076,118

NOTE 12 - LEASE AND RENTAL COMMITMENTS

The Lottery leases certain assets from various third parties. The assets leased include buildings and equipment. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability. For the year ended September 30, 2025, the Lottery incurred expenditures of $54,222,218 and $37,124,454 for the IGT and Neopollard contracts, respectively. The incurred expenditure is the total commission amount paid to the vendors that includes a portion of variable payments made on terminal lease expenditures. See Footnote 15 for further details related to the IGT and Neopollard contracts.

Lease asset activity is included in Note 5.

Lease liability activity for the fiscal years ended September 30 is as follows:

Fiscal Year Ending	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Non-Current Liability
2025	$ 1,159,149	$ -	$ 108,924	$ 1,050,225	$ 109,977	$ 940,248
2024	$ 1,266,527	$ 217,458	$ 324,836	$ 1,159,149	$ 108,924	$ 1,050,225

Future principal and interest payment requirements related to the Lottery lease liability at September 30, 2025 are as follows:

	Principal	Interest	Executory Costs	Total
2026	$ 109,977	$ 17,695	$ 115,204	$ 242,876
2027	108,032	16,084	110,547	234,663
2028	103,567	14,421	101,022	219,010
2029	89,609	12,834	87,686	190,129
2030	91,176	11,267	87,686	190,129
Thereafter	547,864	38,496	304,060	890,420
	$ 1,050,225	$ 110,797	$ 806,204	$ 1,967,226

The current portion of lease obligation is reported under accounts payable and other liabilities in the Statement of Net Position on page 30.

NOTE 13 - RISK MANAGEMENT

The Lottery is exposed to various risks related to general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims.

The State of Michigan has elected not to purchase commercial insurance for many of the risks of losses to which the Lottery is exposed, but to self-insure for such risks. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. More detailed information on risk management is available in the State of Michigan's Annual Comprehensive Financial Report.

NOTE 14 - TRANSACTIONS WITH OTHER STATE AGENCIES

As a State agency, the Lottery is required to utilize services, supplies and equipment provided by other State agencies. The following is a summarization of these charges for the six-month periods and years ended September 30, 2025 and 2024:

September 30, 2025	Six Months Ended	Year Ended
Department of Technology, Management & Budget:		
Information Technology:		
Direct costs	$ 839,177	3,015,766
Lansing Metropolitan Area Network (LMAN)	19,952	26,557
Michigan.gov portal web charges	6,725	12,829
Overhead	450,257	450,257
Total Information Technology charges	1,316,111	3,505,409
Support services (including Internal Audit)	462,400	462,400
Space rental - Lottery Central, Detroit, Saginaw offices	551,118	1,102,237
Vehicle and travel services	713,592	1,070,445
Other - Telephone, mailing and other offices services	128,250	185,462
Total Department of Technology, Management & Budget	**3,171,471**	**6,325,953**
Civil Service Commission	**520,480**	**520,480**
Department of Treasury	**520,301**	**826,295**
Attorney General	**150,345**	**343,996**
Other Agencies	**20,826**	**27,446**
Total all State agencies	$ 4,383,423	$ 8,044,170

September 30, 2024	Six Months Ended	Year Ended
Department of Technology, Management & Budget:		
Information Technology:		
Direct costs	$ 584,277	2,481,094
Lansing Metropolitan Area Network (LMAN)	19,508	26,002
Michigan.gov portal web charges	7,508	11,997
Overhead	303,744	303,744
Total Information Technology charges	915,036	2,822,836
Support services (including Internal Audit)	545,300	545,300
Space rental - Lottery Central, Detroit, Saginaw offices	516,029	1,032,059
Vehicle and travel services	695,238	1,123,324
Other - Telephone, mailing and other offices services	109,856	168,297
Total Department of Technology, Management & Budget	**2,781,460**	**5,691,816**
Civil Service Commission	**492,931**	**492,931**
Department of Treasury	**482,430**	**805,381**
Attorney General	**182,596**	**371,295**
Other Agencies	**32,730**	**39,540**
Total all State agencies	$ 3,972,147	$ 7,400,964

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Lottery has contracted with Brightstar Lottery PLC (Brightstar) (formerly known as International Game Technologies) to provide for the operation of the gaming system through January 19, 2031. A contract

amendment effective July 31, 2018 extended the contract an additional ten years, from January 20, 2021 through January 19, 2031. Effective with the date of the amendment, Brightstar began receiving compensation of $62 per retail location, per month, for retail communications network and management, regardless of whether there are multiple terminals at one location. Brightstar is also compensated for the costs of personnel for the merchandiser program, as well as ongoing equipment maintenance fees for all equipment provided (whether equipment is new or was previously provided under the contract). The Brightstar contract includes a lease for equipment based on variable payments. These payments are based on future events and require subjectivity and extensive forecasting in estimating future amounts. The compensation for equipment is included in the base contract, for which compensation is calculated on a percentage of sales and therefore not included in the lease liability reported under GASB 87. Effective January 20, 2019, the contract rate is 1.06% of net sales.

The Lottery contracted with Pollard to provide the development, implementation, operational support, and maintenance of an iLottery System and iLottery Games. Effective December 1, 2020, the contract was extended from July 14, 2022 through July 17, 2026. The contract continues to include both an instant game and draw based game component, as well as reimbursable staffing and operational expenses. Under the contract extension effective December 1, 2020, the commission rate for instant games decreased from 18.4% to 17.4% for the first $100 million in instant game total gross profit during the contract year. For instant game gross profit in excess of $100 million during the contract year, the rate decreased to 18.4%, down from the previous rate of 19.6%. Draw based game commission is set at 6.0% of gross sales, down from the previous rate of 8.5% of gross sales. The Lottery continues to receive a monthly incentive from Pollard equal to 0.5% of Pollard's commission during the prior month, down from the previous incentive of 1.0%, to be used for any services provided by Pollard under the contract. The contract extension also includes additional funding for enhanced marketing and promotions, channel mix and portal development, game development, responsible gaming program enhancements, enterprise development, supplemental reporting, and data center configuration maintenance. The contract with Pollard will expire July 17, 2026 and will not be renewed.

The Lottery has contracted with NeoGames US LLP to continue the development, implementation, operational support, and maintenance of an internet sales platform and related services (iLottery). The contract is effective for the period of June 4, 2025, through July 17, 2032 and allows six 1-year contract renewal options. Vendor compensation is based on a percentage of revenue generated by the iLottery platform consisting of 2.5% of gross sales for draw games and 12% of Net Gaming Revenue for e-Instants. The contract includes a transition period from June 4, 2025, to July 17, 2026 for preparatory work in advance of the effective date of July 17, 2026 to transition to the new platform.

The Lottery has also entered into contracts with vendors to provide third-party digital games on the iLottery platform. The Lottery extended its contract with Instant Win Gaming (IWG) from September 20, 2021 to July 17, 2026 to continue providing digital instant games on the iLottery instant game platform. The extension also increased the monthly royalty fee paid to IWG from 3.4% to 4.5% of net win. Effective July 15, 2022, the Lottery entered into an agreement with Brightstar to begin providing instant win or other game products on the iLottery platform. The Lottery pays IGT a monthly royalty of 4.5% of the net win. The Lottery also entered into an agreement with EquiLottery, LLC (EQL) effective July 12, 2022 to begin providing instant win or other game products on the iLottery platform, and the Lottery pays EQL a monthly royalty of 4.5% of the net win.

The Lottery contracted with Interaction Gaming, LLC through January 29, 2025 and was extended through July 29, 2026. A contract extension effective November 19, 2024, allows for maintenance of critical web and e-commerce mobile applications on IOS and Android devices. The Lottery pays the project costs according to an agreed-upon payment schedule, as well as remits quarterly payments to the vendor for ongoing maintenance costs.

Effective September 11, 2022, the Lottery extended its existing contract with Diamond Game Enterprises for five years until September 10, 2027. The extension allows five 1-year contract renewal options, adds $1.6 million in funding to allow the continued purchase of Charitable Gaming paper instant tickets, and provides funding for continued maintenance of the ticket dispensing equipment located at twenty non-profit locations in Michigan.

The Lottery extended its contracts with Pollard Banknote Limited and Brightstar to continue as prequalified vendors for the printing of instant game tickets through December 31, 2028. The contract with Scientific Games International, Inc. expired December 31, 2024 and was not renewed.

Effective January 1, 2022, Lottery contracted with Simons-Michelson-Zieve, Inc. through December 31, 2024 to provide advertising, marketing, and promotional services in an effort to maximize the net proceeds of the Lottery, with two 1-year options to renew the contract, which Lottery used to extend the contract through December 31, 2026.

The Lottery also contracted with Daniel Brian & Associates Inc. effective January 4, 2024 through March 31, 2026, to provide advertising, marketing, and promotional services in an effort to maximize the net proceeds of the Lottery from the digital platform, with four 1-year options to renew.

From time to time, the Lottery is party to lawsuits and claims arising in the normal course of business. The Lottery has defended and intends to continue to defend these actions vigorously and believes, based on currently available information, that adverse settlements, if any, will not be material to its financial position or results of operations.

NOTE 16 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent

items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Lottery's financial statements for the year ending September 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Lottery's financial statements for the year ending September 30, 2026.

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which clarifies the definition and reporting period for subsequent events and requires governments to disclose the date through which subsequent events have been evaluated, as well as note disclosures for significant non recognized events. The provisions of this statement are effective for the Lottery's financial statements for the year ending September 30, 2027.

Bureau of State Lottery, State of Michigan
Required Supplementary Information
Schedule of Lottery's Proportionate Share of Net Pension Liability
State Employees' Retirement System
For the Fiscal Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Lottery's proportion of the net pension liability	0.450%	0.446%	0.424%	0.434%	0.430%	0.439%	0.435%	0.431%	0.420%	0.408%
Lottery's proportionate share of the net pension liability	$ 18,306,229	$ 25,240,410	$ 27,382,880	$ 17,628,158	$ 28,985,924	$ 29,293,732	$ 26,317,640	$ 22,396,495	$ 22,208,139	$ 22,432,145
Lottery's covered payroll	17,910,182	16,502,358	14,657,814	14,508,773	14,371,539	14,178,535	13,751,447	13,312,723	12,681,633	12,056,738
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	102%	153%	187%	121%	202%	207%	191%	168%	175%	186%
Plan fiduciary net position as a percentage of the total pension liability	78.16%	70.24%	66.92%	78.08%	64.07%	64.71%	67.22%	69.45%	67.48%	66.11%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

Bureau of State Lottery, State of Michigan
Required Supplementary Information
Schedule of Lottery's Pension Contributions
State Employees' Retirement System
For the Fiscal Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 3,398,705	$ 3,226,068	$ 3,103,946	$ 2,874,148	$ 2,835,697	$ 2,658,934	$ 2,620,385	$ 2,845,679	$ 3,054,724	$ 2,998,747
Contributions in relation to the stautorily required contribution	3,398,705	3,226,068	3,103,946	2,874,148	2,835,697	2,658,934	2,620,385	2,845,679	3,054,724	2,998,747
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Lottery's covered payroll	18,814,793	17,910,182	16,502,358	14,657,814	14,508,773	14,371,539	14,178,535	13,751,447	13,312,723	12,681,633
Contributions as a percentage of covered payroll	18.1%	18.0%	18.8%	19.6%	19.5%	18.5%	18.5%	20.7%	22.9%	23.6%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit liability as a factor.

The schedule of contributions for pensions is presented to show the responsibility of the Lottery in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedule of the proportionate share of the net pension liability and schedule of contributions for pensions are schedules that are required in implementing GASB Statement No. 68. The schedule of the proportionate share of the net pension liability represents in actuarial terms, the accrued liability less the market value of assets. The schedule of contributions for pensions is a comparison of the Lottery's contributions to the actuarially determined contributions.

The information presented in the schedule of contributions was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

Valuation – Actuarially determined contribution amounts are calculated as of September 30 each year. The September 30, 2022 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2025.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025

Actuarial cost method	Entry Age, Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	12 years, closed ending on September 30, 2036
Asset valuation method	5-Year Smoothed Fair Value
Inflation	2.25%
Salary Increases	2.75% - 11.75%, including wage inflation at 2.75%
Investment rate of return	6.00% net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Active members and disabled retirees: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Retirees: RP-2014 Male and Female Annuitant Mortality Tables scaled by 93% for males and 98% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Bureau of State Lottery, State of Michigan
Required Supplementary Information
Schedule of Lottery's Proportionate Share of Net OPEB Liability
State Employees' Retirement System - Healthcare
For the Fiscal Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019
Lottery's proportion of the net OPEB liability	0.449%	0.446%	0.423%	0.435%	0.428%	0.442%	0.440%
Lottery's proportionate share of the net OPEB liability	$ 1,522,418	$ 7,497,397	$ 16,474,032	$ 16,590,706	$ 25,009,194	$ 34,790,283	$ 34,926,285
Lottery's covered payroll	17,910,182	16,502,358	14,657,814	14,508,773	14,371,539	14,178,535	13,751,447
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	9%	45%	112%	114%	174%	245%	254%
Plan fiduciary net position as a percentage of the total OPEB liability	95.23%	77.36%	56.64%	57.12%	38.29%	27.88%	24.41%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is required to show information for ten years, additional years will be displayed as it becomes available.

Bureau of State Lottery, State of Michigan
Required Supplementary Information
Schedule of Lottery's OPEB Contributions
State Employees' Retirement System - Healthcare
For the Fiscal Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019
Statutorily required contribution	$ 1,168,693	$ 2,045,769	$ 2,358,932	$ 2,518,531	$ 3,335,059	$ 3,010,364	$ 3,369,182
Contributions in relation to the stautorily required contribution	1,168,693	2,045,769	2,358,932	2,518,531	3,335,059	3,010,364	3,369,182
Contribution deficiency (excess)	-	-	-	-	-	-	-
Lottery's covered payroll	18,814,793	17,910,182	16,502,358	14,657,814	14,508,773	14,371,539	14,178,535
Contributions as a percentage of covered payroll	6.2%	11.4%	14.3%	17.2%	23.0%	20.9%	23.8%

This schedule is required to show information for ten years, additional years will be displayed as it becomes available.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the other postemployment benefit liability as a factor.

The schedule of contributions for OPEB is presented to show the responsibility of the Lottery in meeting the actuarial requirements to maintain the System on a sound financial basis.

The schedule of the proportionate share of the net OPEB liability and schedule of contributions for OPEB are schedules that are required in implementing GASB Statement No. 75. The schedule of contributions is a comparison of the Lottery's contributions to the actuarially determined contributions.

The information presented in the schedule of contributions was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the OPEB plan follows.

Valuation – Actuarially determined contribution amounts are calculated as of September 30 each year. The September 30, 2022 valuation determined the contribution rate for the State of Michigan's fiscal year ending September 30, 2025.

Methods and Assumptions Used to Determine Contribution for Fiscal Year 2025

Actuarial cost method	Entry Age, Normal
Amortization method	Level – Percent of Payroll, Closed
Remaining amortization period	12 years, closed ending September 30, 2036
Asset valuation method	5-year smoothed value
Inflation	2.25%
Salary Increases	2.75% - 11.75%, including wage inflation at 2.75%
Investment rate of return	6.20% net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Health Care Cost Trend Rate	7.50% in year 1, gradually decreasing to 3.50% year 15, 3.00% in year 120
Aging Factors	Based on the 2013 SOA "Health Care Costs-From Birth to Death"
Mortality	Active members and disabled retirees: RP-2014 Male and Female Employee Annuitant Mortality Tables scaled by 100% for males and females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Retirees: RP-2014 Male and Female Annuitant Mortality Tables scaled by 93% for males and 98% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Bureau of State Lottery, State of Michigan
Required Supplementary Information
Schedule of Lottery's Proportionate Share of Total OPEB Liability
Postemployment Life Insurance Benefit
For the Fiscal Years Ended September 30

	2025	2024	2023	2022	2021	2020	2019
Lottery's proportion of the total OPEB liability	0.439%	0.439%	0.417%	0.428%	0.432%	0.425%	0.423%
Lottery's proportionate share of the total OPEB liability	$ 4,847,075	$ 4,245,323	$ 4,137,774	$ 5,825,534	$ 6,069,835	$ 5,199,726	$ 5,281,241
Lottery's covered employee payroll	17,772,257	16,421,229	15,507,086	13,667,033	13,622,113	13,719,049	11,122,483
Lottery's proportionate share of the total OPEB liability as a percentage of its covered employee payroll	27.3%	25.9%	26.7%	42.6%	44.6%	37.9%	47.5%

The amounts presented for each fiscal year were determined as of the measurement date of September 30 of the previous year.

This schedule is required to show information for ten years, additional years will be displayed as it becomes available.

The plan is not a trust and has no assets.

Bureau of State Lottery, State of Michigan
Supplementary Schedule of Revenues and Expenses
For the Six Months and Year Ended September 30, 2025

		Six Months Ended		Year Ended	
		Amount	Percent of Sales	Amount	Percent of Sales
Lottery ticket sales:	Cash Pop	$ 27,963,985	1.2%	$ 56,166,589	1.2%
	Daily 3	222,821,875	9.7%	440,117,340	9.6%
	Daily 4	257,569,309	11.2%	510,818,037	11.2%
	Lotto 47	34,828,026	1.5%	55,435,240	1.2%
	Lotto 47 Double Play	4,057,983	0.2%	6,910,942	0.2%
	Lotto 47 EZ Match	1,098,636	0.0%	1,920,601	0.0%
	Mega Millions	58,413,344	2.5%	133,304,995	2.9%
	Megaplier	145,931	0.0%	11,682,922	0.3%
	Powerball	95,674,855	4.1%	153,401,962	3.4%
	Power Play	15,537,723	0.7%	25,367,096	0.6%
	Powerball Double Play	3,534,373	0.2%	6,327,090	0.1%
	Keno	3,554,355	0.2%	7,137,427	0.2%
	Fantasy Five	23,335,709	1.0%	47,100,895	1.0%
	Fantasy Five Double Play	4,695,960	0.2%	9,500,383	0.2%
	Fantasy Five EZ Match	1,149,061	0.0%	2,345,923	0.1%
	Raffle	9,710,390	0.4%	11,452,910	0.3%
	Club Keno	173,922,499	7.5%	354,733,537	7.8%
	Club Keno Kicker	60,690,252	2.6%	128,024,712	2.8%
	The Jack	4,212,985	0.2%	8,552,022	0.2%
	Club Keno Extra	-	0.0%	11,368,153	0.2%
	Poker Lotto	2,334,908	0.1%	4,718,992	0.1%
	Lucky for Life	19,088,176	0.8%	38,249,696	0.8%
	Fast Cash	33,872,710	1.5%	74,346,415	1.6%
	Pull-Tab tickets	28,127,865	1.2%	55,987,978	1.2%
	Instant tickets	1,143,615,027	49.5%	2,265,049,278	49.5%
	iLottery Instants, Net Win	86,398,814	3.7%	168,456,913	3.7%
	iLottery Promos-Non Game Specific	(8,105,062)	-0.3%	(16,469,281)	-0.4%
Total lottery ticket sales		2,308,249,689	100.0%	4,572,008,767	100.0%
Prize awards:	Cash Pop	19,532,278	0.8%	39,111,056	0.9%
	Daily 3	103,941,027	4.5%	217,281,671	4.8%
	Daily 4	146,637,510	6.4%	258,592,722	5.7%
	Lotto 47/Lotto 47 Double Play	21,482,902	0.9%	34,553,523	0.8%
	Lotto 47 EZ Match	704,261	0.0%	1,229,582	0.0%
	Mega Millions/Megaplier	29,436,801	1.3%	70,681,104	1.5%
	Powerball/Power Play/Powerball Double Play	58,591,497	2.5%	95,125,792	2.1%
	Keno	1,497,142	0.1%	3,506,224	0.1%
	Fantasy Five/Fantasy Five Double Play	14,698,522	0.6%	29,755,533	0.7%
	Fantasy Five EZ Match	736,210	0.0%	1,503,116	0.0%
	Raffle	6,277,863	0.3%	6,460,200	0.1%
	Club Keno/Kicker/Jack/Extra	153,856,812	6.7%	324,502,660	7.1%
	Poker Lotto	1,382,548	0.1%	2,793,839	0.1%
	Lucky for Life	11,346,548	0.5%	22,739,503	0.5%
	Fast Cash	24,426,171	1.1%	54,302,254	1.2%
	Pull-Tab tickets	20,399,036	0.9%	40,555,494	0.9%
	Instant tickets	870,348,714	37.8%	1,722,936,453	37.7%
Total prize awards		1,485,295,842	64.3%	2,925,630,726	64.0%
Less: unclaimed prizes		(35,821,693)	-1.6%	(61,127,470)	-1.3%
Net prize awards		1,449,474,149	62.8%	2,864,503,256	62.7%
Gross margin		858,775,540	37.2%	1,707,505,511	37.3%
Retailer and vendor commissions and other expenses		(214,201,571)	-9.3%	(424,728,920)	-9.3%
Game-related expense		(20,584,126)	-0.9%	(46,655,279)	-1.0%
Net ticket revenue		623,989,843	27.0%	1,236,121,312	27.0%
Other operating expense		(33,746,455)	-1.5%	(67,377,649)	-1.5%
Depreciation expense		(123,937)	0.0%	(249,398)	0.0%
Other miscellaneous revenue		473,582	0.0%	1,629,750	0.0%
Net lottery operating income		590,593,033	25.6%	1,170,124,015	25.6%

Continued

Bureau of State Lottery, State of Michigan
Supplementary Schedule of Revenues and Expenses
For the Six Months and Year Ended September 30, 2025

	Six Months Ended		Year Ended	
	Amount	Percent of Sales	Amount	Percent of Sales
Charitable gaming:				
Charitable gaming revenue	$ 7,132,690	0.3%	$ 13,540,187	0.3%
Charitable gaming expense	(3,341,586)	-0.1%	(6,538,020)	-0.1%
Net charitable gaming income	3,791,104	0.2%	7,002,167	0.2%
Non-operating revenues (expenses):				
Amortization expense - prize discount	(2,190,476)	-0.1%	(4,355,614)	-0.1%
Amortization revenue - investment discount	2,508,691	0.1%	5,037,908	0.0%
Unrealized gain (loss) on investments	630,350	0.0%	(2,170,095)	0.0%
Interest revenue - common cash fund	2,673,057	0.1%	4,207,890	0.1%
Bank fees	(715)	0.0%	(1,258)	0.0%
Interest costs - capital leases	(10,973)	0.0%	(19,138)	0.0%
Disbursement to School Aid Fund	(583,421,745)	-25.3%	(1,163,847,931)	-25.5%
Disbursement to General Fund	(3,791,105)	-0.2%	(7,002,167)	-0.2%
Disbursement to Health & Human Services	(995,000)	0.0%	(1,990,000)	0.0%
Net non-operating revenues (expenses)	(584,597,916)	-25.3%	(1,170,140,405)	-25.6%
Change in net position	$ 9,786,221	0.4%	$ 6,985,777	0.2%

Bureau of State Lottery, State of Michigan
Supplementary Schedule of Revenues and Expenses
For the Six Months and Year Ended September 30, 2024

		Six Months Ended		Year Ended	
		Amount	Percent of Sales	Amount	Percent of Sales
Lottery ticket sales:	Cash Pop	$ 38,044,574	1.6%	$ 38,044,574	0.8%
	Daily 3	226,496,018	9.7%	452,165,077	9.5%
	Daily 4	255,477,131	10.9%	513,638,611	10.8%
	Lotto 47	26,258,668	1.1%	50,001,759	1.0%
	Lotto 47 Double Play	3,406,991	0.1%	6,526,063	0.1%
	Lotto 47 EZ Match	974,665	0.0%	1,935,670	0.0%
	Mega Millions	69,009,708	2.9%	145,127,787	3.0%
	Megaplier	10,660,603	0.5%	22,481,896	0.5%
	Powerball	64,834,289	2.8%	183,263,457	3.8%
	Power Play	10,982,505	0.5%	29,737,635	0.6%
	Powerball Double Play	2,959,022	0.1%	7,232,506	0.2%
	Keno	3,494,984	0.1%	7,207,443	0.2%
	Fantasy Five	27,534,636	1.2%	52,494,278	1.1%
	Fantasy Five Double Play	5,229,976	0.2%	10,142,396	0.2%
	Fantasy Five EZ Match	1,297,351	0.1%	2,649,549	0.1%
	Raffle	292,950	0.0%	660,550	0.0%
	Club Keno	185,973,496	7.9%	381,312,966	8.0%
	Club Keno Kicker	73,197,000	3.1%	149,963,742	3.1%
	The Jack	3,224,500	0.1%	7,791,451	0.2%
	Club Keno Extra	22,661,062	1.0%	46,428,319	1.0%
	Poker Lotto	2,523,848	0.1%	5,356,060	0.1%
	Lucky for Life	20,322,085	0.9%	39,968,316	0.8%
	Fast Cash	36,090,633	1.5%	69,542,660	1.5%
	Pull-Tab tickets	24,708,041	1.1%	48,733,253	1.0%
	Instant tickets	1,143,988,734	48.8%	2,319,063,290	48.8%
	iLottery Instants, Net Win	92,794,992	4.0%	190,867,775	4.0%
	iLottery Promos-Non Game Specific	(9,997,371)	-0.3%	(17,769,814)	-0.4%
Total lottery ticket sales		2,342,441,091	100.0%	4,764,567,269	100.0%
Prize awards:	Cash Pop	26,386,233	1.1%	26,386,233	0.6%
	Daily 3	108,632,748	4.6%	226,741,713	4.8%
	Daily 4	130,374,255	5.6%	237,664,016	5.0%
	Lotto 47/Lotto 47 Double Play	17,034,705	0.7%	32,987,978	0.7%
	Lotto 47 EZ Match	624,318	0.0%	1,240,453	0.0%
	Mega Millions/Megaplier	40,651,435	1.7%	87,165,144	1.8%
	Powerball/Power Play/Powerball Double Play	40,239,051	1.7%	108,514,926	2.3%
	Keno	1,260,438	0.1%	2,614,681	0.1%
	Fantasy Five/Fantasy Five Double Play	17,754,195	0.8%	34,375,877	0.7%
	Fantasy Five EZ Match	829,680	0.0%	1,698,093	0.0%
	Raffle	259,247	0.0%	439,102	0.0%
	Club Keno/Kicker/Jack/Extra	190,002,881	8.1%	387,275,301	8.1%
	Poker Lotto	1,500,737	0.1%	3,174,294	0.1%
	Lucky for Life	12,136,464	0.5%	23,745,272	0.5%
	Fast Cash	26,634,821	1.1%	52,430,741	1.1%
	Pull-Tab tickets	18,088,254	0.8%	35,477,130	0.7%
	Instant tickets	872,908,596	37.4%	1,763,406,141	37.0%
Total prize awards		1,505,318,058	64.3%	3,025,337,095	63.5%
Less: unclaimed prizes		(21,992,232)	-0.9%	(49,079,137)	-1.1%
Net prize awards		1,483,325,826	63.3%	2,976,257,958	62.5%
Gross margin		859,115,265	36.7%	1,788,309,311	37.5%
Retailer and vendor commissions and other expenses		(220,510,606)	-9.4%	(444,846,737)	-9.3%
Game-related expense		(20,111,441)	-0.9%	(41,742,707)	-1.0%
Net ticket revenue		618,493,218	26.4%	1,301,719,867	27.3%
Other operating expense		(31,512,487)	-1.3%	(60,762,049)	-1.3%
Depreciation expense		(141,167)	0.0%	(254,100)	0.0%
Other miscellaneous revenue		60,139	0.0%	(787,280)	0.0%
Net lottery operating income		586,899,703	25.1%	1,239,916,438	26.0%

Continued

Bureau of State Lottery, State of Michigan
Supplementary Schedule of Revenues and Expenses
For the Six Months and Year Ended September 30, 2024

	Six Months Ended		Year Ended	
	Amount	Percent of Sales	Amount	Percent of Sales
Charitable gaming:				
Charitable gaming revenue	$ 6,770,725	0.3%	$ 13,378,474	0.3%
Charitable gaming expense	(3,166,341)	-0.1%	(6,305,787)	-0.1%
Net charitable gaming income	3,604,384	0.2%	7,072,687	0.1%
Non-operating revenues (expenses):				
Amortization expense - prize discount	(2,280,957)	-0.1%	(4,619,901)	-0.1%
Amortization revenue - investment discount	2,653,582	0.1%	5,376,969	0.0%
Unrealized gain (loss) on investments	3,148,394	0.1%	6,433,207	0.1%
Interest revenue - common cash fund	9,658,261	0.4%	16,139,323	0.3%
Bank fees	(860)	0.0%	(1,532)	0.0%
Interest costs - capital leases	(11,877)	0.0%	(20,685)	0.0%
Disbursement to School Aid Fund	(589,596,456)	-25.2%	(1,248,974,216)	-26.2%
Disbursement to General Fund	(3,604,384)	-0.2%	(7,072,687)	-0.1%
Disbursement to Health & Human Services	(495,000)	0.0%	(990,000)	0.0%
Net non-operating revenues (expenses)	(580,529,297)	-24.8%	(1,233,729,522)	-25.9%
Change in net position	$ 9,974,790	0.4%	$ 13,259,603	0.3%

Bureau of State Lottery, State of Michigan
Supplementary Schedule of Other Operating Expenses
For the Six Months and Years Ended September 30, 2025 and 2024

	Six Months Ended		Years Ended	
	2025	2024	**2025**	2024
Salaries and wages	**$ 9,511,036**	8,797,290	**$ 18,927,450**	18,065,110
Employee benefits and taxes	**(1,263,470)**	1,340,151	**1,729,409**	4,083,414
Promotion and advertising	**23,176,208**	19,271,563	**40,916,693**	34,006,526
Printing and supplies, including purchase of charitable gaming tickets	**1,234,751**	1,193,595	**2,426,626**	2,439,055
Other contractual services	**2,393,221**	2,218,363	**5,828,826**	5,295,357
Building rent and leases	**609,216**	576,748	**1,220,000**	1,152,011
Travel	**631,053**	621,187	**1,105,301**	1,147,623
Utilities	**165,826**	164,229	**338,579**	354,809
Postage	**159,201**	141,441	**252,615**	239,733
Equipment maintenance and rental	**164,660**	59,929	**287,352**	(313,360)
Bad debt expense	**267,301**	277,340	**816,030**	558,042
Interest paid on security deposits	**39,038**	16,992	**66,788**	39,516
Total	**$ 37,088,041**	$ 34,678,828	**$ 73,915,669**	$ 67,067,836

STATISTICAL SECTION

MICHIGAN LOTTERY

Bureau of State Lottery, State of Michigan
Index
Statistical Section

This part of the Lottery's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Lottery's overall financial health. The Michigan Bureau of State Lottery began operating in October 1972 and commenced ticket sales in November 1972. Data from the last 10 fiscal years of Lottery operations are presented in the following charts and graphs.

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These schedules contain trend information to help the reader understand how the Lottery's financial performance and well-being have changed over time.
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Revenue Capacity
This schedule and graph contains information to help the reader assess the Lottery's most significant revenue source, ticket sales.
- Instant Games – represent the face value of tickets activated by retailers.
- Draw Games – represents the face value of tickets sold to the public.
- Club Games – represents the face value of tickets sold to the public
- iLottery Instant Games – represents sales less promotional tickets and prizes paid.

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Debt Capacity
This schedule presents information to help the reader assess the Lottery's current levels of outstanding debt. Prize liability is determined by prize structure and luck of the draw. Investments in U.S. Treasury zero-coupon bonds and Michigan CAB bonds are purchased to meet future installment payments to prize winners.
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This schedule contains service, retailer data, prize data, expenses and amounts disbursed to the state School Aid Fund and prize winner data to help the reader understand how the Lottery's financial report relates to the products the Lottery provides and the service it performs for the State.
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Industry Comparative Information
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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive reports for September 30, 2025.

Bureau of State Lottery, State of Michigan
Financial Trends
Net Position
Fiscal Years Ending September 30, 2016 through September 30, 2025
(In Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
Net position										
Net investment in capital assets	$ 1.2	$ 1.2	$ 1.0	$ 1.1	$ 0.7	$ 0.5	$ 0.3	$ 0.04	$ 0.4	$ 0.3
Restricted for School Aid Fund	8.7	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(1.2)	(2.5)	(44.9)	(34.5)	(26.7)	(34.3)	(53.1)	(56.5)	(43.6)	(38.6)
Total net position	$ 8.7	$ (1.3)	$ (43.9)	$ (33.4)	$ (26.0)	$ (33.8)	$ (52.8)	$ (56.5)	$ (43.2)	$ (38.3)

* As described in Note 1, there was a restatement of beginning of year net position for fiscal year 2025 related to the implementation of GASB 101. This change is not reflected in preceding years columns.

Source: Bureau of State Lottery, State of Michigan

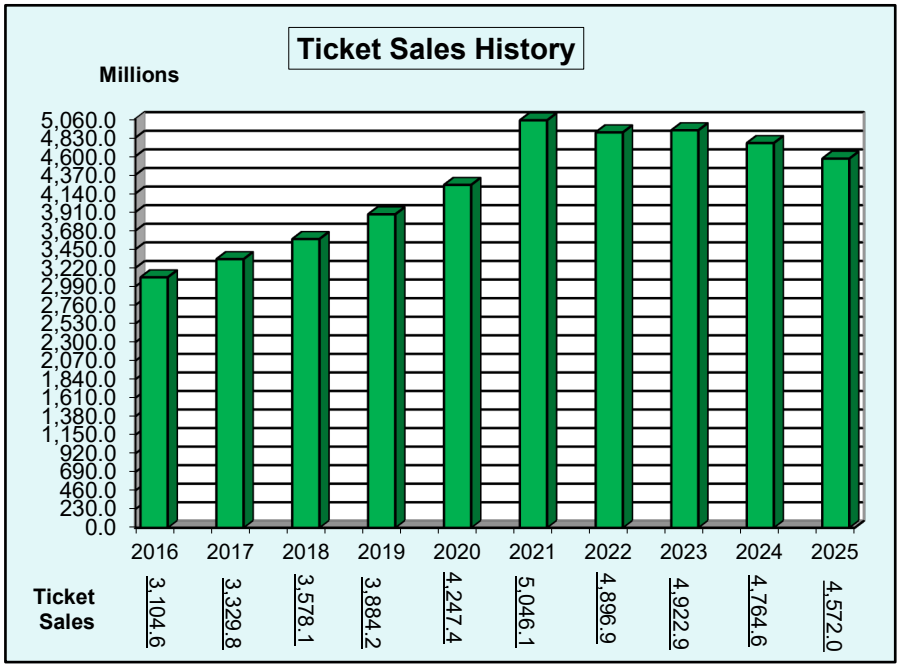
Bureau of State Lottery, State of Michigan
Financial Trends
Changes in Net Position
Fiscal Years Ending September 30, 2016 through September 30, 2025
(In Millions)

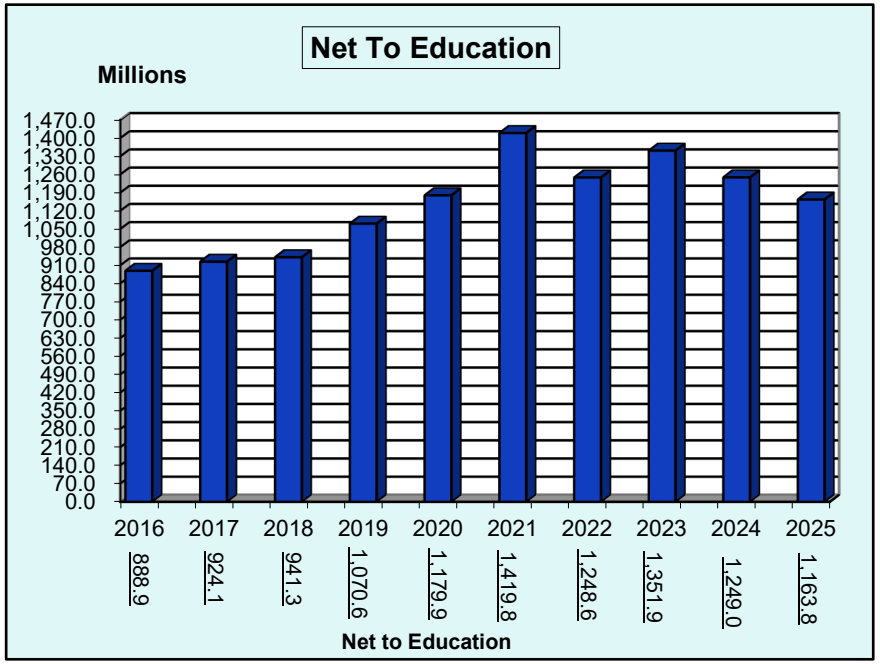
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
Operating revenues										
Ticket sales	$ 3,104.5	$ 3,329.8	$ 3,578.0	$ 3,884.2	$ 4,247.4	$ 5,046.1	$ 4,896.9	$ 4,922.9	$ 4,764.6	$ 4,572.0
Charitable gaming and other	13.6	17.3	13.9	13.2	9.2	11.9	14.6	16.2	12.6	15.2
Total operating revenues	3,118.1	3,347.1	3,591.9	3,897.4	4,256.6	5,058.0	4,911.5	4,939.1	4,777.2	4,587.2
Operating expenses										
Prize awards	1,884.8	2,044.0	2,237.0	2,405.2	2,640.0	3,135.1	3,132.4	3,073.9	3,025.3	2,925.6
Less - unclaimed prizes	(28.5)	(27.6)	(22.0)	(40.5)	(56.4)	(78.1)	(35.4)	(57.1)	(49.1)	(61.1)
Net prize awards	1,856.3	2,016.4	2,215.0	2,364.7	2,583.6	3,057.0	3,097.0	3,016.8	2,976.2	2,864.5
Retailer commissions	231.7	249.2	266.5	287.6	307.7	370.9	356.6	354.6	348.7	333.4
Game related expenses	80.2	93.9	101.4	104.8	128.3	144.6	135.0	147.1	138.0	138.1
Other operating expenses	66.4	61.7	68.0	73.5	58.4	56.2	62.6	68.8	67.3	74.2
Total operating expenses	2,234.6	2,421.2	2,650.9	2,830.6	3,078.0	3,628.7	3,651.2	3,587.3	3,530.2	3,410.2
Operating income	883.5	925.9	941.0	1,066.8	1,178.6	1,429.3	1,260.3	1,351.8	1,247.0	1,177.0
Non-operating revenues										
Investment revenue	13.5	(2.7)	(4.2)	21.9	15.5	(6.0)	(20.6)	(0.2)	11.8	2.9
Interest on equity in State Treasurer's Common Cash Fund	0.3	0.6	0.9	1.6	1.1	0.4	1.5	10.3	16.1	4.2
Total non-operating revenues	13.8	(2.1)	(3.3)	23.5	16.6	(5.6)	(19.1)	10.1	27.9	7.1
Non-operating expenses										
Amortization of prize obligation discount	(7.5)	(6.8)	(6.9)	(6.3)	(6.1)	(6.2)	(5.2)	(5.0)	(4.6)	(4.4)
Non-operating expenses before disbursements	(7.5)	(6.8)	(6.9)	(6.3)	(6.1)	(6.2)	(5.2)	(5.0)	(4.6)	(4.4)
School Aid Fund disbursement	(888.9)	(924.1)	(941.3)	(1,070.6)	(1,179.9)	(1,419.8)	(1,248.6)	(1,352.0)	(1,249.0)	(1,163.8)
General Fund disbursement	(3.0)	(1.9)	(1.9)	(1.9)	(0.8)	(4.5)	(5.4)	(7.5)	(7.1)	(7.0)
Health and Human Services disbursement	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(2.0)
Total disbursements	(892.9)	(927.0)	(944.2)	(1,073.5)	(1,181.7)	(1,425.3)	(1,255.0)	(1,360.5)	(1,257.1)	(1,172.8)
Total non-operating expenses	(900.4)	(933.8)	(951.1)	(1,079.8)	(1,187.8)	(1,431.5)	(1,260.2)	(1,365.5)	(1,261.7)	(1,177.2)
Net non-operating revenue (expense)	(886.6)	(935.9)	(954.4)	(1,056.3)	(1,171.2)	(1,437.1)	(1,279.3)	(1,355.4)	(1,233.8)	(1,170.1)
Change in net position	**$ (3.1)**	**$ (10.0)**	**$ (13.4)**	**$ 10.5**	**$ 7.4**	**$ (7.8)**	**$ (19.0)**	**$ (3.6)**	**$ 13.2**	**$ 6.9**

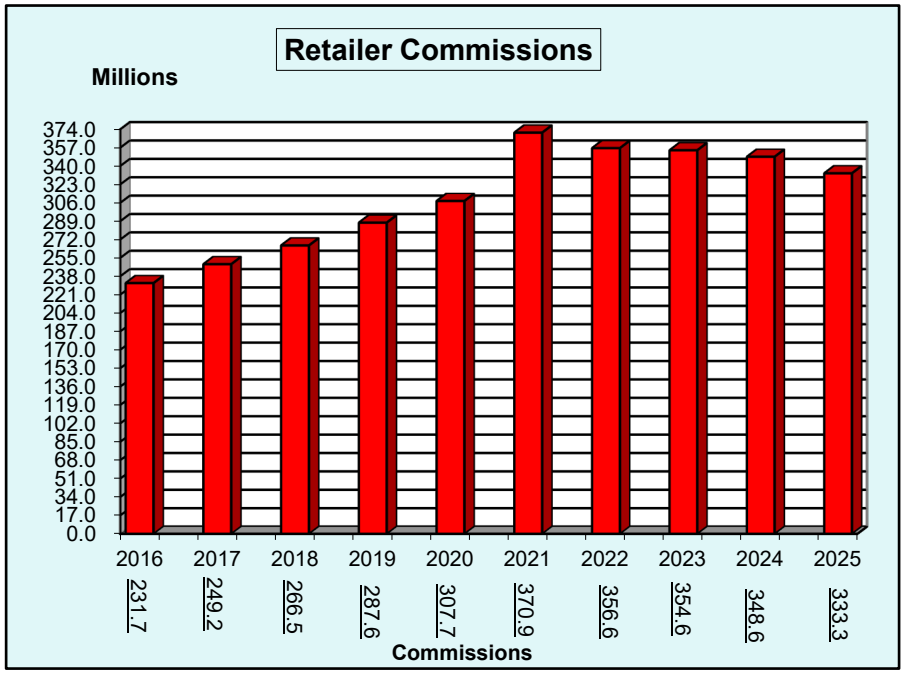
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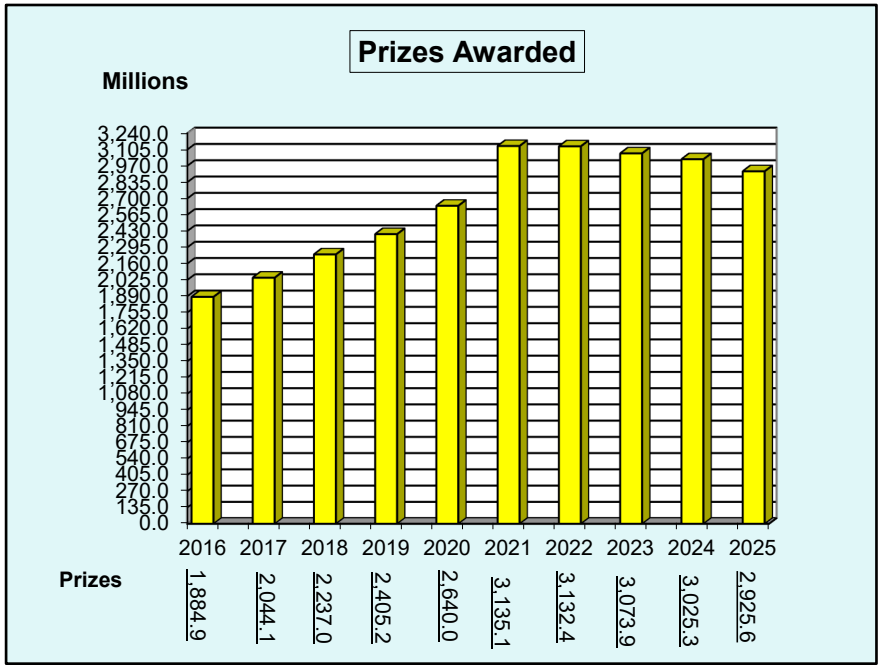
Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Financial Trends 2014 through 2023









Source: Bureau of State Lottery, State of Michigan

MICHIGAN LOTTERY

Bureau of State Lottery, State of Michigan
Revenue Capacity
Revenues from Ticket Sales
Fiscal Years Ending September 30, 2016 through September 30, 2025
(In Millions)

TICKET SALES	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Instant Games										
Instant Tickets	$ 1,136.8	$ 1,321.6	$ 1,488.2	$ 1,655.5	$ 2,038.2	$ 2,448.6	$ 2,381.0	$ 2,364.7	$ 2,319.1	$ 2,265.0
iLottery Games										
iLottery Instants, Net Win	48.0	77.9	93.7	116.3	219.1	241.8	193.2	200.1	190.9	168.5
iLottery Online Game Card Promos	(0.3)	(0.6)	-	-	-	-	-	-	-	-
iLottery Non-Game Specific Promos	(2.0)	(5.1)	(6.8)	(8.2)	(14.8)	(22.6)	(19.8)	(16.6)	(17.8)	(16.4)
Club Games										
Club Keno, Lucky Streak, The Jack	461.7	471.8	438.5	421.9	354.9	377.9	411.2	399.0	389.1	363.3
Club Keno Kicker, Lucky Streak Plus	164.0	169.0	157.3	152.5	131.6	146.4	161.5	153.1	150.0	128.0
Club Keno Extra	-	0	32.0	42.9	38.2	42.2	46.2	46.1	46.4	11.4
Pull Tab, Insta Tabs	32.5	32.9	32.9	33.6	28.3	33.7	43.2	43.7	48.7	56.0
Total Club Games	658.2	673.7	660.7	650.9	553.0	600.2	662.1	641.9	634.2	558.7
Draw Games										
Daily 3, Double 3	366.9	369.0	371.3	395.9	447.6	535.9	486.2	449.1	452.2	440.1
Daily 4, Double 4	415.6	441.4	466.5	493.9	534.2	634.1	584.5	518.7	513.6	510.8
Winfall, Lotto 47, Lotto 47 EZ Match, Lotto 47 Double Play	45.4	70.1	50.2	67.2	75.6	93.4	51.0	57.9	58.5	64.3
Poker Lotto	13.6	11.0	7.9	7.1	6.3	6.7	5.9	5.6	5.4	4.7
Lucky for Life	16.7	14.7	14.9	14.2	15.2	23.6	36.6	36.8	40.0	38.2
Keno	9.5	9.0	9.0	8.8	8.6	8.8	8.1	7.5	7.2	7.1
Fantasy 5, Fantasy 5 EZ Match, Fantasy 5 Double Play	59.6	59.7	57.2	64.5	69.2	70.9	66.5	61.7	65.3	58.9
Raffle	2.8	0.2	15.0	-	-	3.2	1.6	3.1	0.7	11.5
Powerball, Powerplay, Powerball Double Play	206.6	153.9	125.8	144.1	92.1	151.1	169.4	281.5	220.2	185.1
Mega Millions, Megaplier	127.1	102.7	153.2	192.4	115.3	177.1	175.1	227.5	167.6	145.0
Fast Cash	-	30.6	71.2	81.6	87.8	73.3	95.5	83.3	69.5	74.3
Cash Pop	-	-	-	-	-	-	-	-	38.0	56.2
Total Draw Games	1,263.8	1,262.3	1,342.2	1,469.7	1,451.9	1,778.1	1,680.4	1,732.7	1,638.2	1,596.2
TOTAL TICKET SALES	**$ 3,104.5**	**$ 3,329.8**	**$ 3,578.0**	**$ 3,884.2**	**$ 4,247.4**	**$ 5,046.1**	**$ 4,896.9**	**$ 4,922.8**	**$ 4,764.6**	**$ 4,572.0**

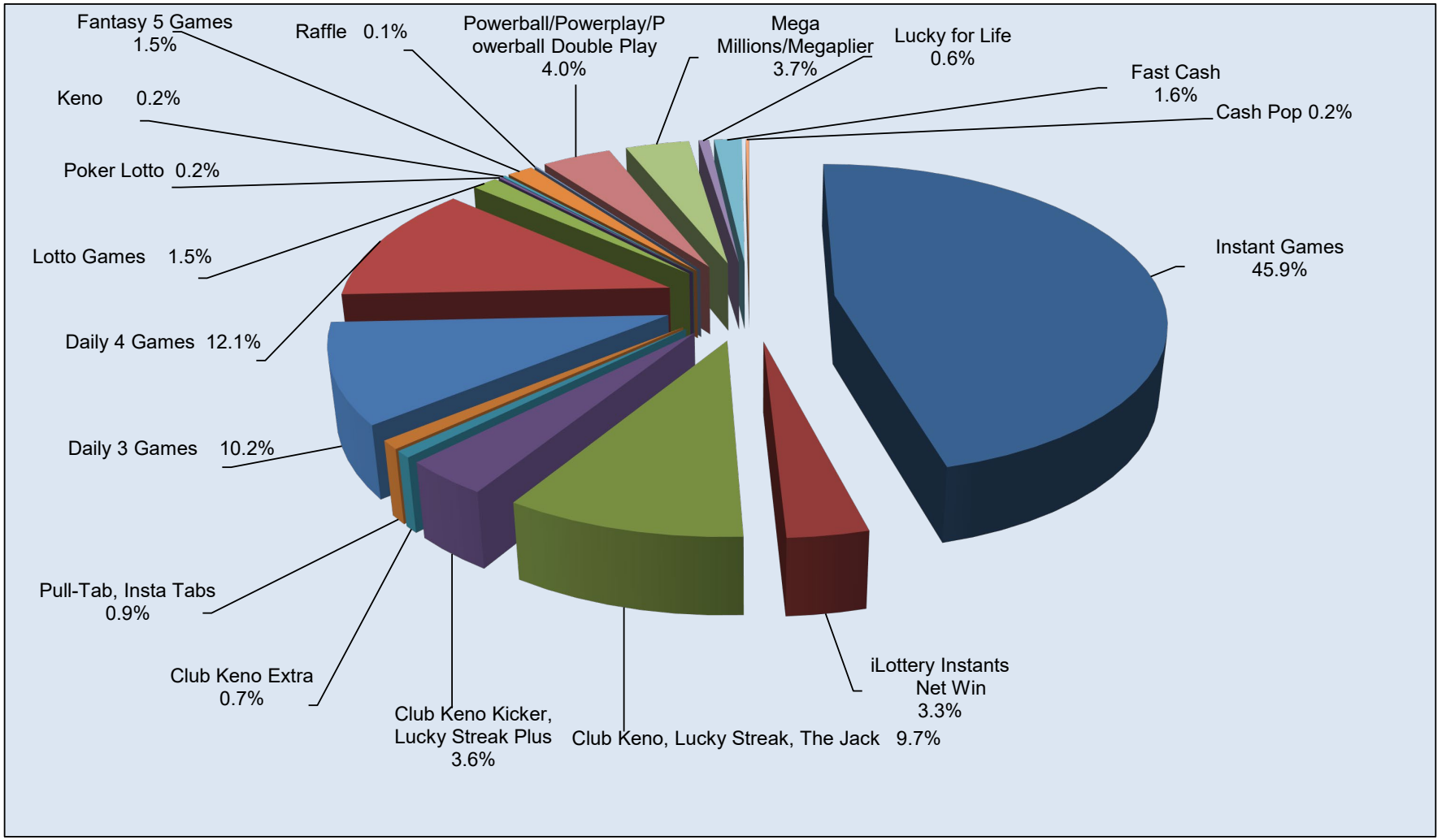
PRICE PER TICKET:

Instant Games	Range from $1 to $50	Draw Games: Daily 3	$.50 and $1
iLottery Instants	Range from $.05 to $20	Raffle	Range from $5 to $50
Club Games: Club Keno, Kicker, Lucky Streak,	$1	Powerball	$2
Lucky Streak Plus, The Jack	$1	Poker Lotto & Lucky for Life	$2
Club Keno Extra	$1	Fast Cash	Range from $1 to $20
Pull Tab, Insta Tab Games	Range from $.50 to $5	Mega Millions	$2
		All other draw games	$1

Note: Principal revenue payers are the general public. Please see Demographic and Economic Information on page 91 for statistics.

Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Revenue Capacity
Ticket Sales 2014 through 2023



Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Debt Capacity
Ratio of Outstanding Debt By Type
Fiscal Years Ending September 30, 2016 through September 30, 2025
(Dollars In Millions, except Per Capita)

FISCAL YEAR	BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT		
	LEASES	TOTAL OUTSTANDING DEBT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
2016	$ -	$ -	N/A	N/A
2017	$ -	$ -	N/A	N/A
2018	$ 0.5	$ 0.5	0.0001%	$ 0.05
2019	$ 0.5	$ 0.5	0.0001%	$ 0.05
2020	$ 0.4	$ 0.4	0.0001%	$ 0.04
2021	$ 0.3	$ 0.3	0.0001%	$ 0.03
2022	$ 1.4	$ 1.4	0.0002%	$ 0.14
2023	$ 1.3	$ 1.3	0.0002%	$ 0.13
2024	$ 1.6	$ 1.6	0.0002%	$ 0.16
2025	$ 1.3	$ 1.3	Unavailable	Unavailable

Effective October 1, 2021 GASB 87 was adopted

SOURCES: U.S. Census Bureau, Population Division, U.S. Department of Commerce, Bureau of Economic Analysis.
Michigan Department of Technology, Management, and Budget

Personal Income and Debt figures are updated annually to coincide with demographic and economic indicators.
These amounts are not available for the current fiscal year.

Bureau of State Lottery, State of Michigan
Debt Capacity
Ratio of Installment Prize Awards Liability
Fiscal Years Ending September 30, 2016 through September 30, 2025
(In Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
INSTALLMENT PRIZE AWARDS LIABILITY										
Current - at face amount	$ 17.0	$ 15.1	$ 15.1	$ 15.2	$ 15.2	$ 14.7	$ 13.9	$ 13.2	$ 12.1	$ 12.2
Non-current - at face amount	255.1	236.1	223.1	212.9	198.3	186.7	173.1	158.5	150.3	146.6
Total installment prize awards	$ 272.1	$ 251.2	$ 238.2	$ 228.1	$ 213.5	$ 201.4	$ 187.0	$ 171.7	$ 162.4	$ 158.8
INVESTMENTS										
Face amount	$ 256.3	$ 238.8	$ 226.0	$ 213.9	$ 197.5	$ 187.4	$ 178.8	$ 168.7	$ 155.1	$ 143.4
Installment prize awards payable as a percentage of investments:	106.16%	105.19%	105.40%	106.64%	108.10%	107.47%	104.59%	101.78%	104.71%	110.74%

Note: Details regarding the Bureau's prize awards and investments can be found in the notes to the financial statements.

Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Demographic and Economic Information
Demographic General Tracking Study
Fiscal Years Ending September 30, 2016 through September 30, 2025

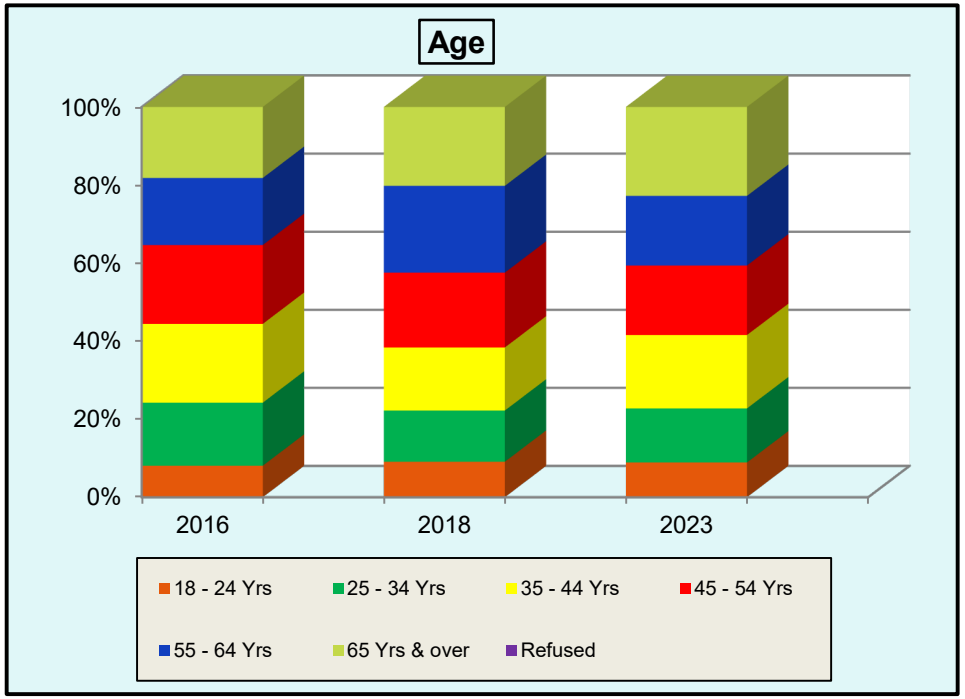
These are the results of the Lottery's demographic general tracking study prepared biennially of Lottery Player profiles.

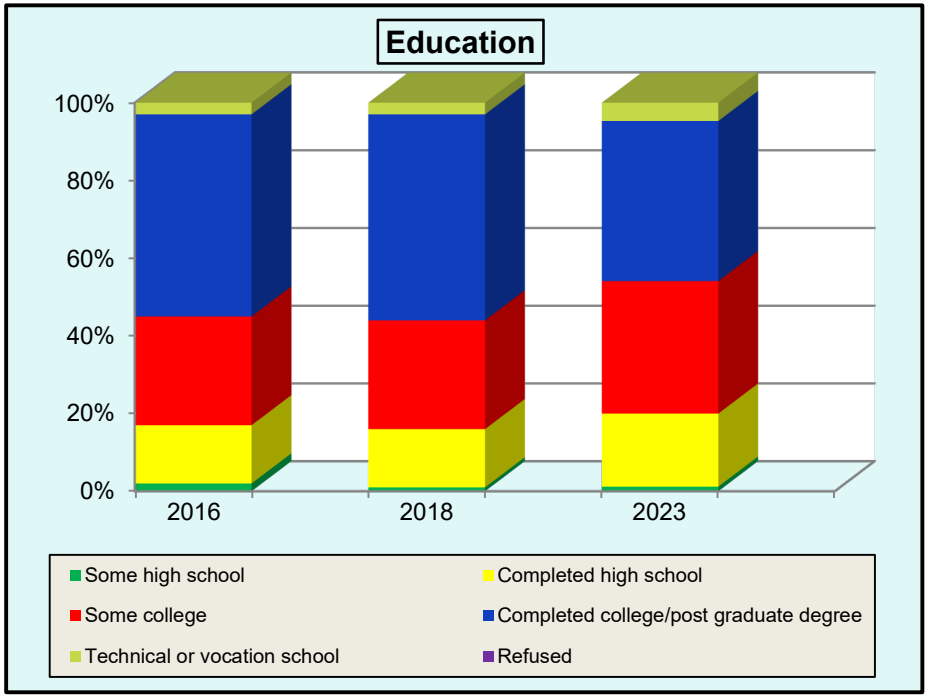
	2016	2018	2023
Gender			
Male	48%	50%	56%
Female	52%	50%	44%
Education			
Some high school	2%	1%	1%
Completed high school	15%	15%	16%
Some college	28%	28%	29%
Completed college/post graduate degree	52%	53%	35%
Technical or vocation school	3%	3%	4%
Refused			
Age			
18 - 24 Yrs	8%	9%	9%
25 - 34 Yrs	16%	13%	14%
35 - 44 Yrs	20%	16%	19%
45 - 54 Yrs	20%	19%	18%
55 - 64 Yrs	17%	22%	18%
65 Yrs & over	18%	20%	23%
Refused			
Income			
Under $25,000	15%	15%	11%
$25,000 - $50,000	27%	24%	21%
$50,000 - $100,000	35%	36%	37%
$100,000 or more	20%	22%	28%
Refused	3%	3%	2%
Ethnicity			
White	80%	82%	80%
Black/African-American/Caribbean-American	15%	12%	14%
Hispanic/Latino	4%	2%	4%
Asian/Pacific Islander	1%	1%	2%
Other	0%	0%	3%
Refused			

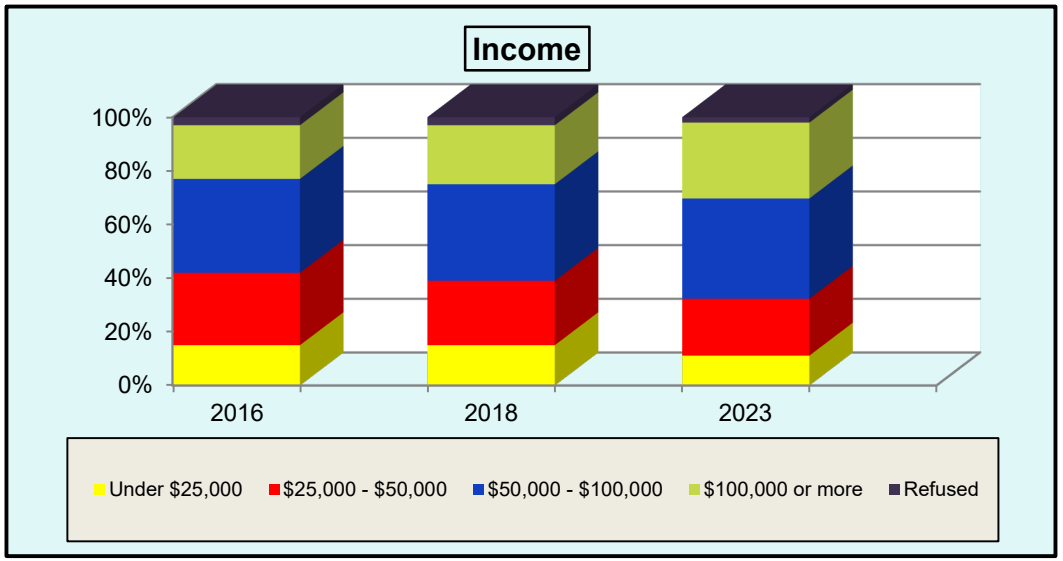
NOTES: Calendar year 2023 is the most recent year for which data is available.

Source: Bureau of State Lottery
General Tracking Study

Bureau of State Lottery, State of Michigan
Demographic and Economic Information 2014 though 2023

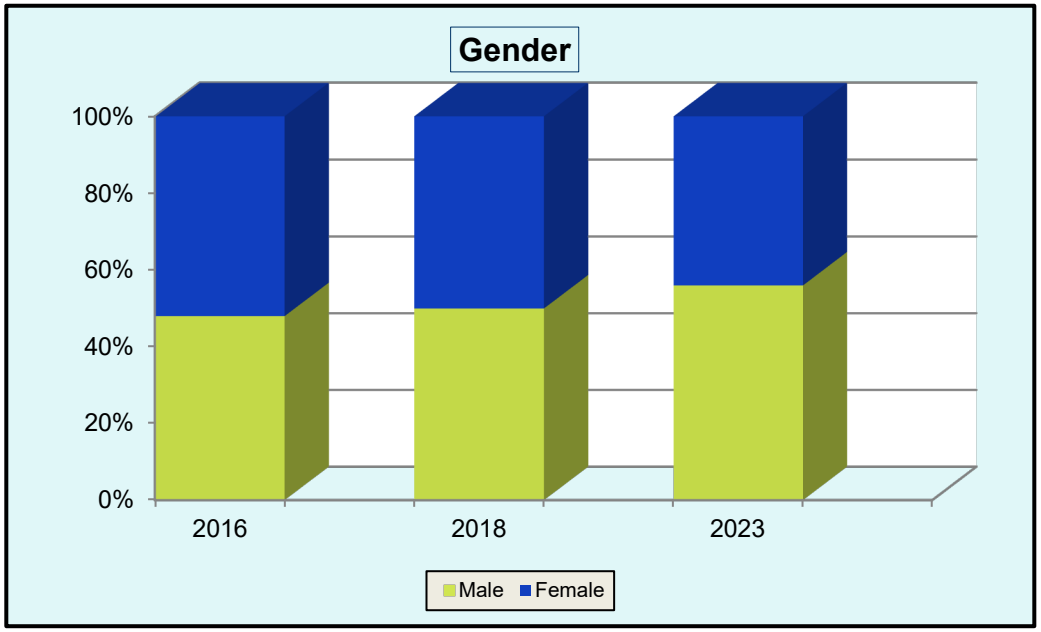


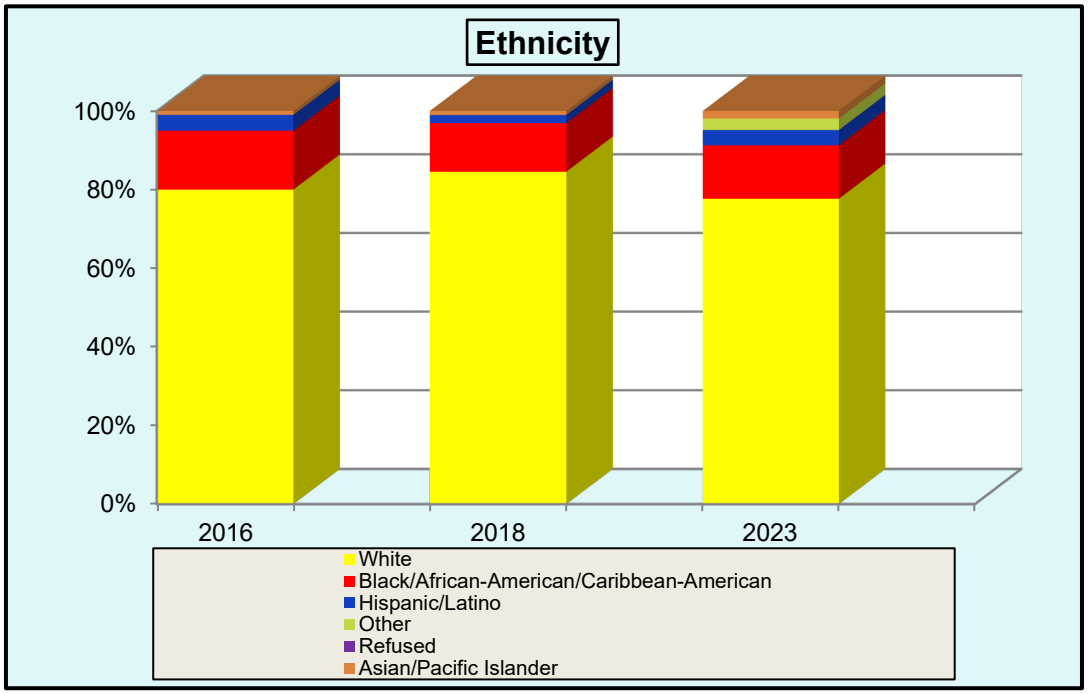




Source: Bureau of State Lottery
General Tracking Study

Bureau of State Lottery, State of Michigan
Demographic and Economic Information 2014 through 2023





Source: Bureau of State Lottery
General Tracking Study

MICHIGAN LOTTERY

Bureau of State Lottery, State of Michigan
Demographic and Economic Indicators
Fiscal Years Ending September 30, 2015 through September 30, 2024
(In Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Population (a)										
Michigan	9,923	9,928	9,962	9,996	9,987	9,967	10,038	10,034	10,037	10,140
United States	321,419	323,128	325,719	327,167	328,240	329,484	332,032	333,288	334,915	340,111
Total Personal Income (b)										
Michigan	$ 424.8	$ 439.4	$ 460.3	$ 484.0	$ 491.6	$ 530.8	$ 558.3	$ 569.8	$ 613.7	$ 645.8
United States	$ 15,464.0	$ 15,913.0	$ 16,820.0	$ 17,813.0	$ 18,542.3	$ 19,607.4	$ 21,056.6	$ 21,803.5	$ 23,380.3	$ 24,898.0
Per Capita Income (b)										
Michigan	$ 42.8	$ 44.3	$ 46.2	$ 48.4	$ 49.2	$ 53.3	$ 55.6	$ 56.8	$ 61.1	$ 63.7
United States	$ 48.1	$ 49.2	$ 51.6	$ 54.4	$ 56.5	$ 59.5	$ 63.4	$ 65.4	$ 69.8	$ 73.2
Unemployment Rate (c)										
Michigan	4.6%	4.3%	4.0%	3.9%	3.9%	8.2%	5.7%	4.2%	3.9%	4.7%
United States	5.0%	4.2%	3.7%	3.7%	3.5%	7.9%	4.7%	3.6%	3.8%	4.0%
Michigan estimated wage and salary employees (c)										
Goods Producing:										
Natural Resources and Mining	7.2	6.7	7.0	6.9	7.0	6.7	7.1	7.2	7.2	7.3
Construction	144.9	151.3	161.1	168.5	170.4	168.8	173.2	182.3	184.2	191.7
Manufacturing	595.9	603.6	619.1	636.6	630.2	573.7	599.4	608.0	616.1	600.6
Total Goods Producing	748.0	761.6	787.2	812.0	807.6	749.2	779.7	797.5	807.5	799.6
Service-Providing:										
Private Service-Providing										
Trade, Transportation, and Utilities:										
Wholesale Trade	173.5	172.2	174.1	172.1	171.9	161.8	164.9	175.4	179.9	177.3
Retail Trade	479.5	483.0	484.1	480.5	476.5	453.0	463.1	462.2	469.3	463.0
Transportation and Utilities	137.8	284.0	294.2	316.6	193.0	190.7	198.2	202.9	205.4	206.7
Information	56.8	57.5	55.9	55.5	54.3	48.3	52.7	57.8	57.9	57.0
Financial Activities:										
Finance and Insurance	158.9	162.1	165.1	164.0	170.8	174.7	178.8	171.8	171.5	179.5
Real Estate and Rental and Leasing	52.1	53.9	53.5	56.1	56.6	49.8	54.1	55.3	58.4	58.4
Professional and Business Services:										
Professional, Scientific, and Technical Services	292.1	297.4	293.4	301.5	296.4	292.6	309.4	316.2	316.4	312.8
Management of Companies and Enterprises	59.7	61.9	66.5	69.2	70.4	69.5	71.3	71.1	68.3	67.5
Administrative, Support Services, and Waste Management	294.8	302.0	291.6	292.2	286.2	245.1	271.1	271.7	261.5	258.3
Educational and Health Services:										
Educational Services	79.1	75.6	75.8	75.6	77.1	65.6	74.8	78.9	80.4	84.2
Health Care and Social Assistance	585.2	596.9	600.6	606.0	610.8	577.4	576.6	597.9	619.9	646.3
Leisure and Hospitality:										
Accommodation and Food Services	362.4	373.5	379.5	375.6	373.4	233.8	332.8	350.8	365.5	367.6
Other	40.5	43.6	42.0	41.7	43.5	22.0	38.3	42.0	44.9	51.4
Other Services	171	172.1	170.2	166.7	163.9	143.2	157.3	158.9	169.4	174.1
Total Private Service-Providing	2,943.4	3,135.7	3,146.5	3,173.3	3,044.8	2,727.5	2,943.4	3,012.9	3,068.7	3,104.1
Government:	612.4	624.3	623.6	620.3	632.6	576.4	591.1	612.2	621.0	631.0
Total Service-Providing	3,555.8	3,760.0	3,770.1	3,793.6	3,677.4	3,303.9	3,534.5	3,625.1	3,689.7	3,735.1
Total Wage and Salary Employment	4,303.8	4,521.6	4,557.3	4,605.6	4,485.0	4,053.1	4,314.2	4,422.6	4,497.2	4,534.7

NOTES: Calendar year 2024 is the most recent year for which data is available except for the State and U.S. unemployment rate
Wage and Salary Employment based on North American Industry Classification System.
Components in Wage and Salary Employment may not total due to truncation.

SOURCES: (a) U.S. Census Bureau, Population Division
(b) U.S. Department of Commerce, Bureau of Economic Analysis
(c) Michigan Department of Technology, Management & Budget and U.S. Department of Labor, Bureau of Labor Statistics

Due to confidentiality issues, the names of the top individual employers are not available. The industry data provided are intended to provide similar alternative information regarding the concentration of employment in various sectors of the Michigan economy.

MICHIGAN LOTTERY

Bureau of State Lottery, State of Michigan
Operating Information
Fiscal Years Ending September 30, 2016 through September 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Number of Employees	175	172	178	184	174	175	179	186	193	196
Number of Retailers	10,650	10,645	10,792	10,508	10,492	10,423	10,419	10,408	10,362	10,411
Prize Payout Percentage	60.71%	61.39%	62.52%	61.92%	62.16%	62.13%	63.97%	62.44%	63.50%	63.99%
Percentage of Lottery Ticket Sales disbursed to the State School Aid Fund	28.63%	27.75%	26.31%	27.56%	27.78%	28.14%	25.50%	27.46%	26.21%	25.46%
Number of Millionaire Prize Winners	46	38	39	42	42	70	53	44	48	53
Number of Prize Winners Greater than $600	74,352	82,435	91,984	94,046	115,829	139,050	130,113	113,865	109,537	106,293

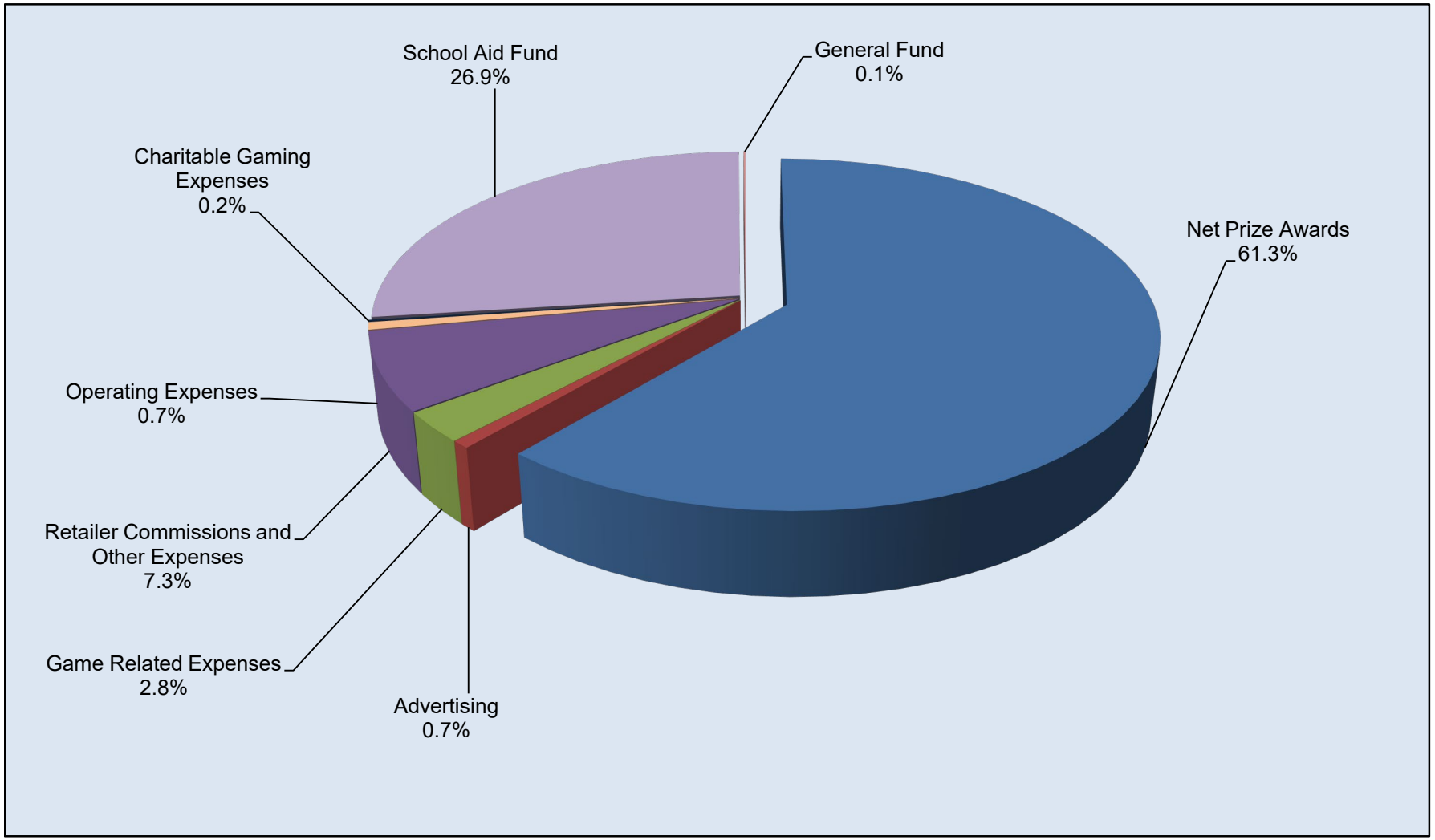
Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Operating Information
Expenses & Disbursements to the State's School Aid Fund, General Fund, and Health & Human Services
Fiscal Years Ending September 30, 2016 through September 30, 2025
(In Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXPENSES										
Prize Awards	$ 1,884.8	$ 2,044.0	$ 2,237.0	$ 2,405.2	$ 2,640.0	$ 3,135.1	$ 3,132.4	$ 3,073.9	$ 3,025.3	$ 2,925.6
Unclaimed Prizes	(28.5)	(27.6)	(22.0)	(40.5)	(56.4)	(78.1)	(35.4)	(57.1)	(49.1)	(61.1)
Net Prize Awards	1,856.3	2,016.4	2,215.0	2,364.7	2,583.6	3,057.0	3,097.0	3,016.8	2,976.2	2,864.5
Promotion and Advertising	22.0	24.0	27.9	29.8	20.0	22.8	31.1	31.8	34.0	40.9
Game Related Expenses	80.2	93.9	101.4	104.8	128.2	144.6	135.0	147.1	138.0	138.1
Retailer Commissions	231.7	249.2	266.5	287.6	307.7	370.9	356.6	354.6	348.6	333.3
Operating Expenses	35.1	27.6	30.3	33.5	32.0	27.0	23.7	31.5	27.0	26.7
Charitable Gaming Expenses	9.3	10.1	9.8	10.2	6.5	6.4	7.8	5.6	6.3	6.5
TOTAL EXPENSES	**$ 2,234.6**	**$ 2,421.2**	**$ 2,650.9**	**$ 2,830.6**	**$ 3,078.0**	**$ 3,628.7**	**$ 3,651.2**	**$ 3,587.4**	**$ 3,530.1**	**$ 3,410.0**
DISBURSEMENTS TO THE STATE										
School Aid Fund	888.9	924.1	941.3	1,070.6	1,179.9	1,419.8	1,248.6	1,351.9	1,249.0	1,163.8
General Fund	3.0	1.9	1.9	1.9	0.8	4.5	5.4	7.5	7.1	7.0
Health & Human Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
TOTAL DISBURSEMENTS	**$ 892.9**	**$ 927.0**	**$ 944.2**	**$ 1,073.5**	**$ 1,181.7**	**$ 1,425.3**	**$ 1,255.0**	**$ 1,360.4**	**$ 1,257.1**	**$ 1,172.8**

Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Operating Information
Expenses and Disbursements 2014 through 2023



Source: Bureau of State Lottery, State of Michigan

Bureau of State Lottery, State of Michigan
Industry Comparative Information

Fiscal Year 2024 U.S. Lottery Sales, Prizes & Government Transfers Measured by GDP*

			(in $millions)								
Lottery	2024 Pop.[1] (M)	2024 Gross Domestic Product[2] (Mil)	Ticket Sales[3] (Mil)	VLT (net) (Mil)	Gaming (net) (Mil)	Prizes[4] (Mil)	Gov't Transfers[5] (Mil)	PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP
Arizona	7.6	555,614	1,528.20			1,027.90	314.90	$202	$42	0.275%	0.057%
Arkansas	3.1	190,230	613.00			420.00	129.40	$198	$42	0.322%	0.068%
California 6	39.4	4,132,221	9,275.10			6,031.60	2,220.80	$235	$56	0.224%	0.054%
Colorado	6.0	557,308	900.80			577.80	196.40	$151	$33	0.162%	0.035%
Connecticut	3.7	368,321	1,414.60			1,136.50	394.20	$457	$107	0.384%	0.107%
Delaware 4, 5	1.1	103,996	251.40	422.5	83.7	145.50	297.40	$741	$283	0.242%	0.286%
D.C.	0.7	187,351	175.20			131.20	39.40	$311	$56	0.094%	0.021%
Florida	23.4	1,717,871	9,417.50			6,254.70	2,387.60	$403	$102	0.548%	0.139%
Georgia	11.2	887,924	5,017.80			3,798.60	1,490.70	$507	$133	0.565%	0.168%
Idaho	2.0	129,644	421.70			286.20	86.20	$211	$43	0.325%	0.066%
Illinois 6	12.7	1,143,081	3,857.70			2,579.50	883.80	$304	$70	0.337%	0.077%
Indiana	6.9	530,661	1,744.20			1,141.70	364.00	$252	$53	0.329%	0.069%
Iowa	3.2	257,575	489.90			312.60	106.60	$151	$33	0.190%	0.041%
Kansas	3.0	236,123	337.90		408.0	202.40	210.20	$291	$71	0.143%	0.089%
Kentucky	4.6	295,140	1,463.00			1,516.80	405.40	$457	$88	0.496%	0.137%
Louisiana	4.6	328,961	639.60			370.10	204.80	$139	$45	0.194%	0.062%
Maine	1.4	99,238	430.20			288.80	90.10	$306	$64	0.434%	0.091%
Maryland 4,5	6.3	546,362	2,715.70	1,342.5	625.8	1,715.50	1,588.90	$816	$254	0.497%	0.291%
Massachusetts	7.1	785,141	6,145.10			4,634.00	1,159.70	$861	$163	0.783%	0.148%
Michigan	10.1	711,481	4,591.50			2,976.30	1,257.00	$470	$124	0.645%	0.177%
Minnesota	5.8	502,946	775.70			476.20	196.50	$134	$34	0.154%	0.039%
Mississippi	2.9	158,548	473.60			298.70	125.10	$161	$43	0.299%	0.079%
Missouri	6.2	454,580	1,604.70			1,218.50	378.70	$279	$61	0.353%	0.083%
Montana 6	1.1	76,195	90.40			109.20	21.60	$136	$19	0.119%	0.028%
Nebraska	2.0	185,967	221.50			129.10	55.30	$110	$28	0.119%	0.030%
N. Hampshire	1.4	122,086	520.60			345.00	207.90	$426	$148	0.426%	0.170%
New Jersey	9.5	851,863	3,632.10			2,157.60	1,172.00	$382	$123	0.426%	0.138%
New Mexico	2.1	141,302	170.20			93.60	51.10	$80	$24	0.120%	0.036%
New York 4, 5	19.9	2,310,968	8,197.90	1,933.2	418.7	4,917.90	3,635.40	$531	$183	0.355%	0.157%
N. Carolina	11.0	845,143	4,242.00			3,802.70	1,100.00	$487	$100	0.502%	0.130%
N. Dakota	0.8	75,221	40.10			20.80	9.90	$50	$12	0.053%	0.013%
Ohio 4,5	11.9	933,044	4,543.90	1,367.3		3,012.00	1,514.00	$497	$127	0.487%	0.162%
Oklahoma	4.1	267,321	354.70			219.90	88.40	$87	$22	0.133%	0.033%
Oregon 4, 5	4.3	333,467	460.60	1,190.6		285.90	950.20	$404	$222	0.138%	0.285%
Pennsylvania	13.1	1,032,270	4,861.00			3,215.40	1,220.50	$380	$93	0.471%	0.118%
R. Island 4,5	1.1	83,128	302.40	522.5	138.9	205.20	426.40	$918	$383	0.364%	0.513%
S. Carolina	5.5	352,048	2,384.70			1,571.70	590.50	$435	$108	0.677%	0.168%
S. Dakota 4, 5	0.9	75,433	86.70	165.3		51.50	183.70	$273	$199	0.115%	0.244%
Tennessee	7.2	553,471	1,887.70			1,208.10	501.30	$261	$69	0.341%	0.091%
Texas	31.3	2,727,002	8,389.80			5,655.50	2,007.30	$268	$64	0.308%	0.074%
Vermont	0.6	46,119	168.60			111.60	35.10	$260	$54	0.366%	0.076%
Virginia	8.8	769,660	2,617.00			4,245.70	934.10	$627	$106	0.340%	0.121%
Washington	8.0	859,887	1,029.00			636.30	255.50	$129	$32	0.120%	0.030%
W. Virginia 4,5	1.8	108,366	258.00	971.2	61.4	159.20	590.90	$732	$334	0.238%	0.545%
Wisconsin 6	6.0	455,591	954.80			589.00	278.10	$160	$47	0.210%	0.061%
Wyoming	0.6	53,154	40.90			22.00	6.10	$70	$10	0.077%	0.011%
Total	**326.0**	**28,139,023**	**99,738.7**	**7,915.1**	**1,736.5**	**70,306.0**	**30,363.1**	**$306**	**$93**	**0.354%**	**0.108%**

* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). 1 Source: U.S. Census Bureau

[2] Source: U.S. Bureau of Economic Analysis; [3] Traditional lottery games only; [4] Prizes don't include VLT & sports books

[5] Includes government transfers for VLT operations; [6] Unaudited

Note: If a lottery's operating statement did not include governnment transfers, then net income is reported.

Source: LaFleur's 2024 World Lottery Almanac

Bureau of State Lottery, State of Michigan
Industry Comparative Information

Fiscal Year 2024 U.S. Lottery Sales by Game*

(in $millions)

				Systems Games									
Lottery	**Pop. (M)**	**Instant**	**Pull tab**	**3-digit**	**4-digit**	**In-State Lotto**	**Power Ball**	**Mega Millions**	**For Life**	**ITG**	**Monitor Games**	**Other**	**Total Sales**
Arizona	7.6	1,033.1	15.9	17.3	0.0	85.5	193.8	127.7		51.9		3.0	1,516.7
Arkansas	3.1	478.4	0.0	12.3	7.1	18.1	44.8	28.4	8.1	15.6			607.6
California 1	39.4	6,561.3	0.0	179.1	35.7	448.2	890.7	705.0			455.1		9,239.3
Colorado	6.0	588.6	0.0	16.0	0.0	62.1	135.5	74.6	23.9				889.8
Connecticut	3.7	744.0	0.0	127.2	129.8	45.7	112.0	69.1	30.0	34.7	122.1		1,702.9
Delaware	1.1	111.3	0.0	31.8	29.8	7.8	34.4	21.2	5.0		10.3		252.1
D.C.	0.7	41.7	0.0	32.9	46.3	0.0	8.4	5.3	2.8	9.4	10.5	17.9	222.8
Florida	23.4	6,618.1	0.0	441.4	302.0	557.0	750.9	450.1	65.8			232.1	9,801.8
Georgia	11.2	3,116.6	0.0	553.2	396.7	100.7	255.6	197.0	27.4	86.1	268.4	16.2	5,769.0
Idaho	2.0	242.7	82.3	2.3	1.2	8.9	48.6	25.7	5.5			4.5	422.5
Illinois 1	12.7	2,142.7	0.0	272.8	275.8	235.5	260.1	193.2		477.6			3,609.6
Indiana	6.9	1,279.5	0.0	48.7	47.0	92.9	144.2	73.3	7.3	32.4		18.9	1,746.3
Iowa	3.2	302.1	13.1	9.1	5.9	6.7	77.3	39.1	8.6	28.0			481.5
Kansas	3.0	193.2	8.0	8.2	0.0	18.8	50.8	29.4	7.9	0.9	17.6	3.0	338.2
Kentucky	4.6	940.8	0.0	185.6	53.5	17.0	100.5	58.4	11.8	16.9	78.4		1,841.0
Louisiana	4.6	311.7	0.0	72.3	57.0	29.7	90.1	51.2		15.3		12.4	652.4
Maine	1.4	326.4	0.0	6.1	4.8	17.2	33.9	18.6	6.6	16.3		0.4	410.3
Maryland	6.3	1,061.4	0.0	237.2	296.9	42.0	184.1	131.5	20.6	82.4	587.0	72.8	2,764.4
Massachusetts	7.1	4,012.6	0.0	0.0	331.8	111.7	215.1	145.8	47.5		1,272.1	8.6	6,126.3
Michigan	10.1	2,319.1	48.7	452.2	513.6	129.1	220.2	167.6	40.0	69.5	592.7	38.7	4,922.9
Minnesota	5.8	524.9	0.0	21.5	0.0	43.9	110.3	56.9		10.2		8.0	787.2
Mississippi	2.9	303.6	0.0	16.6	17.0	21.7	55.6	34.4				24.7	462.8
Missouri	6.2	1,125.7	0.0	94.8	66.3	46.9	126.3	74.2	10.4		47.3	12.9	1,792.7
Montana 1	1.1	27.2	0.0	0.0	0.0	11.0	22.1	10.6	4.1	7.9		7.6	88.5
Nebraska	2.0	110.9	0.0	9.0	0.0	22.1	46.9	24.5	8.0				220.1
N. Hampshire	1.4	314.7	0.0	4.9	4.7	16.7	57.4	34.3	12.8	18.2	57.0		603.4
New Jersey	9.5	1,873.8	0.0	389.4	236.3	219.5	369.6	259.1	63.4	63.3	96.3	61.3	3,726.9
New Mexico	2.1	89.6	0.0	5.0	1.9	11.4	38.5	22.2		1.7			168.5
New York	19.9	4,373.5	0.0	871.4	942.2	264.1	567.7	441.2	116.4		587.4	33.9	8,292.3
N. Carolina	11.0	2,922.3	0.0	449.2	218.4	68.6	257.4	150.9	41.1	56.7	76.6	0.7	4,342.7
N. Dakota	0.8	0.0	0.0	0.0	0.0	7.8	17.4	10.4	4.5				39.3
Ohio	11.9	2,383.7	0.0	418.6	272.7	77.5	257.4	186.4	44.7	166.0	666.8	70.0	4,463.7
Oklahoma	4.1	224.9	0.0	6.6	0.0	9.8	64.1	35.4	7.3	6.5			379.8
Oregon	4.3	159.8	0.0	0.0	2.0	37.9	95.6	55.9			107.0	2.5	440.6
Pennsylvania	13.1	3,102.5	0.0	249.9	217.9	323.1	409.1	233.8	26.7	176.0	49.7	72.3	5,136.0
Rhode Island	1.1	120.5	0.0		22.4	7.2	35.7	18.9	7.6		87.7	2.4	316.3
S. Carolina	5.5	1,607.2	0.0	285.1	161.3	31.7	151.5	81.3				66.6	2,402.7
South Dakota	0.9	48.7	0.0	0.0	0.0	3.6	20.5	9.5	4.4				85.2
Tennessee	7.2	1,477.0	0.0	81.2	50.6	31.8	147.2	78.0	10.5		11.5		1,958.2
Texas	31.3	6,644.5	0.0	268.3	128.9	355.9	558.6	376.6				57.1	8,725.7
Vermont	0.6	117.3	0.0	1.3	1.3	6.8	14.1	8.2	3.1	16.4			161.5
Virginia	8.8	1,314.1	0.0	321.4	324.2	45.1	212.9	159.9	29.5	59.8	35.7	114.4	4,610.3
Washington	8.0	664.3	0.0	21.1	0.0	74.0	136.5	98.2				34.9	1,003.4
West Virginia	1.8	164.6	0.0	7.0	4.6	9.8	42.6	22.3			4.4	2.6	265.2
Wisconsin 1	6.0	611.7	1.3	25.8	17.7	68.0	131.4	73.7		24.1		1.1	981.7
Wyoming	0.6	0.0	0.0	0.0	0.0	10.8	13.2	8.7	2.8		5.4		44.2
Total	**326.0**	**62,732.6**	**169.2**	**6,253.9**	**5,225.2**	**3,861.1**	**7,810.6**	**5,177.6**	**716.0**	**1,543.7**	**5,247.3**	**1,001.7**	**104,816.4**
% of total		**59.8%**	**0.2%**	**6.0%**	**5.0%**	**3.7%**	**7.5%**	**4.9%**	**0.7%**	**1.5%**	**5.0%**	**1.0%**	**100.0%**

Notes to Table: Fiscal year 2024 is latest data available. *Fiscal year ends June 30 for most states except New York (March 31), Texas (August 31), D.C. and Michigan (September 30). [1] Unaudited

Source: LaFleur's 2024 World Lottery Almanac

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management; Mr. Joseph Froehlich, Acting Commissioner,
the Bureau of State Lottery, State of Michigan;
and Mr. Doug Ringler, CPA, CIA,
Auditor General, State of Michigan
Bureau of State Lottery, State of Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bureau of State Lottery, State of Michigan (the "Lottery") as of and for the six-month period and year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated February 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Lottery's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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To Management; Mr. Joseph Froehlich, Acting Commissioner,
the Bureau of State Lottery, State of Michigan;
and Mr. Doug Ringler, CPA, CIA,
Auditor General, State of Michigan
Bureau of State Lottery, State of Michigan

Purpose of this Report

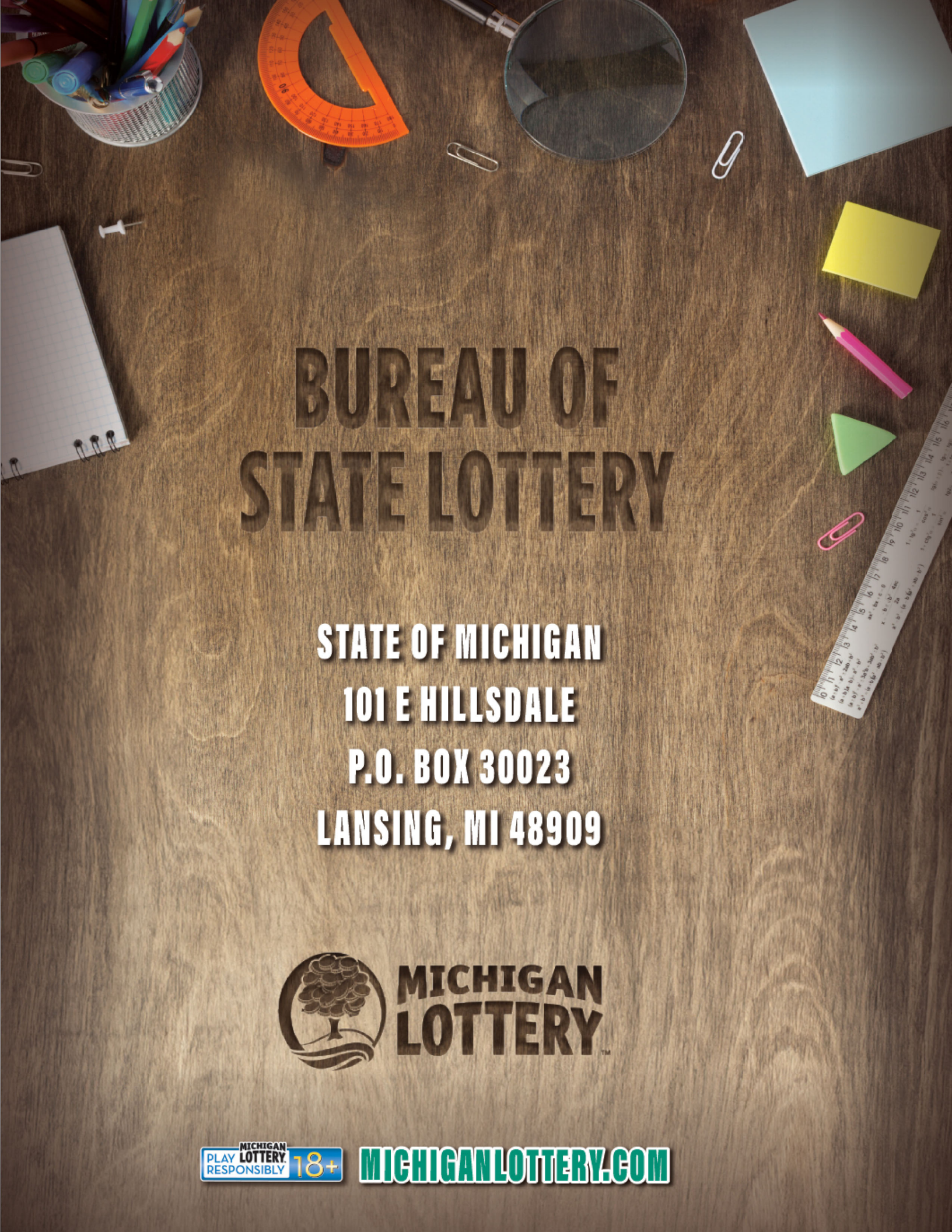
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

February 20, 2026



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BUREAU OF
STATE LOTTERY
STATE OF MICHIGAN
101 E HILLSDALE
P.O. BOX 30023
LANSING, MI 48909
MICHIGAN
LOTTERY
PLAY RESPONSIBLY
MICHIGAN LOTTERY
18+
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